



**FULL YEAR AND FOURTH QUARTER REPORT**

**Financial Statements and MD&A**

**December 31, 2021**

**Suite 1700 – 700 Pender Street**

**Vancouver, British Columbia V6C 1G8**

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



Consolidated Financial Statements  
**For the Years Ended December 31, 2021 and 2020**



## Independent auditor's report

To the Shareholders of Copper Mountain Mining Corporation

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### 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, 2021 and 2020, 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, 2021 and 2020;
- the consolidated statements of income and comprehensive income 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.

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### 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.

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### 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, 2021. These matters were 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matter	How our audit addressed the key audit matter
<p><b>Assessment of impairment indicators on property, plant and equipment (PP&amp;E)</b></p> <p><i>Refer to note 2c – Basis of preparation – Estimation uncertainty and accounting policy judgements, note 3f – Significant accounting policies – Property, plant and equipment and note 6 – Property, plant and equipment to the consolidated financial statements.</i></p> <p>The net book value of PP&amp;E, excluding exploration and evaluation assets, amounted to \$638 million as at December 31, 2021. Management assesses at each reporting period-end whether there is an indication that PP&amp;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. No impairment indicators were noted.</p> <p>We considered this a key audit matter due to (i) the significance of the PP&amp;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>Our approach to addressing the matter involved the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Evaluated management's assessment of indicators of impairment, which included the following:<ul style="list-style-type: none"><li>- Assessed the completeness of external or internal factors that could be considered indicators of impairment of the Company's PP&amp;E.</li><li>- Assessed whether there has been a significant decline in the Company's market capitalization, which may indicate a decline in value of the Company's net assets.</li><li>- Assessed the changes in quantity and grade of the recoverable reserves, commodity prices, capital and operating costs, foreign exchange and interest rates by considering external market data, current and past performance of the Company and evidence obtained in other areas of the audit, as applicable.</li></ul></li></ul>

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## 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.

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### **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.

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### **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 Patterson.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Vancouver, British Columbia  
February 11, 2022

# Copper Mountain Mining Corporation

## Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

	December 31, 2021 \$	December 31, 2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	171,902	85,571
Restricted cash (note 9)	6,512	-
Accounts receivable and prepaid expenses (note 4)	31,624	30,413
Inventory (note 5)	32,635	38,038
	242,673	154,022
<b>Reclamation bonds and security deposits</b> (note 10)	5,783	4,162
<b>Deferred tax assets</b> (note 18)	-	473
<b>Property, plant and equipment</b> (note 6)	710,583	552,648
<b>Low grade stockpile</b> (note 5)	64,879	64,836
	<b>1,023,918</b>	<b>776,141</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	60,482	44,400
Amounts payable to related parties (note 16)	-	3,644
Current portion of lease liabilities (note 8)	10,403	12,003
Current portion of long-term debt (note 9)	12,678	67,556
Taxes payable (note 18)	2,143	1,578
	85,706	129,181
<b>Provisions and other liabilities</b> (note 10)	23,961	18,371
<b>Due to related parties</b> (note 16)	-	145,918
<b>Lease liabilities</b> (note 8)	50,669	35,248
<b>Long-term debt</b> (note 9)	284,829	93,905
<b>Deferred tax liability</b> (note 18)	99,314	4,465
	544,479	427,088
<b>Equity</b>		
<b>Attributable to shareholders of the Company:</b>		
<b>Share capital</b> (note 11)	287,724	283,926
<b>Contributed surplus</b>	18,973	19,611
<b>Accumulated other comprehensive loss</b>	(3,929)	(520)
<b>Retained earnings (accumulated deficit)</b>	68,940	(35,153)
	371,708	267,864
<b>Non-controlling interest</b>	107,731	81,189
<b>Total equity</b>	479,439	349,053
	<b>1,023,918</b>	<b>776,141</b>

Approved on behalf of the Board of Directors

(signed) Gil Clausen \_\_\_\_\_ Director

(signed) Bruce Aunger \_\_\_\_\_ Director



# Copper Mountain Mining Corporation

## Consolidated Statements of Income and Comprehensive Income

For the Years Ended December 31, 2021 and 2020

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

	2021 \$	2020 \$
<b>Revenue</b> (note 13)	578,202	341,748
<b>Cost of sales</b> (note 14)	(257,320)	(237,105)
<b>Gross profit</b>	320,882	104,643
General and administration (note 14)	(14,680)	(8,476)
Share based compensation (note 12)	(16,993)	(5,568)
<b>Income from operations</b>	289,209	90,599
Finance income	177	632
Finance expense (note 15)	(31,577)	(14,221)
Loss on derivative	(3,368)	(1,021)
Foreign exchange (loss) gain	(3,161)	8,424
Loss on disposal of fixed assets	-	(2,867)
<b>Income before tax</b>	251,280	81,546
Current income and resource tax expense (note 18)	(7,803)	(1,022)
Deferred income and resource tax expense (note 18)	(95,338)	(30,260)
<b>Net Income</b>	<b>148,139</b>	<b>50,264</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that may be reclassified subsequently to net income</b>		
Foreign currency translation adjustment	(3,409)	3,638
<b>Total comprehensive income</b>	<b>144,730</b>	<b>53,902</b>
<b>Net income and comprehensive income attributable to:</b>		
Shareholders of the Company	104,093	35,363
Non-controlling interest	44,046	14,901
	<b>148,139</b>	<b>50,264</b>
<b>Earnings per share:</b>		
Basic	\$0.50	\$0.18
Diluted	\$0.48	\$0.18
<b>Weighted average shares outstanding, basic</b>	209,320,144	193,118,813
<b>Weighted average shares outstanding, diluted</b>	218,621,886	197,663,540
<b>Shares outstanding at end of the year</b>	210,363,573	207,653,732

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, 2021 and 2020

(In thousands of Canadian dollars)

	2021 \$	2020 \$
<b>Cash flows from operating activities</b>		
Net income for the year	148,139	50,264
Adjustments for:		
Depreciation	23,823	22,745
Loss on disposal of fixed assets	-	2,867
Unrealized foreign exchange loss (gain)	95	(8,755)
Loss on derivatives	3,368	1,021
Deferred income and resource tax expense	95,338	30,260
Finance expense	31,577	14,071
Share based compensation	16,993	5,568
	319,333	118,041
Net changes in working capital items (note 17)	(3,877)	3,569
<b>Net cash from operating activities</b>	<b>315,456</b>	<b>121,610</b>
<b>Cash flows from investing activities</b>		
Deferred stripping costs	(31,161)	(21,031)
Development of property, plant and equipment	(117,313)	(34,859)
Purchase of copper puts	(3,397)	-
Purchase of reclamation bonds and security deposits	(1,621)	(422)
<b>Net cash used in investing activities</b>	<b>(153,492)</b>	<b>(56,312)</b>
<b>Cash flows from financing activities</b>		
Proceeds on the issuance of common shares	1,931	16,518
Net proceeds from bond issuance	287,785	-
Contributions from related party	20,393	46,536
Repayment to related party	(150,815)	-
Payments made to non-controlling interest	(17,504)	(1,001)
Restricted cash	(6,512)	-
Loan principal payments	(160,293)	(56,299)
Interest paid	(36,351)	(9,902)
Lease payments	(14,029)	(6,866)
<b>Net cash used in financing activities</b>	<b>(75,395)</b>	<b>(11,014)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(238)</b>	<b>(839)</b>
Increase in cash and cash equivalents	86,331	53,445
<b>Cash and cash equivalents - Beginning of year</b>	<b>85,571</b>	<b>32,126</b>
<b>Cash and cash equivalents - End of year</b>	<b>171,902</b>	<b>85,571</b>
<b>Supplementary cash flow disclosures (note 17)</b>		

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, 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
<b>Balance December 31, 2020</b>	<b>207,653,732</b>	<b>283,926</b>	<b>19,611</b>	<b>(520)</b>	<b>(35,153)</b>	<b>267,864</b>	<b>81,189</b>	<b>349,053</b>
Balance January 1, 2021	207,653,732	283,926	19,611	(520)	(35,153)	267,864	81,189	349,053
RSUs and Options exercised	2,709,841	2,716	-	-	-	2,716	-	2,716
Fair value of options exercised	-	1,082	(1,082)	-	-	-	-	-
Share based compensation	-	-	444	-	-	444	-	444
Payments to non-controlling interests	-	-	-	-	-	-	(17,504)	(17,504)
Income for the year	-	-	-	-	104,093	104,093	44,046	148,139
Foreign currency translation	-	-	-	(3,409)	-	(3,409)	-	(3,409)
<b>Balance December 31, 2021</b>	<b>210,363,573</b>	<b>287,724</b>	<b>18,973</b>	<b>(3,929)</b>	<b>68,940</b>	<b>371,708</b>	<b>107,731</b>	<b>479,439</b>

# Copper Mountain Mining Corporation

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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## 1 General information

Copper Mountain Mining Corporation (“CMMC”, together with its subsidiaries “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.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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## 2 Basis of preparation

### 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 11, 2022, by the Board of Directors.

### b. Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its Canadian subsidiaries. The functional currencies of the Company's U.S. and Australian subsidiaries is the U.S. dollar and the Australian dollar respectively. Transactions in currencies other than the functional currency of an entity 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.

On translation of entities with functional currencies other than the Canadian dollar into Canadian dollars for presentation purposes, consolidated statement of income items are translated at average rates of exchange where this is a reasonable approximation of the exchange rate at the dates of the transactions. Consolidated asset and liability balances on the statement of financial position are translated at closing exchange rates as at the reporting date. Exchange differences arising on the translation of the foreign currency entities at closing rates, together with differences between consolidated statement of income translated at average and closing rates, are recorded in accumulated other comprehensive loss in equity.

### c. Estimation uncertainty and accounting policy judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions and accounting policy judgements that may 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 sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows:

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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### *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 settlement 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. Where inventory is to be processed more than one year in the future the estimate of net realizable value is based on a discounted cash flow projection. 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 net realizable value measurement involves discounting, any significant changes in the projected timing of processing of the stockpile could result in significant impairment charges or reversals.

### *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.

Areas of accounting policy judgment are as follows:

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

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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### *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.

### *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 the Company produces and on global financial markets. To date the operations of the Copper Mountain Mine have not been significantly impacted by COVID-19.

## **3 Significant Accounting Policies**

### **a. Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for amounts due from concentrate sales and 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. Certain comparative figures have been reclassified to conform with changes in the presentation of the current year.

### **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.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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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
Copper Mountain Mining Australia Pty Ltd.	Australia	100%	Consolidated	Australian dollar
Eva Copper Mine 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 income and comprehensive income. 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.

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 one of 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. Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

*Cash and cash equivalents and reclamation bonds*

Cash and cash equivalents comprise 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 presented separately from cash and cash equivalents.

