COPPER MOUNTAIN
MINING CORPORATION

Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018

Independent auditor's report

To the Shareholders of Copper Mountain Mining Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Copper Mountain Mining Corporation and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, 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, 2019 and 2018;
- the consolidated statements of (loss) income and comprehensive (loss) 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 a summary of significant accounting policies.

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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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis of Copper Mountain Mining Corporation for the year ended December 31, 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, British Columbia
February 14, 2020

Copper Mountain Mining Corporation

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

	December 31, 2019 $	December 31, 2018 $
Assets		
Current assets		
Cash and cash equivalents	32,126	46,123
Accounts receivable and prepaid expenses (note 5)	27,947	18,923
Inventory (note 6)	35,299	55,801
	95,372	120,847
Reclamation bonds (note 10)	3,740	8,752
Deferred tax assets (note 18)	28,088	13,980
Property, plant and equipment (note 7)	501,663	448,237
Low grade stockpile (note 6)	64,978	109,846
	693,841	**701,662**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	41,366	37,494
Amounts payable to related parties (notes 16 and 23)	104,698	69,026
Current portion of long-term debt (note 9)	60,260	52,956
Current tax liability	1,186	622
	207,510	160,098
Provisions (note 10)	18,104	6,571
Interest rate swap liability (note 9)	-	601
Long-term debt (note 9)	188,123	229,001
Deferred tax liability	2,203	2,135
	415,940	398,406
Equity		
Attributable to shareholders of the Company:		
Share capital (note 11)	266,663	263,822
Contributed surplus	18,623	17,378
Accumulated other comprehensive loss	(4,158)	(1,655)
Accumulated deficit	(70,516)	(48,030)
	210,612	231,515
Non-controlling interest	67,289	71,741
Total equity	277,901	303,256
	693,841	**701,662**

Approved on behalf of the Board of Directors

(signed) Gil Clausen Director   (signed) Bruce Aunger Director

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

Copper Mountain Mining Corporation

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
For the Years Ended December 31, 2019 and 2018
(In thousands of Canadian dollars, except for number of and earnings per share)

	2019 $	2018 $
Revenue (note 13)	288,460	296,019
Cost of sales (note 14)	(263,362)	(270,713)
Gross profit	25,098	25,306
General and administration (note 14)	(11,544)	(10,990)
Low-grade stockpile write-down (note 6)	(48,769)	-
Share based compensation (note 12)	(2,093)	(1,605)
Income (loss) from operations	(37,308)	12,711
Finance income	1,175	582
Finance expense (note 15)	(16,476)	(15,564)
Unrealized gain (loss) on interest rate swap	(464)	716
Foreign exchange (loss) gain	14,192	(23,788)
Loss on disposal of fixed assets	(237)	-
Loss before tax	(39,118)	(25,343)
Current income and resource tax expense	(862)	(1,217)
Deferred income and resource tax (expense) recovery	14,039	(316)
Net loss	**(25,941)**	**(26,876)**
Other comprehensive loss		
Foreign currency translation adjustment	(2,503)	(1,655)
Total comprehensive loss	(28,444)	(28,531)
Net loss and comprehensive loss attributable to:		
Shareholders of the Company	(22,486)	(22,337)
Non-controlling interest	(3,455)	(4,539)
	(25,941)	**(26,876)**
Loss per share:		
Basic	$(0.12)	$(0.13)
Diluted	$(0.12)	$(0.13)
Weighted average shares outstanding, basic	189,529,180	172,201,295
Weighted average shares outstanding, diluted	191,004,336	172,201,295
Shares outstanding at end of the year	191,331,053	188,170,359

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, 2019 and 2018
(In thousands of Canadian dollars)

	2019 $	2018 $
Cash flows from operating activities		
Net loss for the year	(25,941)	(26,876)
Adjustments for:		
Depreciation	27,527	51,046
Loss on disposal of fixed assets	237	-
Low grade stockpile write-down	48,769	
Unrealized foreign exchange loss (gain)	(16,890)	17,601
Unrealized (gain) loss on interest rate swap	464	(716)
Deferred income and resource tax expense (recovery)	(14,039)	310
Finance expense	16,476	15,564
Share based compensation	2,093	1,327
	38,696	58,256
Net changes in working capital items (note 17)	12,536	(6,990)
Net cash from operating activities	51,232	51,266
Cash flows from investing activities		
Cash acquired in acquisition of Altona	-	29,115
Transaction and share issue costs for Altona transaction	-	(2,655)
Deferred stripping costs	(32,608)	(20,185)
Development of property, plant and equipment	(22,578)	(21,537)
Purchase of reclamation bond	5,012	(396)
Proceeds on disposal of fixed asset	2,624	-
Net cash used in investing activities	(47,550)	(15,658)
Cash flows from financing activities		
Proceeds on exercise of options and warrants	2,311	224
Contributions from non-controlling interest	38,329	28,412
Payments made to non-controlling interest	(997)	(3,304)
Secured borrowing proceeds (note 9)	10,345	-
Loan principal payments	(49,344)	(44,074)
Interest paid	(13,687)	(12,122)
Lease payments	(3,279)	(6,511)
Net cash used in financing activities	(16,322)	(37,375)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,357)	2,757
(Decrease) increase in cash and cash equivalents	(13,997)	990
Cash and cash equivalents - Beginning of year	46,123	45,133
Cash and cash equivalents - End of year	32,126	46,123