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

*Accounts receivable*

Accounts receivables from concentrate sales vary based on the underlying commodity prices. Accounts receivables from concentrate sales are classified as fair value through profit or loss and are recorded at the fair value at each reporting period based on estimates of quoted commodity prices up to the date of final pricing. The changes in fair value of accounts receivables from concentrate sales 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.



# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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### *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

Product inventories comprise ore stockpiles, in process and concentrate inventories. 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. Low grade ore stockpiles not expected to be processed in the next twelve months, are included in non-current inventory.

Product inventories are valued at the lower of average cost and net realizable value. Ore stockpile 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 incurred for the respective stage of inventory. 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, and the inventory has not otherwise been sold, the amount of the write-down is reversed.

Consumable stores inventories are valued at the lower of weighted average cost and net realizable value. Cost of consumable stores 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 acquisition of mineral interests and the subsequent search for deposits with economic potential, detailed assessment of deposits or other projects that have been identified as having economic potential.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, exploration and evaluation assets are reclassified to mineral properties and mine development costs within property, plant and equipment and are carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, including: the extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 ("NI 43-101") have been identified through a feasibility study or similar document; the results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study; the status of environmental permits; and the status of mining leases or other development permits.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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Exploration and evaluation assets are tested for impairment immediately prior to reclassification to mineral property development costs.

### *Development*

Mineral property development costs are capitalized. Costs associated with the commissioning of new assets incurred in the period before they are capable of operating in the manner intended by management, are capitalized.

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 in 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 a cost of inventory, while stripping costs incurred relating to improved access to reserves and future development are capitalized to mineral properties 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 actual stripping ratio for a mining phase exceeds the average expected stripping ratio for that phase, the excess costs are capitalized as stripping activity assets.

Stripping activity assets are amortized on a unit of production basis over the proven and probable reserves 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.

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 complete. All other borrowing costs are recognized as interest expense in the statement of income in the period in which they are incurred.

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 2 to 28 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
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# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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

### *Impairment of property, plant and equipment*

Management assesses at each reporting period-end whether there is an indication that an item of 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 asset belongs. Cash-generating units are individual operating mines or exploration and development projects. The recoverable amount of an asset or cash generating unit 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 in value subsequently reverses, the carrying amount of the asset or cash generating unit 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.

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, 2021.

### 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) leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. Payments for those leases not recorded as a ROU asset and lease liability are recognized in the consolidated statement of income over the lease term.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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Each 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 on the same basis as owned assets of a similar nature. 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 the rate implicit in the lease 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 exercise price 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. These variable lease 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 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.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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### j. Revenue

Revenue consists of sales of copper concentrates. The Company's performance obligations relate primarily to the delivery of concentrate 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 the product is delivered to the customer, the Company has 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. The Company sells concentrate 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 the fair value of settlement receivables in subsequent periods based on movements in quoted commodity prices up to the date of final pricing. 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. Collection of billed amounts are based on payment terms agreed with the customer and generally result in prompt collection of invoices outstanding.

### k. Current and deferred income and resource taxes

Income tax expense comprises current and deferred taxes including B.C. Mineral 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.

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.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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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. For equity settled awards 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, performance share units and restricted shares units are accrued over the vesting period of the units based on the quoted market price. As these awards are or 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.

### 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 using 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.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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### 4 Accounts receivable and prepaid expenses

	2021	2020
	\$	\$
Amounts due from concentrate sales *	24,827	26,555
GST and other receivables	2,469	463
Prepaid expenses	4,328	3,395
	<b>31,624</b>	<b>30,413</b>

\* Amounts due from concentrate sales includes mark-to-market changes to provisional pricing on sales not finalized. See note 13.

### 5 Inventory

	2021	2020
	\$	\$
Supplies	13,325	14,980
Ore stockpile	12,484	8,842
Crushed ore stockpile	52	1,424
Copper concentrate	6,774	12,792
	<b>32,635</b>	<b>38,038</b>
Low grade stockpile <sup>1</sup>	<b>64,879</b>	<b>64,836</b>

Inventory expensed during the year ended December 31, 2021 totaled \$243,571 (2020 – \$225,024).

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

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

### 6 Property, plant and equipment

Cost	Plant and equipment \$	Exploration and evaluation assets \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2020	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
<b>As at December 31, 2020</b>	<b>617,085</b>	<b>64,159</b>	<b>280,449</b>	<b>961,693</b>
Additions	126,805	11,608	46,409	184,822
Restoration provision	-	-	3,660	3,660
Currency translation adjustment	(48)	(3,335)	-	(3,383)
<b>As at December 31, 2021</b>	<b>743,842</b>	<b>72,432</b>	<b>330,518</b>	<b>1,146,792</b>

  

Accumulated depreciation	Plant and equipment	Exploration and evaluation asset \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2020	(273,159)	-	(108,476)	(381,635)
Disposals	1,105	-	-	1,105
Depreciation charge	(22,222)	-	(6,293)	(28,515)
<b>As at December 31, 2020</b>	<b>(294,276)</b>	<b>-</b>	<b>(114,769)</b>	<b>(409,045)</b>
Depreciation charge	(19,748)	-	(7,416)	(27,164)
<b>As at December 31, 2021</b>	<b>(314,024)</b>	<b>-</b>	<b>(122,185)</b>	<b>(436,209)</b>

  

Net book value				
As at December 31, 2020	322,809	64,159	165,680	552,648
<b>As at December 31, 2021</b>	<b>429,818</b>	<b>72,432</b>	<b>208,333</b>	<b>710,583</b>

Plant and equipment includes right of use assets of \$80,691 (December 31, 2020 - \$52,565) with a net book value of \$71,549 at December 31, 2021 (December 31, 2020 - \$47,409) related primarily to mobile mining equipment.



# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

### 7 Accounts payable and accrued liabilities

	2021	2020
	\$	\$
Trade accounts payable	20,982	19,277
Accrued liabilities	28,852	20,408
Deferred Share Units liability (note 10)	2,024	582
Performance and Restricted Share Units liability (note 10)	8,624	4,133
	<b>60,482</b>	<b>44,400</b>

### 8 Lease liabilities

Lease liabilities relate primarily to mobile mining equipment and have monthly repayment terms between 36 and 84 months and with interest rates between 2.0% and 6.0%.

	2021	2020
	\$	\$
Lease liabilities	61,072	47,251
Less: current portion	(10,403)	(12,003)
Non-current portion	<b>50,669</b>	<b>35,248</b>

#### Gross lease liability and minimum lease payments

	2021	2020
	\$	\$
Within one year	14,814	14,739
Between two and four years	55,260	41,059
	70,074	55,798
Future interest	(9,002)	(8,547)
Present value of lease liability	<b>61,072</b>	<b>47,251</b>

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

### 9 Long-term debt

	December 31, 2021 \$	December 31, 2020 \$
Bonds (a) in US\$	234,664	-
Senior credit facility (b) in US\$	-	68,513
Term loan (c) in US\$	-	46,828
Total US\$ long term debt in US\$	234,664	115,341
Total US\$ long term debt in CA\$	297,507	146,852
Subordinated loan (d)	-	14,609
Total	297,507	161,461
Less: current portion	(12,678)	(67,556)
	<b>284,829</b>	<b>93,905</b>

#### a) Bonds

On April 9, 2021, the Company completed an offering of US\$250 million of secured bonds (“the Bonds”). The Bonds mature on April 9, 2026 and bear interest at an annual rate of 8.0%, payable semi-annually on April 9 and October 9. Semi-annual principal installments in the amount of US\$5 million are payable on each interest payment date. At December 31, 2021, the Company had deposited US\$5.1 million (\$6,512) into a debt service account to satisfy the next semi-annual principal installment and interest payment. The debt service account is presented on the statement of financial position as restricted cash. A semi-annual principal installment of US\$5 million and interest payment of US\$10 million was made on October 8, 2021.

The net bond proceeds of US\$237.6 million, after transaction costs of US\$12.4 million, were used to repay the remaining balance of the SCF (defined below), the remaining balance of the Term Loan (defined below), the subordinated loan and other related party debts due to MMC.

The Bonds are secured by a general security agreement on the assets of the Company. The Company may redeem all or part of the principal amount of the outstanding Bonds at any time from October 2023, at redemption prices ranging from 104% to 100%, plus accrued and unpaid interest to the date of redemption. The prepayment options are not closely related to the host debt instrument and are separately accounted for as embedded derivatives. At December 31, 2021, the value of the prepayment options was nominal.

As at December 31, 2021, the Bonds have a principal amount outstanding of \$310,611 (US\$245 million). The outstanding amount of \$297,507 is net of issue costs of \$13,104.

#### b) Senior credit facility

The Company had a senior credit facility (“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 carried a variable interest rate of LIBOR plus 2% and was scheduled to mature on June 15, 2023. The

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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SCF was repayable in twenty four semi-annual installments which commenced December 15, 2011, with 40% of the principal balance due in the final two years before maturity. The installments were payable on a fixed schedule, subject to mandatory prepayment based on cash flows relating to the Copper Mountain Mine.

On June 8, 2021, the remaining balance of \$84,268 (US\$69.7 million) of the SCF and accrued interest of \$956 was repaid. The early repayment of the SCF resulted in a loss on settlement of \$1,117, reflecting the write off of previously deferred financing costs.

### c) Term loan

In July 2010, the Company entered into a term loan ("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 carried a variable interest rate of LIBOR plus 0.551% and was to mature on February 15, 2022. The Term Loan was guaranteed by MMC in exchange for a fee of 0.2% per annum.

The Term Loan was unsecured and repayable in increasing installments every six months commencing February 2013. On August 16, 2021, the remaining balance of \$40,064 (US\$32 million) of the Term Loan and accrued interest of \$250 (US\$200) was repaid. The early repayment of the Term Loan resulted in a loss on settlement of \$1,104, reflecting the write off of previously deferred financing costs.

### d) Subordinated loan

In April 2010, the Company entered into a loan agreement with a subsidiary of MMC for \$9,600. The loan bore interest at a fixed rate of 4.8%. The loan principal and accumulated interest was scheduled to mature on June 30, 2023 and was pre-payable at any time without penalty. The loan and accumulated interest was subordinate to the SCF. On June 10, 2021, the balance of the subordinated loan of \$9,600 and accrued interest of \$5,196 was repaid.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

### 10 Provisions and other liabilities

	Decommissioning and restoration provision \$	Share-based payment obligations \$	Total \$
Balance, January 1, 2021	18,371	4,715	23,086
Share-based payment expense	-	16,550	16,550
Payments during the period		(8,765)	(8,765)
Changes in estimate costs and timing	3,660	-	3,660
Unwinding of discount on restoration provision	78	-	78
Balance, December 31, 2021	<b>22,109</b>	<b>12,500</b>	<b>34,609</b>
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 7)</i>	-	(10,648)	(10,648)
Total provision – Non-current	<b>22,109</b>	<b>1,852</b>	<b>23,961</b>
Balance, January 1, 2020	17,708	497	18,205
Share-based payment expense	-	4,218	4,218
Changes in estimated costs and timing	667	-	667
Unwinding of discount on restoration provision	(4)	-	(4)
Balance, December 31, 2020	<b>18,371</b>	<b>4,715</b>	<b>23,086</b>
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 7)</i>	-	(4,715)	(4,715)
Total provision – Non-current	<b>18,371</b>	<b>-</b>	<b>18,371</b>

The Company has a liability for remediation of current and past disturbances associated with mining activities at the Copper Mountain mine property. At December 31, 2021, the Company used an inflation rate of 2.00% (2020 – 1.5%) and a discount rate of 1.47% (2020 – 1.21%), based on inflation targets and Bank of Canada interest rates respectively, in calculating the estimated obligation. The decommissioning obligations will be accreted as a finance expense over the life of the mine. The liability for retirement and remediation on an undiscounted basis is \$20,307 (2020 - \$17,486). The expected timing of payment of the cash flows will occur in various stages to 2040.

The Company has on deposit \$4,302 (2020 - \$4,052) 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 (2020 - \$17,467) for total reclamation security of \$21,769.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

### 11 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.

### 12 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, 2021, the Company had 8,646,954 options outstanding as follows:

	Number of shares	Weighted average exercise price \$
Outstanding, 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
Outstanding, December 31, 2020	11,084,220	0.88
Exercised	(2,437,266)	0.80
Outstanding, December 31, 2021	<b>8,646,954</b>	<b>0.91</b>

As at December 31, 2021, the following options were outstanding and exercisable:

Exercise prices (\$)	Outstanding			Exercisable		
	Number of options	Weighted average exercise price (\$)	Weighted average remaining life (years)	Number of options	Weighted average exercise price (\$)	Weighted average remaining life (years)
\$0.58 - \$1.00	3,545,928	0.61	3.06	1,910,464	0.64	2.97
\$1.02 - \$1.07	2,831,026	1.04	1.94	2,373,270	1.04	1.88
\$1.14 - \$1.28	2,270,000	1.21	1.17	2,270,000	1.21	1.17
	<b>8,646,954</b>	<b>\$ 0.91</b>	<b>2.19</b>	<b>6,553,734</b>	<b>\$ 0.98</b>	<b>1.95</b>

During the year ended December 31, 2021, the stock based compensation expense in respect of stock options vesting was \$443 (2020 – \$1,257) with a weighted average grant-date fair value of \$0.54 (2020 – \$0.54) per option. The fair values of the stock options granted were estimated on the grant date using the Black-Scholes

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

option pricing model. Volatility was determined using a historical daily volatility over the expected life of the options.

No stock options were granted during the year ended December 31, 2021. Weighted average assumptions used in calculating the fair value of options granted during year ended December 31, 2020 are as follows:

	<b>December 31, 2020</b>
Risk free interest rate	1.19%
Expected dividend yield	Nil
Expected share price volatility	63.6%
Expected forfeiture rate	3.3%
Expected life	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 a Deferred Share Unit (“DSU”) Plan, Restricted Share Unit (“RSU”) Plan and Performance Share Unit (“PSU”) Plan. DSUs and PSUs are cash settled while RSUs may be settled in cash or shares of the Company at the discretion of the Company. All of the DSUs, PSUs and RSUs are accounted for as cash settled awards. 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 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 10). The fair value of the units at each reporting period is the number of units vested multiplied by the quoted market value of a common share of the Company at the reporting date.

The continuity of units granted and outstanding under the share-based compensation plans is as follows:

	<b>DSUs</b>	<b>RSUs</b>	<b>PSUs</b>
Outstanding, January 1, 2020	546,016	977,021	937,021
Granted	372,414	1,612,753	1,612,753
Forfeited	-	(32,318)	(36,624)
Expired	(117,256)	-	-
Settled	(260,877)	(44,306)	-
Outstanding, December 31, 2020	<b>540,297</b>	<b>2,513,150</b>	<b>2,513,150</b>
Granted	374,009	948,697	623,393
Forfeited	(35,294)	-	(308,035)
Expired	-	-	-
Settled	(287,196)	(469,242)	(837,716)
Outstanding, December 31, 2021	<b>591,816</b>	<b>2,992,605</b>	<b>1,990,792</b>

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

During the year ended December 31, 2021, the Company recorded share-based compensation of \$16,550 (2020 - \$4,311) related to DSUs, RSUs and PSUs.

During the year ended December 31, 2021, the total fair value of DSUs, RSUs and PSUs granted was \$4,798 (2020 - \$2,087) with a weighted average grant date fair value of \$2.47 (2020 - \$0.58) per unit.

c. Basic and diluted weighted average number of shares outstanding

	2021	2020
Weighted average shares outstanding – basic	209,320,144	193,118,813
Dilutive securities		
Stock options	6,309,137	2,027,271
Restricted share units	2,992,605	2,517,456
Weighted average shares outstanding – diluted	218,621,886	197,663,540

### 13 Revenue

	2021 \$	2020 \$
Copper in concentrate	515,409	285,513
Gold in concentrate	67,275	67,469
Silver in concentrate	16,660	9,488
Treatment and refining charges	(21,142)	(20,722)
Revenue from sale of copper concentrate	578,202	341,748

Revenue for the year ended December 31, 2021 included mark-to-market and final adjustments from provisional pricing on concentrate sales of \$47,243 (2020 – \$30,227).

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

	2021 \$	2020 \$
Copper in concentrate	2,888	11,158
Gold in concentrate	816	559
Silver in concentrate	(152)	273
	3,552	11,990

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

### 14 Expenses by nature

	2021 \$	2020 \$
Direct mining and milling costs	163,735	159,315
Employee compensation and benefits	56,299	43,007
Depreciation	23,537	22,701
Transportation costs	13,749	12,082
<b>Cost of sales</b>	<b>257,320</b>	<b>237,105</b>
General and administration:		
Corporate employee compensation and benefits	6,070	3,633
Corporate and mine site administrative expenses	8,610	4,844
	14,680	8,477
	<b>272,000</b>	<b>245,582</b>

The Company received \$6.1 million in Canada Emergency Wage Subsidy during the year ended December 31, 2020. 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.

### 15 Finance expense

	2021 \$	2020 \$
Interest on loans	26,129	12,591
Amortization of loan financing fees	5,330	1,468
Loan guarantee fee	40	166
Unwinding of discount on restoration provision	78	(4)
	<b>31,577</b>	<b>14,221</b>

### 16 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, 2021, the Company sold copper concentrates under the provision of a long-term contract with MMC for revenues totalling \$578,202 (2020 – \$341,748) including pricing adjustments.
- During the year ended December 31, 2021, the Company accrued interest on the subordinated loan with MMC totalling \$203 (2020 - \$476). The subordinated loan and accrued interest was repaid on June 9, 2021.



# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

- c. During the year ended December 31, 2021, the Company accrued to MMC a guarantee fee related to the Term Loan of \$45 (2020 - \$156). The cumulative amount of guarantee fees payable of \$3,514 was settled on June 9, 2021.
- d. The Company received aggregate funding advances from MMC totalling \$154,117 (as at December 31, 2020 - \$137,945). These advances bore interest at rates from 2.88% to 4.80% with total interest during the year ended December 31, 2021 of \$1,879 (2020 - \$3,618). The cumulative funding advances of \$154,117 and related accumulated interest was repaid on June 8, 2021.
- e. Compensation of key management:

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

	2021	2020
	\$	\$
Salaries, bonuses and short-term employee benefits	7,002	2,489
Share based compensation	12,367	4,343
	<b>19,369</b>	<b>6,832</b>

## 17 Supplementary cash flow disclosure

- a. As at December 31, 2021, cash and cash equivalents consists of guaranteed investment certificates of \$1,457 (2020 - \$81) and \$170,445 in cash (2020 - \$85,490) held in bank accounts.
- b. A reconciliation of net changes in working capital items is as follows:

	2021	2020
	\$	\$
Change in accounts receivable and prepaid expenses	(1,209)	(3,022)
Change in inventory	4,085	7,544
Change in tax liability	565	392
Change in accounts payable and accrued liabilities	(7,318)	(1,345)
	<b>(3,877)</b>	<b>3,569</b>

- c. The significant non-cash financing and investing transactions during the year ended December 31 are as follows:

	2021	2020
	\$	\$
Increase (decrease) in accounts payable related to plant and equipment	8,694	(1,521)
Addition of plant and equipment through leases	(27,467)	(2,884)

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

- d. During the year ended December 31, 2021, the Company paid B.C. Mineral tax of \$3,850 (2020 - \$400) and income tax of \$1,498.

### 18 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, 2021 and 2020 at a rate of 27.00%.

Income tax expense comprises current and deferred tax. BC mineral taxes, which are based on a measure of income from mining operations, 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 and comprehensive income as follows:

	2021 \$	2020 \$
Earnings before income taxes	251,280	81,546
Statutory tax rate	27.00%	27.00%
Income tax expense	67,846	22,017
Increase (decrease) due to:		
Non-deductible expenses and other	4,829	3,244
BC mineral tax	29,648	7,370
Non-taxable (deductible) portion of loss	77	(825)
Taxable income (loss) allocated to non-controlling interest	(860)	(328)
Losses and temporary differences for which no tax benefit has been recorded	1,492	375
Use of losses and temporary differences for which no tax benefit has previously been recorded	109	(698)
Income tax expense	<b>103,141</b>	<b>31,155</b>
Income tax expense (recovery) consists of:		
Deferred income tax expense	95,338	30,259
Current income (recovery) tax	1,498	(1,169)
Current BC mineral tax	6,305	2,065
	<b>103,141</b>	<b>31,155</b>

- a. Deferred income tax assets and liabilities 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 liability at December 31, 2021 and 2020 are as follows:

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

	2021 \$	2020 \$
Non-capital losses	6,898	52,221
Capital leases	22,045	14,918
Decommissioning and restoration provision	8,068	6,704
Investment tax credits	4,645	4,645
Mineral tax credits	11,585	11,123
Property, plant and equipment expenditures	(143,121)	(83,181)
Debt issue costs	-	(491)
Inventory	(9,131)	(9,606)
Unrealized foreign exchange gain	(303)	(325)
Deferred tax liability	-	-
Net deferred tax (liability) asset	<b>(99,314)</b>	<b>(3,992)</b>

The significant components of the Company's unrecognized deferred income tax assets at December 31, 2021 and 2020 are as follows:

	2021 \$	2020 \$
Deferred income tax assets		
Non-capital loss carry-forward	16,701	14,515
Share issue costs	217	-
Unrealized foreign exchange loss	1,623	7,629
Capital losses	8,644	2,657
	<b>27,185</b>	<b>24,801</b>

- b. As at December 31, 2021 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:

	2021 \$	2020 \$
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
	<b>6,060</b>	<b>6,060</b>

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

As at December 31, 2021, 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:

	Canada	Australia
2034	60	-
2039	24,360	-
2041	6,084	-
No Expiry	-	50,378
	<b>30,504</b>	<b>50,378</b>

## 19 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.

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2021 and 2020.

	2021 \$	2020 \$
<b>Financial assets</b>		
<i>Financial assets at amortized cost</i>		
Cash and cash equivalents	171,902	85,571
Reclamation bonds and security deposits	5,783	4,162
<i>Financial assets at fair value through profit and loss</i>		
Amounts due from concentrate sales (note 4)	24,827	26,555
<b>Financial liabilities</b>		
<i>Financial liabilities at amortized cost</i>		
Accounts payable (note 7)	20,982	19,277
Debt (note 9)	297,507	161,461
Lease liabilities (note 8)	61,072	47,251

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

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

- Amounts due from concentrate sales. Copper concentrate is sold under pricing arrangements where final prices are set at a specified future date based primarily on market copper prices. Amounts due from concentrate sales are recorded at fair value. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices give rise to changes in fair value which are recognized as a component of revenue.
- Long-term debt. The Company's Bonds carry a fixed rate of interest. During 2020 and 2021, the Company had amounts owing on the SCF and Term Loan with interest based on specified benchmark interest rates plus a spread (see note 9).
- Interest rate swaps liability. The Company's derivative liabilities related to interest rate swap contracts were fully settled in 2020. The fair values of interest rate swaps were 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 were 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.

### 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 fair value of the Bonds is \$324,899 and the carrying value is \$297,507 at December 31, 2021.

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, 2021:

	Level 1	Level 2	Level 3	Total fair value
	\$	\$	\$	\$
<b>Financial assets</b>				
Amounts due from concentrate sales (note 4)	-	24,827	-	24,827

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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### Financial instrument 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.

#### 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's commodity price risk related to accounts receivable concerns changes in fair value of amounts due from concentrate sales 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, 2021 prices.

The impact of a 10% movement in commodity prices on provisionally priced metal sales as at December 31, 2021 is as follows:

	Impact of price change on net earnings	
	10% increase	10% decrease
	\$	\$
<b>Accounts receivable</b>		
Amounts due from concentrate sales	24,827	(24,827)

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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As at December 31, 2021, the Company had receivables related to approximately 35.5 million pounds of copper, 12,149 ounces of gold and 202,213 ounces of silver that was provisionally priced at US\$4.37 per pound, US\$1,701 per ounce and US\$21.40 per ounce, respectively, to be settled at a future date. See note 23.

### *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 borrowings. The floating rate deposits expose the Company to cash flow interest rate risk. Fixed rate borrowings expose the company to fair value interest rate risk.

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.

Prior to the settlement of the SCF, the Company had floating-to-fixed interest rate swaps covering 32% of the Company's floating rate debt at a fixed rate of 3.565% per annum. The final maturity of the swaps was on December 15, 2020. The Company's Bonds have a fixed interest rate; accordingly, the Company is subject to fair value interest rate risk, but not cash flow interest rate risk, on this instrument.

At December 31, 2021 the impact on full year net earnings of a 1% change in interest rate would be as follows:

	<b>Impact of interest rate change on net earnings</b>	
	<b>1% increase</b>	<b>1% decrease</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	867	(867)

### *Currency risk*

The Company incurs expenditures in Canadian, Australian and US dollars. The measurement and functional currency of the parent company is Canadian dollars. Foreign exchange risk arises because the amount of the Australian and US dollar cash and cash equivalents, receivables, 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, 2021 would result in a \$44,434 (2020 - \$21,459) decrease or increase in net income.

# Copper Mountain Mining Corporation

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

### *Liquidity risk*

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

	2021 \$	2020 \$
Cash and cash equivalents	171,902	85,571
Working capital	156,967	24,841

Maturity analysis of financial liabilities as at December 31, 2021 is as follows:

	Total \$	< 1 year \$	2-3 years \$	4-5 years \$	Thereafter \$
Long-term debt	297,507	12,678	25,356	259,473	-
Lease obligations	61,072	13,316	24,571	18,873	4,312
Decommissioning & restoration provision	22,109	-	-	-	22,109
Trade accounts payable	20,982	20,982	-	-	-
	401,670	46,976	49,927	278,346	26,421

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by holding sufficient cash and scheduling long-term obligations based on estimated cash flows.

## 20 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, 2021. 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, 2021 and 2020

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

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### 21 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.

Geographic information as follows:

	December 31, 2021	December 31, 2020
Assets by geographic region, at cost		
Canada		
Current assets	240,404	153,066
Non-current assets	716,744	566,654
	<u>957,148</u>	<u>719,720</u>
Australia		
Current assets	2,269	956
Non-current assets	64,501	55,465
	<u>66,770</u>	<u>56,421</u>

The Company sells all of its copper concentrates to MMC smelters in Japan based on quoted market prices of contained metals. During the year ended December 31, 2021 revenues attributed to the sale of copper concentrate to MMC totaled \$578,202 (2020 - \$341,748).

### 22 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, 2021, the Company met this shipping tonnage requirement.

### 23 Subsequent Event

Subsequent to year end, zero-cost collar options were purchased for 3.3 million pounds of copper per month through 2022 with a floor price of US\$4.00 per pound and an average ceiling price of US\$4.91 per pound.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF COPPER MOUNTAIN MINING CORPORATION FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021 and 2020 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 11, 2022.

### **About Copper Mountain**

Copper Mountain is a Canadian mining company focused on the development and production of base and precious metals. 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 owns the development-ready Eva Copper Project in Queensland, Australia and an extensive 210,000 hectare highly prospective land package, also in the Mount Isa area of Queensland, Australia. Copper Mountain trades on the Toronto Stock Exchange under the symbol "CMMC" and Australian Stock Exchange under the symbol "C6C". For further information on Copper Mountain, reference should be made to its public filings (including its most recently filed annual information form ("AIF")) which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also available on the Company's website at [www.cumtn.com](http://www.cumtn.com).

### **Cautionary Statement on Forward-Looking Information**

This MD&A contains certain statements that may be deemed "forward-looking statements." All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities, and events or developments that the Company expects to occur, are

forward-looking statements. Future estimates regarding production, capital and operating costs are based on NI 43-101 Technical Reports and on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "targets" and similar expressions, or that events or conditions "will", "would", "may", "could", or "should" occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, but are not limited to: general business, economic, competitive, political and social uncertainties; 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, material and labour shortages, and other risks of the mining industry, including but not limited reserve and resource shortages, environmental hazards, cave-ins, rock bursts, pit-wall failures, flooding, extreme weather events, including those related to climate change and other acts of God or unfavorable operating conditions and losses; global economic events arising from the coronavirus (COVID-19) pandemic; 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 the Company's publicly traded securities; and the factors discussed in the section entitled "Risk Factors" in the Company's AIF and in the Company's continuous disclosure filings available under its profile on SEDAR at [www.sedar.com](http://www.sedar.com). Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

## TABLE OF CONTENTS

OVERVIEW .....	4
HIGHLIGHTS .....	4
OPERATIONS REVIEW .....	6
PROJECT DEVELOPMENT UPDATE .....	10
EXPLORATION UPDATE .....	10
FINANCIAL REVIEW .....	12
SELECTED QUARTERLY FINANCIAL INFORMATION .....	16
LIQUIDITY AND CAPITAL RESOURCES .....	17
OFF-BALANCE SHEET ARRANGEMENTS .....	20
RELATED PARTY TRANSACTIONS .....	20
ACCOUNTING POLICIES AND ESTIMATES .....	21
NON-GAAP PERFORMANCE MEASURES .....	21
DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING .....	25
RISKS AND UNCERTAINTIES .....	26

## OVERVIEW

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

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

The mine is a conventional open pit, truck and shovel operation. The mill consists of one SAG mill, three ball mills, a rougher flotation circuit, regrind mill, a cleaner flotation circuit, a concentrate thickener, and a pressure filter. The mill throughput is approximately 16.4 million tonnes per year. Copper concentrate from the mine is trucked to the Port of Vancouver where it is placed in a storage shed for loading onto ocean going vessels for transportation to Japan.

The Company also owns 100% of the Eva Copper Project, a development-ready copper-gold project in Queensland, Australia and an extensive 210,000 hectare highly prospective land package within the Mount Isa area.

## HIGHLIGHTS

- Sales in Q4 2021 were 19.4 million pounds of copper, 6,285 ounces of gold, and 108,020 ounces of silver, bringing sales for the year to 93 million pounds of copper, 29,691 ounces of gold, and 533,096 ounces of silver.
- Production in Q4 2021 was 16.7 million pounds of copper, 5,472 ounces of gold, and 80,377 ounces of silver.
- Full year 2021 production was 90.1 million pounds of copper, 28,736 ounces of gold, and 523,821 ounces of silver, achieving the Company’s upward revised 2021 copper production guidance range.
- C1 cash cost <sup>(1)</sup> per pound of copper produced in Q4 2021 was US\$2.17, all-in sustaining cost (“AISC”) <sup>(1)</sup> per pound of copper was US\$2.54, and all-in cost (“AIC”) <sup>(1)</sup> per pound of copper was US\$2.76.
- Full year 2021 C1 cash cost <sup>(1)</sup> per pound of copper produced was US\$1.49, AISC <sup>(1)</sup> per pound of copper was US\$1.84, and AIC <sup>(1)</sup> per pound of copper was US\$2.12.
- Revenue for Q4 2021 was \$136.8 million and for the full year was \$578.2 million.
- Net income for Q4 2021 was \$31.5 million, or \$0.11 on a per-share basis and for the full year was \$148.1 million, or \$1.50 on a per-share basis.
- Cash flow from operations for Q4 2021 was \$50.4 million, or \$0.24 on a per-share basis<sup>(1)</sup>, and for the full year was \$315.5 million, or \$1.50 on a per-share basis<sup>(1)</sup>.
- Cash, cash equivalents and restricted cash at the end of 2021 was \$178.4 million.

- The third ball mill at the Copper Mountain Mine was commissioned in Q4 2021, increasing plant milling capacity to 45,000 tonnes per day from 40,000 tonnes per day.
- Exploration success continued with the Company extending mineralization to depth and to the west at New Ingerbelle and extended three major mineralized zones at Cameron Copper.
- Construction plan for the Eva Copper Project was approved, contingent on advancing detailed engineering to 80%, the lifting of COVID-19 restrictions in Queensland and obtaining committed project financing, and the Company updated capital and operating costs, confirming positive economics.
- 2021 sustainability targets were met or exceeded, achieving at least an “A” or “Yes” rating on each of the Mining Association of Canada’s Towards Sustainable Mining protocols.
- Subsequent to year-end, zero-cost collar options were purchased for 3.3 million pounds of copper per month through 2022 with a floor price of US\$4.00 per pound and an average ceiling price of US\$4.91 per pound.
- Annual guidance for 2022:
  - Production of 80 to 90 million pounds of copper in 2022 and 90 to 105 million pounds of copper in 2023.
  - AIC of US \$2.00 to US \$2.50 per pound of copper in 2022.

(1) The Company reports the non-GAAP financial measures of C1 cash costs, AISC and AIC per pound of copper produced and cash flow from operations per share to manage and evaluate its operating performance. See “Cautionary Note Regarding Non-GAAP Performance Measures” in this MD&A.

Results and Highlights (100%)	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
(In thousands of CDN\$, except for per share amounts)				
<b>Financial</b>				
Revenue	136,755	106,103	578,202	341,748
Gross profit	72,175	47,314	320,882	104,643
Gross profit before depreciation <sup>(1)</sup>	74,441	52,872	344,419	127,344
Net income	31,535	28,540	148,139	50,264
Income per share – basic	0.11	0.10	0.50	0.18
Adjusted earnings <sup>(1)</sup>	23,293	5,502	130,262	20,569
Adjusted earnings per share – basic <sup>(1)</sup>	0.11	0.03	0.62	0.11
EBITDA <sup>(1)</sup>	67,724	57,205	306,217	117,836
Adjusted EBITDA <sup>(1)</sup>	59,482	34,167	288,340	88,141
Cash flow from operations	50,420	50,990	315,456	121,610
Cash flow from operations per share – basic <sup>(1)</sup>	0.24	0.26	1.50	0.63
Cash and cash equivalents – end of period			171,902	85,571
<b>Production</b>				
Copper Equivalent (000s lb)	19,330	29,099	105,676	98,616
Copper (000s lb)	16,693	23,053	90,140	77,551
Gold (oz)	5,472	8,959	28,736	29,227
Silver (oz)	80,377	144,934	523,821	392,494
<b>Unit costs and prices</b>				
C1 cash cost per pound of copper produced (US\$(net)) <sup>(1)</sup>	2.17	1.43	1.49	1.53
AISC per pound of copper produced (US\$) <sup>(1)</sup>	2.54	1.58	1.84	1.69
AIC per pound of copper produced (US\$) <sup>(1)</sup>	2.76	1.82	2.12	1.90

Average realized copper price (US\$/lb)	4.44	3.35	4.21	2.84
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<sup>(1)</sup> Non-GAAP performance measure. See “Non-GAAP Performance Measures” in this MD&A for details.

## OPERATIONS REVIEW

### Mine Production Information

Copper Mountain Mine (100% Basis)	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2021 Annual	2020 Annual	2019 Annual
<b>Mine</b>								
Total tonnes mined (000s)	11,368	14,483	15,674	15,372	15,499	56,897	55,045	62,129
Ore tonnes mined (000s)	3,023	3,053	3,854	3,428	3,785	13,358	14,173	12,496
Waste tonnes (000s)	8,346	11,430	11,820	11,944	11,713	43,540	40,872	49,633
Stripping ratio	2.76	3.74	3.07	3.48	3.09	3.26	2.88	3.97
<b>Mill</b>								
Tonnes milled (000s)	3,124	3,417	3,435	3,430	3,408	13,406	14,336	14,643
Feed Grade (Cu%)	0.30	0.37	0.42	0.42	0.40	0.38	0.32	0.29
Recovery (%)	80.4	79.7	79.4	80.2	77.3	79.8	78.0	77.8
Operating time (%)	87.5	92.2	94.1	93.9	94.1	91.9	92.4	93.2
Tonnes milled (TPD)	33,957	37,141	37,747	38,111	37,043	36,729	39,169	40,118
<b>Production</b>								
Copper (000s lb)	16,693	22,406	25,515	25,526	23,053	90,140	77,551	71,950
Gold (oz)	5,472	7,449	7,627	8,187	8,959	28,736	29,227	26,747
Silver (oz)	80,377	134,987	147,973	160,484	144,934	523,821	392,494	271,835
<b>Sales</b>								
Copper (000s lb)	19,391	24,416	21,696	27,501	18,712	93,004	73,277	71,898
Gold (oz)	6,285	8,308	6,545	8,553	7,253	29,691	26,137	26,478
Silver (oz)	108,020	142,128	121,291	161,657	96,509	533,096	323,276	254,541
C1 cash cost per pound of copper produced (US\$) <sup>(1)</sup>	2.17	1.50	1.38	1.15	1.43	1.49	1.53	1.92
AISC per pound of copper produced (US\$) <sup>(1)</sup>	2.54	1.77	1.83	1.46	1.58	1.84	1.69	2.06
AIC per pound of copper produced (US\$) <sup>(1)</sup>	2.76	2.17	2.06	1.71	1.82	2.12	1.90	2.44

<sup>(1)</sup> Non-GAAP performance measure. See “Non-GAAP Performance Measures” in this MD&A for details.

### Operation Results – Three Months Ended December 31, 2021

#### Production

The Copper Mountain Mine produced 16.7 million pounds of copper, 5,472 ounces of gold, and 80,377 ounces of silver in Q4 2021, as compared to 23.1 million pounds of copper, 8,959 ounces of gold, and 144,934 ounces of silver in Q4 2020. Lower production in the quarter was due to lower grades and reduced mill throughput in the quarter. The average mill feed grade was 0.30% Cu during Q4 2021, as compared to average feed grade of 0.40% Cu in Q4 2020. This was due to ore being mined predominantly from the lower grade Phase 2 area for most of the quarter. This was planned for the commissioning of Ball Mill 3, however, the severe weather that brought significant flooding and then immediately after extreme cold temperatures to the area prevented the mine from accessing higher-grade ore from Phase 3 of the Main Pit later in the quarter. This severe cold weather also created more difficult operating conditions, including frozen bins and conveyor belt rips due to frost chunks in feeders, particularly for the feeder belt to the SAG mill.

The mill processed a total of 3.1 million tonnes of ore during the quarter as compared to 3.4 million tonnes in Q4 2020. Lower throughput was mainly a result of commissioning Ball Mill 3, severe weather in the quarter, and damage to the secondary crusher's main shaft, shaft assembly and bushing in the second half of November. The main shaft was temporarily weld repaired by early December, but the temporary nature of the fix required the Company to reduce crushing power to sustain operation, thereby increasing the crusher product size of the ore feed going to the SAG mill, which resulted in lower SAG throughput. A new main shaft is expected to be installed in April 2022 at a cost of approximately \$0.8 million. Mill throughput is therefore expected to remain at reduced levels of 35,000 to 38,000 TPD through to mid Q2 2022. Copper recovery was 80.4% in Q4 2021 as compared to 77.3% in Q4 2020. Mill availability averaged 87.5% for Q4 2021 as compared to 94.1% in Q4 2020.

The Company continues to advance the plant improvement and optimization projects currently underway at the mine. Both the installation of additional cleaner circuit capacity to support maximizing recovery on slower kinetic ore types and the installation of additional filtration capacity are expected to be completed during the first half of 2022. An expansion of the rougher flotation circuit commenced in Q4 2021 to further enhance rougher recovery and construction is planned to be completed by the end of Q2 2022. With the completion of these projects, the replacement of the new main shaft for the secondary crusher, and as Copper Mountain begins to mine higher grade ore from the Phase 4 area, production is expected to be higher in the second half of 2022.

To date there have been no material interruptions to the Company's operations, logistics and supply chains due to the COVID-19 pandemic. However, the severe flooding and extreme cold temperatures affected normal supplier material flow during the quarter. Operations were modestly impacted as staff and employees assisted the Town of Princeton and its residents respond to the major flooding event in town and the surrounding area.

### Costs

C1 cash cost per pound of copper produced, net of precious metal credits, for Q4 2021 was US\$2.17, as compared to US\$1.43 in Q4 2020. The increase in cost per pound in Q4 2021 was primarily a result of lower production during the quarter as well as slightly higher operating costs.

AISC per pound of copper produced for Q4 2021 was US\$2.54, as compared to US\$1.58 in Q4 2020. AISC carries forward from C1 cash costs with the addition of \$7.7 million in sustaining capital, lease and applicable administration expenditures in Q4 2021 as compared to \$4.7 million in Q4 2020. The increase is primarily due to higher sustaining capital of \$4.9 million in Q4 2021 as compared to sustaining capital of \$2.2 million in Q4 2020 as the Company completed the installation of additional new contact water management systems.

AIC per pound of copper produced for Q4 2021 was US\$2.76, as compared to US\$1.82 in Q4 2020. AIC carries forward from AISC with the addition of \$4.7 million in deferred stripping as compared to \$7.2 million deferred stripping in Q4 2020. Deferred stripping costs in Q4 2021 were from regular development activities as the



Company continued to advance development of the Phase 4 pushback of the Copper Mountain Main Pit, which will continue into the first half of 2022.

## Operation Results – Full Year 2021

### Production

During the year ended December 31, 2021, the Copper Mountain Mine produced 90.1 million pounds of copper, 28,736 ounces of gold, and 523,821 ounces of silver compared to 77.6 million pounds of copper, 29,227 ounces of gold, and 392,494 ounces of silver for the year ended 2020. The Company achieved its 2021 copper production guidance range of 90 to 100 million pounds of copper, which was increased within the year. Higher mill feed grades are the primary driver of significantly higher production for the 2021 year as compared to 2020. Average mill feed grade was 0.38% Cu during the year ended December 31, 2021, compared to average feed grade of 0.32% Cu for the year ended 2020.

Copper recovery was 79.8% for the year ended December 31, 2021 as compared to 78.0% for the year ended 2020. The mill processed a total of 13.4 million tonnes of ore for the year ended December 31, 2021 as compared to 14.3 million tonnes for the year ended December 31, 2020. Mill tonnage was intentionally reduced in 2021 to manage the volume of copper concentrate being produced and to maintain recovery while processing the higher head grade of Phase 3 ore. Also contributing to slightly lower mill tonnage was the commissioning of Ball Mill 3 and the maintenance issue with the secondary crusher in the fourth quarter of 2021. The Company is advancing the installation of additional cleaner and filtration capacity to maintain full throughput during periods of high-grade production. These projects are expected to be completed in the first half of 2022. The Company is also advancing additional rougher flotation capacity to maintain high recovery with slower kinetic ores. The rougher flotation expansion project is estimated for completion by mid year. Mill availability averaged 91.9% for the year ended December 31, 2021 as compared to 92.4% for the year ended December 31, 2020.

### Costs

C1 cash cost per pound of copper produced, net of precious metals credits, for the year ended December 31, 2021 was US\$1.49, as compared to US\$1.53 for the year ended December 31, 2020. The decrease in cost per pound in 2021 was due to higher production and larger by-product credits for the gold and silver produced as compared to 2020. Higher by-product credits were due to greater silver production and higher metal prices in 2021 as compared to 2020. The decrease is also due to \$31.2 million in deferred stripping costs capitalized in 2021, compared to \$21.0 million that were capitalized in 2020.

AISC per pound of copper produced for the year ended December 31, 2021 was US\$1.84 and was higher than AISC for the year ended December 31, 2020 of US\$1.69. AISC carries forward from C1 cash cost with the addition of \$39.6 million in sustaining capital, lease and applicable administration expenditures in the year as compared to \$16.6 million for the year ended December 31, 2020. The increase is largely due to higher sustaining capital of \$23.0 million and lease payments of \$14.0 million in 2021 as compared to \$7.1 million and \$6.9 million, respectively, in 2020. Higher lease costs were a result of four new haul truck leases contracted in the first half of 2021, in addition to four new haul truck leases entered into in late 2020. All of the new trucks are electric Trolley Assist capable.

Total AIC per pound of copper produced for the year ended December 31, 2021 was US\$2.12 as compared to US\$1.90 for the year ended December 31, 2020. AIC carries forward from AISC with the addition of \$31.2 million in deferred stripping as compared to \$21.0 million for the year ended December 31, 2020. No low-grade stockpile mining costs were incurred for the year ended December 31, 2021 as compared to \$0.3 million of low-grade stockpile costs for the year ended December 31, 2020.

## OUTLOOK

### Production Guidance

Copper production in 2022 is expected to be in the range of 80 to 90 million pounds, as the Company focuses on advancing Phase 4 of the Copper Mountain Main Pit and North Pit development. The Company expects production to be stronger in the second half of 2022 and into 2023 due to higher head grades, the commissioning of the mill improvement projects and the installation of the new main shaft for the secondary crusher scheduled for April of 2022. The secondary crusher issues will result in tonnage reductions through to mid Q2 2022. The Company expects 2023 production to increase to between 90 million and 105 million pounds of copper.

Gold production is expected to be approximately 18,000 to 25,000 ounces in 2022, and silver production is expected to be approximately 315,000 to 335,000 ounces in 2022.

### Cost Guidance

The Company expects 2022 AIC to be between US\$2.00 and US\$2.50 per pound of copper. The range for costs is higher and wider compared to 2021 due to inflationary pressures as well as uncertainties surrounding COVID-19 and its continued impacts on labour and the supply chain. AIC includes sustaining capital, lease payments and applicable administration, in addition to deferred stripping and low-grade stockpile inventory expense. Sustaining capital in 2022 is expected to be approximately US\$10 million and deferred stripping is expected to be approximately US\$27 million.

Total growth or expansionary capital in 2022 is expected to be approximately US\$60 million. The majority of the growth capital is primarily for advancing the Eva Copper Project and the improvement and optimization projects at Copper Mountain Mine (including the cleaner circuit expansion project, the rougher expansion project, and the installation of an additional filter press).

Capitalized exploration in 2022 is expected to be approximately US\$4 million, with the focus on continued reserve expansion at the Copper Mountain Mine (approximately US\$2 million) and exploration in Australia (approximately US\$2 million).

Exchange rates assumed include a CAD to USD exchange rate of 1.3 to 1 and an AUD to USD exchange rate of 1.37 to 1.

## PROJECT DEVELOPMENT UPDATE

### Copper Mountain Mine, Canada

The Company successfully installed and commissioned Ball Mill 3 in the fourth quarter of 2021. The Ball Mill 3 Expansion Project was 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.

Other project improvements at the mine site are progressing. The foundation pedestal for the cleaner column expansion project is set to be poured in mid Q1 2022. The concrete installation work for the additional filter press is advancing and the delivery of the filter press is expected in Q1 2022. Excavation for the rougher expansion project is in progress. The cleaner column expansion project, the filter press project, and the rougher expansion project are expected to be completed by mid year. The Trolley Assist project is also advancing with the installation of the 25kV double circuit cable along the 1 km haul road and delivery of the E-house to site. The Company is targeting to commission the first four Trolley Assist haul trucks by the end of Q1 2022.

### Eva Copper Project, Australia

The Company announced updated economics for the Eva Copper Project, including capital and operating costs, during the quarter. Eva's project economics remain strong and have improved compared to the May 2020 Feasibility Study. The Company also formally approved the construction plan for the Eva Copper Project subject to advancing detailed engineering to 80%, obtaining committed projecting financing and the lifting of COVID-19 restrictions in Queensland, Australia. The Company continues to advance project financing discussions and has engaged Ausenco Projects Australia Pty Ltd to complete detailed engineering on the project.

## EXPLORATION UPDATE

### Canada

The exploration drilling program, which was initiated in March 2021 with the objective of expanding resources and reserves at the Copper Mountain Main Pit, North Pit and New Ingerbelle, continued in the fourth quarter of 2021. Following on favourable results, a third diamond drill rig was added in November and drilling is planned to continue into the first quarter of 2022.

Subsequent to year end, the Company announced continued positive results from drilling at New Ingerbelle, extending mineralization at depth and to the west, with significant copper intersections below the current reserve pits. For details, please see the Company's January 20, 2022 and September 9, 2021 press releases. The Company plans to incorporate the results of the 2021-2022 drilling program into an updated mineral reserves and mineral resources estimate, along with a new "Life of Mine Plan" based on a mine/mill expansion, which is expected to be published in mid-2022.

### Australia

The 2021 exploration program designed to discover additional copper, copper-gold or gold deposits at the Company's Cameron Copper Project, which is situated 40 kilometres south of its Eva Copper Project, was completed in the fourth quarter. The program, which consisted of detailed geophysical, geochemical, and

geological surveys followed by drill testing, produced encouraging results with multiple mineralized zones identified.

The drill program encountered intercepts of high-grade mineralization, within long, low-grade mineralized envelopes, with lateral continuity between intercepts of up to 1 kilometre. For drill hole results please see Copper Mountain's October 12, 2021 press release. Analysis and interpretation of the drilling results is ongoing and will guide further target definition and drilling in 2022.

## FINANCIAL REVIEW

The following quarterly financial information was derived from quarterly financial statements that are prepared in accordance with 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.

<sup>(1)</sup> Non-GAAP performance measure. See “Non-GAAP Performance Measures” in this MD&A for details.

Financial Results	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
(In thousands of CDN\$, except for per share amounts)				
<b>Revenue</b>				
Copper	121,582	89,662	515,409	285,513
Gold	16,461	18,262	67,275	67,469
Silver	3,107	3,180	16,660	9,488
Treatment and refining	(4,395)	(5,001)	(21,142)	(20,722)
	<b>136,755</b>	<b>106,103</b>	<b>578,202</b>	<b>341,748</b>
<b>Cost of sales</b>				
Direct mining and milling	(44,056)	(39,571)	(163,735)	(159,316)
Employee compensation	(14,892)	(10,693)	(56,299)	(43,006)
Depreciation	(2,266)	(5,558)	(23,537)	(22,701)
Transportation	(3,366)	(2,967)	(13,749)	(12,082)
<b>Gross profit</b>	<b>72,175</b>	<b>47,314</b>	<b>320,882</b>	<b>104,643</b>
General and administration	(2,877)	(3,280)	(14,680)	(8,476)
Share based compensation	(4,361)	(3,502)	(16,993)	(5,568)
<b>Operating income</b>	<b>64,937</b>	<b>40,532</b>	<b>289,209</b>	<b>90,599</b>
Other income	40	10	177	632
Finance expense	(7,937)	(3,048)	(31,577)	(14,221)
Loss on derivatives	(659)	(1)	(3,368)	(1,021)
Foreign exchange gain (loss)	1,180	13,881	(3,161)	8,424
Sale of fixed assets gain (loss)	-	(2,765)	-	(2,867)
<b>Income before tax</b>	<b>57,561</b>	<b>48,609</b>	<b>251,280</b>	<b>81,546</b>
Current tax expense	207	(894)	(7,803)	(1,022)
Deferred tax expense	(26,233)	(19,175)	(95,338)	(30,260)
<b>Net income</b>	<b>31,535</b>	<b>28,540</b>	<b>148,139</b>	<b>50,264</b>
<b>Adjustments</b>				
Pricing adjustments on concentrate sales	(7,721)	(11,923)	(24,406)	(25,159)
Loss on derivatives	659	1	3,368	1,021
Foreign exchange (gain) loss	(1,180)	(13,881)	3,161	(8,424)
Sale of fixed assets (gain) loss	-	2,765	-	2,867
<b>Adjusted net income<sup>(1)</sup></b>	<b>23,293</b>	<b>5,502</b>	<b>130,262</b>	<b>20,569</b>
<b>Income per share</b>	<b>0.11</b>	<b>0.10</b>	<b>0.50</b>	<b>0.18</b>
<b>Adjusted earnings per share<sup>(1)</sup></b>	<b>0.11</b>	<b>0.03</b>	<b>0.62</b>	<b>0.11</b>

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 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, 2021**

### **Summary**

The mine shipped and sold 19.4 million pounds of copper, 6,285 ounces of gold, and 108,020 ounces of silver during Q4 2021 compared to 18.7 million pounds of copper, 7,253 ounces of gold and 96,509 ounces of silver for Q4 2020. During the quarter, the Company recognized revenue of \$136.8 million, net of pricing adjustments and treatment charges based on an average realized copper price of US\$4.44 per pound; compared to revenue of \$106.1 million net of pricing adjustments and treatment charges at an average realized copper price of US\$3.35 per pound for Q4 2020. The Company generated gross profit of \$72.2 million in Q4 2021 as compared to a gross profit of \$47.3 million for Q4 2020.

The Company reported net income of \$31.5 million for Q4 2021 as compared to net income of \$28.5 million for Q4 2020. The variance in net income for Q4 2021, as compared to Q4 2020, was due to several items, including:

- Higher revenue in Q4 2021 due to more pounds sold at a higher average price as compared to Q4 2020.
- Q4 2021 included a \$7.7 million positive mark to market and final adjustment from provisional pricing on concentrate sales, as compared to an \$11.9 million positive mark to market and final adjustment from provisional pricing on concentrate sales for Q4 2020.
- Q4 2021 included a non-cash unrealized foreign exchange gain of \$1.2 million as compared to a gain of \$13.9 million in Q4 2020, which was primarily related to the Company's debt that is denominated in US dollars.
- Q4 2021 included a non-cash deferred tax expense of \$26.2 million as compared to \$19.2 million for Q4 2020.

## Revenue

In Q4 2021, revenue was \$136.7 million, net of pricing adjustments and treatment charges, compared to \$106.1 million in Q4 2020. Revenue in Q4 2021 is based on the sale of 19.4 million pounds of copper, 6,285 ounces of gold, and 108,020 ounces of silver. This compares to 18.7 million pounds of copper, 7,253 ounces of gold and 96,509 ounces of silver sold in Q4 2020. As noted above, the increase in revenue is due to a higher copper price and higher copper and silver sales which were somewhat offset by lower United States to Canadian dollar foreign exchange rates and a smaller positive mark to market and final adjustment on concentrate sales of \$7.7 million as compared to a positive mark to market and final adjustment of \$11.9 million for Q4 2020.

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,	
	2021	2020	2021	2020
Copper <sup>(1)</sup> – 000s lb	\$4.44	\$3.35	19,391	18,712
Gold <sup>(1)</sup> – oz	\$1,796	\$1,867	6,285	7,253
Silver <sup>(1)</sup> – oz	\$23.41	\$24.35	108,020	96,509

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

## Cost of Sales

Cost of sales in Q4 2021 was \$64.6 million as compared to \$58.8 million for Q4 2020. The increase in cost of sales can largely be attributed to the increase in volume of copper sold in Q4 2021 as compared to Q4 2020. Cost of sales is also affected by the allocation of mine operating costs to deferred stripping with \$5.3 million, inclusive of \$0.6 million in depreciation, allocated to deferred stripping in Q4 2021, compared to \$8.4 million, inclusive of \$1.2 million in depreciation, in Q4 2020.

## Finance Expense

The Company recorded Q4 2021 finance expense of \$7.9 million as compared to \$3.0 million incurred in Q4 2020. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The increase in finance expenses was due to the higher interest rate associated with the Company's new US\$250 million senior secured bond (the "Bonds") financing as compared to the former more restrictive senior credit facility that was repaid during Q2 2021 and the term loan that was repaid in Q3 2021.

## Foreign Exchange

The Company recorded a Q4 2021 foreign exchange gain of \$1.2 million as compared to a \$13.9 million gain in Q4 2020. Foreign exchange gains and losses are primarily related to the Company's debt which is denominated in US dollars. The significant variance is due to the non-cash foreign exchange adjustment required to be made to the Company's US dollar debt, as the US Dollar and Canadian dollar exchange rates vary.

## Financial Results – Full Year 2021

### Summary

The mine shipped and sold 93.0 million pounds of copper, 29,691 ounces of gold, and 533,096 ounces of silver during the year ended December 31, 2021 compared to 73.3 million pounds of copper, 26,137 ounces of gold and 323,276 ounces of silver for the year ended December 31, 2020. During the year ended December 31, 2021, the Company recognized revenue of \$578.2 million, net of pricing adjustments and treatment charges, based on an average realized copper price of US\$4.21 per pound compared to revenue of \$341.7 million, net of pricing adjustments and treatment charges, at an average realized copper price of US\$2.84 per pound for the year ended December 31, 2020. During 2021, the Company generated gross profit of \$320.9 million as compared to a gross profit of \$104.6 million for the year ended December 31, 2020.

The Company reported net income of \$148.1 million for the year ended December 31, 2021, as compared to net income of \$50.3 million for the year ended December 31, 2020. The variance in the net income for 2021, as compared to 2020, was a result of higher realized metal prices and higher quantities of metal sold when compared to the year ended December 31, 2020.

### Revenue

For the year ended December 31, 2021, revenue was \$578.2 million, net of pricing adjustments and treatment charges, compared to \$341.7 million for the year ended December 31, 2020. Revenue for the year ended December 31, 2021 is based on the sale of 93.0 million pounds of copper, 29,691 ounces of gold, and 533,096 ounces of silver. This compares to 73.3 million pounds of copper, 26,137 ounces of gold and 323,276 ounces of silver sold in the year ended December 31, 2020. The increase in revenue was due to higher copper prices during the period as well as selling more pounds of copper.

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 30,	
	2021	2020	2021	2020
Copper <sup>(1)</sup> – 000s lb	\$4.21	\$2.84	93,004	73,277
Gold <sup>(1)</sup> – oz	\$1,801	\$1,774	29,691	26,137
Silver <sup>(1)</sup> – oz	\$25.42	\$20.63	533,096	323,276

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

### Cost of Sales

Cost of sales for the year ended December 31, 2021, was \$257.3 million as compared to \$237.1 million for the year ended December 31, 2020. Cost of sales is net of \$35.5 million of mining costs, inclusive of \$4.3 million in depreciation, allocated to deferred stripping in the year ended December 31, 2021 as compared to \$23.8 million in the year ended December 31, 2020. The lower deferred stripping costs in the year ended December 31, 2020 were due to lower deferred stripping activity in response to the Company adjusting its operating plan to decrease costs in reaction to market conditions associated with COVID-19.



### Depreciation and Depletion

Depreciation expensed through cost of sales for the year ended December 31, 2021 was \$23.5 million as compared to \$22.7 million for the year ended December 31, 2020.

### General and Administrative

The Company recorded general and administrative costs of \$14.7 million for the year ended December 31, 2021 as compared to \$8.5 million incurred for the year ended December 31, 2020. The increase was due in part from additional expenses incurred for the 2021 employee bonus compensation program and recruiting for the Eva Copper Project.

### Stock Based Compensation

The Company recorded \$17.0 million in stock-based compensation during the year ended December 31, 2021, as compared to \$5.6 million for the year ended December 31, 2020. The increase was due to mark to market adjustments on share unit liabilities to reflect the increase in the Company's share price during the year ended December 31, 2021.

### Finance Expense

The Company recorded finance expense of \$31.6 million for the year ended December 31, 2021 as compared to \$14.2 million incurred in the year ended December 31, 2020. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The increase in finance expenses is due to the higher interest rate associated with the Bonds as compared to the former senior credit facility that was fully repaid in Q2 2021 and the term loan that was fully repaid in Q3 2021. In addition, due to the early repayment of the senior credit facility, the Company incurred a non-cash expense on settlement totalling \$1.1 million reflecting the write off of remaining unamortized financing costs.

### Tax Expense

The Company recorded deferred tax expense of \$95.3 million for the year ended December 31, 2021, as compared to \$30.3 million of deferred tax expense for the year ended December 31, 2020. The increase is due to higher income before tax of \$251.3 million for the year ended December 31, 2021, as compared to \$81.5 million of deferred tax expense for the year ended December 31, 2020.

### SELECTED QUARTERLY FINANCIAL INFORMATION

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

Quarter results (100%)	2021				2020			
(In thousands of CDN\$, unless otherwise indicated)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	136,755	137,176	142,064	162,207	106,103	94,992	91,089	49,564
Net income (loss)	31,535	25,824	38,662	52,118	28,540	33,249	31,933	(43,458)
Earnings per share – basic	0.11	0.08	0.12	0.18	0.10	0.13	0.12	(0.17)
Adjusted net income (loss) <sup>(1)</sup>	23,293	41,389	32,161	33,419	5,502	15,078	(1,458)	1,447
Adjusted earnings per share – basic	0.11	0.20	0.15	0.16	0.03	0.08	(0.01)	0.01
EBITDA	67,724	61,550	80,958	95,985	57,205	51,226	49,120	(39,715)
Adjusted EBITDA <sup>(1)</sup>	59,482	77,115	74,457	77,286	34,167	33,055	15,729	5,190
Cash flow from operations	50,420	90,869	94,574	79,593	50,990	38,595	15,685	16,340
Average realized copper price (US\$)	\$4.44	\$4.27	\$4.33	\$3.90	\$3.35	\$2.97	\$2.43	\$2.58
C1 cash cost per pound of copper produced (US\$) <sup>(1)</sup>	\$2.17	\$1.50	\$1.38	\$1.15	\$1.43	\$1.27	\$1.48	\$2.01
Copper sales (000's lbs)	19,390	24,416	21,696	27,501	18,712	17,824	18,879	17,862

<sup>(1)</sup> Non-GAAP performance measure. See: Non-GAAP Performance Measures" in 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 in previous periods 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 and restricted cash at December 31, 2021, was \$178.4 million, which included restricted cash of \$6.5 million. The restricted cash of \$6.5 million has been placed into a debt service reserve account that is funded equally each month and will be applied to the interest and semi-annual US\$5.0 million principal installment payments. This compares to cash and cash equivalents of \$85.6 million at December 31, 2020.

During the year ended December 31, 2021, the Company generated \$315.5 million of positive cash flow from operations at the Copper Mountain Mine as compared to \$121.6 million for the year ended December 31, 2020.

During the year ended December 31, 2021, the Company used \$153.5 million in investing activities comprised of the purchase of copper puts of \$3.4 million, deferred stripping costs of \$31.2 million, sustaining capital of \$23.0 million, and development expenditures of \$94.3 million mainly consisting of the construction work for the Ball Mill #3 expansion, cleaner column and filter press expansion projects, Trolley Assist project, east seepage pumpback system and the Wolf Creek realignment. Investing activities also included a \$2.5 million expenditure in Q1 2021 for the final payment of the buyback of a royalty interest on the North Pit of the Copper Mountain Mine. The royalty was purchased for a total of \$5.0 million in 2020, with \$2.5 million paid in Q1 2020 and the balance paid in Q1 2021.

During the year ended December 31, 2021, the Company used a net of \$75.4 million in its financing activities. This is comprised primarily of \$287.8 million proceeds from the Bonds issuance, \$168.3 million in full repayment to MMC, \$160.3 million in full repayment of the senior credit facility and term loan, and \$14.0 million in lease payments on mining equipment. The Company also received \$20.4 million from MMC in Q1 2021, which was applied towards the Q1 2021 principal and interest payment on the term loan that was subsequently repaid.

### Working Capital

As at December 31, 2021, the Company had working capital (current assets less current liabilities) of \$157.0 million compared with working capital of \$24.8 million at December 31, 2020.

### Debt

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

(In thousands of CDN\$, except for ratio amounts and where otherwise noted)	December 31, 2021 \$	December 31, 2020 \$	December 31, 2019 \$
Bonds (US\$)	245,000	-	-
Senior credit facility (US\$)	-	69,660	78,975
Term loan (US\$)	-	48,000	80,000
Related party loan (US\$)	-	108,345	74,543
Subordinated loan (US\$)	-	11,474	10,881
Leases (US\$)	48,172	37,111	21,072
<b>Total debt (US\$ in thousands)</b>	<b>293,172</b>	<b>274,590</b>	<b>265,471</b>
Period-end foreign exchange rate (US\$ to CAD\$)	1.2678	1.2732	1.2988
<b>Total debt (CDN\$ in thousands)</b>	<b>371,683</b>	<b>349,608</b>	<b>344,794</b>

The Company's net debt to EBITDA has significantly improved year over year. At December 31, 2021, the Company had a net debt to trailing twelve month EBITDA of 0.6 compared to a net debt to trailing twelve month EBITDA of 2.3 at December 31, 2020. Net debt to EBITDA is a non-GAAP performance measure. (See: Non-GAAP Performance Measures" in this MD&A for details).

### Shareholders' Equity

As of December 31, 2021, the Company had 210,363,573 common shares outstanding and shareholders' equity was \$371.7 million, compared to \$267.9 million at December 31, 2020.

### Proposed Transactions

None.

## Commitments and Contractual Obligations

As at December 31, 2021, the Company had the following consolidated contractual obligations:

	Annual Repayments due from December 31,						Over 5
	Total	2021	2022	2023	2024	2025	years
(In thousands of CDN\$)	\$	\$	\$	\$	\$	\$	\$
Bond	297,507	12,678	12,678	12,678	12,678	246,795	-
Lease obligation	61,072	13,316	12,406	12,165	10,735	8,138	4,312
Mine closure and reclamation	22,109	-	-	-	-	-	22,109
<b>Total contractual obligations</b>	<b>380,688</b>	<b>25,994</b>	<b>25,084</b>	<b>24,843</b>	<b>23,413</b>	<b>254,933</b>	<b>26,421</b>

## Capital Resources

As at December 31, 2021, the Company had \$178.4 million in cash and cash equivalents on hand, including restricted cash of \$6.5 million. The Company expects to meet future cash commitments from existing cash on hand and anticipated operating cash flows generated from the Copper Mountain Mine.

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 2022, the Company intends to allocate its capital resources to development of its mining operation, advancing the Eva Copper Project, 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, 2021.

As at December 31, 2021, the Company had a total of \$4.3 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 1.25% 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, copper puts 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 risk factors and the Company's exposure to these risks, are disclosed in Note 19 of the Company's 2021 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 Company's 2021 audited annual consolidated financial statements.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at December 31, 2021.

## RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of the Company's operations and have been measured at their fair value and under individual contracts.

- During the year ended December 31, 2021, the Company sold copper concentrates under the provision of a long-term contract with MMC, for revenues totalling \$578.2 million (2020 – \$341.7 million) including pricing adjustments.
- During the year ended December 31, 2021, the Company accrued interest on the subordinated loan with MMC totalling \$203 thousand (2020 – \$476 thousand). The subordinated loan and accrued interest was repaid on June 9, 2021.
- During the year ended December 31, 2021, the Company accrued to MMC a guarantee fee related to the term loan of \$45 thousand (2020 – \$156 thousand). The cumulative amount of guarantee fees payable of \$3.5 million was settled on June 9, 2021.
- The Company received aggregate funding advances from MMC totalling \$154.1 million (December 31, 2020 – \$137.9 million). These advances bore interest at rates from 2.88% to 4.80% with total interest during the year ended December 31, 2021 of \$1.9 million (2020 – \$3.6 million). The cumulative funding advances of \$154.1 million and related accumulated interest was repaid on June 8, 2021.

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

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
<i>(In thousands of CDN\$)</i>	\$	\$	\$	\$
Salaries and short-term employee benefits	1,847	621	7,002	2,489
Share based compensation	1,318	2,582	12,367	4,343
<b>Total</b>	<b>3,165</b>	<b>3,203</b>	<b>19,369</b>	<b>6,832</b>

## ACCOUNTING POLICIES AND ESTIMATES

### Critical accounting estimates

The Company's significant accounting policies are presented in Note 3 of the Company's 2021 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 in the period ended December 31, 2021. The accounting policies adopted in the preparation of the Company's consolidated financial statements are based on IFRS and interpretations effective as at December 31, 2021.

## 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 performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. 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 and such measures should be read in conjunction with the Company's financial statements.

## 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-based 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,	
	2021 \$	2020 \$	2021 \$	2020 \$
(In thousands of CDN\$, unless otherwise noted)				
Cost of sales	64,580	58,789	257,320	237,105
<b>Adjustments</b>				
Depreciation and depletion	(2,266)	(5,558)	(23,537)	(22,701)
Change in inventory	(1,436)	6,095	(2,466)	1,016
Transportation costs	(4,821)	(4,370)	(21,153)	(17,592)
<b>Site cash costs</b>	<b>56,057</b>	<b>54,956</b>	<b>210,164</b>	<b>197,828</b>
<b>Adjustments</b>				
Transportation costs	4,821	4,370	21,153	17,592
Treatment and refining costs	4,395	5,001	21,142	20,722
By-product credits (gold and silver)	(19,568)	(21,442)	(83,935)	(76,957)
<b>C1 cash cost</b>	<b>45,705</b>	<b>42,885</b>	<b>168,524</b>	<b>159,185</b>
<b>Adjustments</b>				
Sustaining capital	4,869	2,189	22,971	7,130
Lease payments	2,451	1,867	14,029	6,867
Applicable administration	452	669	2,643	2,615
<b>All-in sustaining costs (AISC)</b>	<b>53,477</b>	<b>47,610</b>	<b>208,167</b>	<b>175,797</b>
<b>Adjustments</b>				
Deferred stripping	4,657	7,192	31,161	21,031
Low grade stockpile	-	-	-	327
<b>All-in costs (AIC)</b>	<b>58,134</b>	<b>54,802</b>	<b>239,328</b>	<b>197,155</b>
Average foreign exchange rate (CDN\$ to US\$)	0.7935	0.7675	0.7978	0.7454
Copper production (000s lb)	16,693	23,053	90,139	77,551
<b>C1 cash costs (US\$/lb produced (net))</b>	<b>\$2.17</b>	<b>\$1.43</b>	<b>\$1.49</b>	<b>\$1.53</b>
<b>All-in sustaining costs (AISC) (US\$/lb produced (net))</b>	<b>\$2.54</b>	<b>\$1.58</b>	<b>\$1.84</b>	<b>\$1.69</b>
<b>All-in costs (AIC) (US\$/lb produced (net))</b>	<b>\$2.76</b>	<b>\$1.82</b>	<b>\$2.12</b>	<b>\$1.90</b>
Average realized copper price (US\$/lb)	\$4.44	\$3.35	\$4.21	\$2.84

### Adjusted Net Income

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

- Pricing adjustments on concentrate and metal sales;
- 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 December 31,		Year ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
(In thousands of CDN\$, except per share amounts)				
Net income	31,535	28,540	148,139	50,264
<b>Adjustments</b>				
Pricing adjustments on concentrate sales	(7,721)	(11,923)	(24,406)	(25,159)
Loss on derivative	659	1	3,368	1,021
Unrealized foreign exchange (gain) loss	(1,180)	(13,881)	3,161	(8,424)
Sale of fixed assets (gain) loss	-	2,765	-	2,867
<b>Adjusted net income</b>	<b>23,293</b>	<b>5,502</b>	<b>130,262</b>	<b>20,569</b>
<b>Adjusted income per share</b>	<b>\$0.11</b>	<b>\$0.03</b>	<b>\$0.62</b>	<b>\$0.11</b>

### EBITDA and Adjusted EBITDA

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

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

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

- Pricing adjustments on concentrate and metal sales;
- 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 December 31,		Year ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
(In thousands of CDN\$)				
Net income	31,535	28,540	148,139	50,264
<b>Adjustments</b>				
Finance income	(40)	(10)	(177)	(632)
Finance expense	7,937	3,048	31,577	14,221

EBITDA and Adjusted EBITDA	Three months ended December 31,		Year ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
(In thousands of CDN\$)				
Depreciation	2,266	5,558	23,537	22,701
Current tax expense	(207)	894	7,803	1,022
Deferred income and resource tax expense	26,233	19,175	95,338	30,260
<b>EBITDA</b>	<b>67,724</b>	<b>57,205</b>	<b>306,217</b>	<b>117,836</b>
<b>Adjustments</b>				
Mark to market adjustments on concentrate sales	(7,721)	(11,923)	(24,406)	(25,159)
Loss on derivative	659	1	3,368	1,021
Unrealized foreign exchange (gain) loss	(1,180)	(13,881)	3,161	(8,424)
Sale of fixed assets (gain) loss	-	2,765	-	2,867
<b>Adjusted EBITDA</b>	<b>59,482</b>	<b>34,167</b>	<b>288,340</b>	<b>88,141</b>

### Net Debt to EBITDA

The net debt to EBITDA ratio measures financial leverage and the Company's ability to pay off its debt with earnings. Essentially, the net debt to EBITDA (debt minus cash divided by EBITDA) gives an indication as to how long the Company would need to operate at its current level to pay off all its debt.

Net Debt to EBITDA	December 31,	
	2021 \$	2020 \$
(In thousands of CDN\$)		
<b>Debt</b>		
Long-term debt	335,498	129,153
Related party debt	-	149,562
Current debt	23,081	79,559
<b>Total debt</b>	<b>358,579</b>	<b>358,274</b>
Cash and restricted cash	(178,414)	(85,571)
<b>Net debt</b>	<b>180,165</b>	<b>272,703</b>
EBITDA (trailing 12 months)	306,217	117,836
<b>Net Debt to EBITDA</b>	<b>0.6</b>	<b>2.3</b>

## DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

### Disclosure Controls and Procedures

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

### Internal controls over financial reporting

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

management concluded that our internal control over financial reporting was effective as at December 31, 2021 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 the Company's internal control over financial reporting and disclosure controls and procedures during the period ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

#### RISKS AND UNCERTAINTIES

The Company's success depends on a number of factors, most of which are beyond the control of the Company. Typical risk factors include copper, gold and silver price fluctuations, foreign currency fluctuations, and operating uncertainties encountered in the mining business. Future government, legal or regulatory changes could affect any aspect of the Company's business, including, among other things, environmental issues, land claims, permitting and taxation costs all of which could adversely affect the ability of the Company to operate the Copper Mountain Mine and develop its projects. However, sometimes other risks show up that are not typical, like the recent uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the commodities the Company produces and on global financial markets. Further, climate change may, among other things, cause or result in changes in precipitation and increases in extreme weather events (such as the recent severe flooding and cold temperatures experienced at the Copper Mountain Mine). Extreme weather events have the potential to further disrupt operations at the Company's mines and impact transportation infrastructure. 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. For a comprehensive list of risks, please refer to the Company's 2020 AIF.