Supplementary cash flow disclosures (note 17)

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, 2018	134,285,192	195,670	15,724	-	(25,693)	185,701	79,584	265,285
Shares issued on acquisition of Altona	53,538,984	66,650	-	-	-	66,650	-	66,650
Tax effect on share issue costs	-	1,200	-	-	-	1,200	-	1,200
Shares issued on exercise of options	156,183	82	-	-	-	82	-	82
Shares issued on exercise of warrants	190,000	143	-	-	-	143	-	143
Fair value of options exercised	-	46	(46)	-	-	-	-	-
Fair value of warrants exercised	-	31	(31)	-	-	-	-	-
Share based compensation	-	-	1,731	-	-	1,731	-	1,731
Payments to non-controlling interests	-	-	-	-	-	-	(3,304)	(3,304)
Loss for the year	-	-	-	-	(22,337)	(22,337)	(4,539)	(26,876)
Foreign currency translation	-	-	-	(1,655)	-	(1,655)	-	(1,655)
Balance December 31, 2018	**188,170,359**	**263,822**	**17,378**	**(1,655)**	**(48,030)**	**231,515**	**71,741**	**303,256**
Balance January 1, 2019	188,170,359	263,822	17,378	(1,655)	(48,030)	231,515	71,741	303,256
Shares issued on exercise of options	166,802	67	-	-	-	67	-	67
Warrants exercised	2,993,892	2,245	-	-	-	2,245	-	2,245
Fair value of options exercised	-	34	(34)	-	-	-	-	-
Fair value of warrants exercised	-	495	(495)			-	-	-
Share based compensation	-	-	1,774	-	-	1,774	-	1,774
Payments to non-controlling interests	-	-	-	-	-	-	(997)	(997)
Loss for the year	-	-	-	-	(22,486)	(22,486)	(3,455)	(25,941)
Foreign currency translation	-	-	-	(2,503)	-	(2,503)	-	(2,503)
Balance December 31, 2019	**191,331,053**	**266,663**	**18,623**	**(4,158)**	**(70,516)**	**210,612**	**67,289**	**277,901**

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

1 General information and liquidity risk

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

As at December 31, 2019, the Company had negative working capital of $7.4 million (exclusive of $104.7 million of related party debt due to MMC which is not expected to be repaid in the next twelve months) as compared to working capital of $29.8 million (exclusive of $69 million of related party debt which is not expected to be repaid in the next twelve months) at December 31, 2018 (see Note 16 (c)). At year end, the Company had reached an agreement with MMC to extend the maturity of amounts due to MMC and shown as a related party current liability totalling $101 million to a longer term related party debt due June 15, 2023. The agreement was made effective December 31, 2019 and was signed subsequent to the end of the year and under IFRS it is treated as a non-adjusting subsequent event. (see Note 23). Had this agreement been signed prior to year end, the Company's current related party debt would have decreased by $101 million and the Company's long term related party debt would have increased by $101 million. Amounts due to MMC under their guarantee fee of $3.6 million would not be affected by the maturity extension of the funding advances.

The Company has budgeted $9.3 million in sustaining capital expenditures and $43.1 million in development expenditures at the Copper Mountain Mine for the 2020 year, all of which is expected to be funded from cash on hand and cash flow generated during the year. As at December 31, 2019, the Company has no future material commitments for capital expenditures at the Copper Mountain Mine other than noted above.

In the next twelve months the Company has contractual obligations which are due in US dollars including senior credit facility and term loan payments of approximately US$41.3 million, which the Company expects to be able to fund through cash on hand, cash flows from operations, or advances from MMC. However, the current commodity price and exchange rate environment can be volatile and accordingly could have an impact on the Company's cash flows. The Company continues to review its near term operating plans and continues to take steps to reduce costs and maximize cash flow from operations, while still maintaining or increasing copper output levels. The Company remains vigilant for ongoing opportunities to reduce costs and improve net cash generation.

Management has received an extension of the required funding of the debt service and capex reserve accounts relating to the Company's Senior Credit Facility by providing corporate guarantees (Note 9). The extension expires June 30, 2020 and although such extensions have been obtained in the past there is no guarantee that they will continue to be obtained in the future.

2 Statement of compliance

a. Statement of compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements were approved for issue on February 13, 2020, by the Board of Directors.

b. Foreign currency translation

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

c. Use of estimates and judgements

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

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

Impairment review

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life of-mine estimates. The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, taxes, closure and restoration costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the estimate of recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be impaired with the impact recorded in the consolidated statement of loss.

Mineral reserve estimates

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

Inventory valuation

Stockpiled ore and concentrate inventory are valued at the lower of average cost and net realizable value. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and future metal prices less estimated future production costs to convert the inventory into saleable form and associated selling costs. The determination of future sales price, production and selling costs requires assumptions that may impact the stated value of inventory. Because the low grade inventory measurement involves discounting, any significant changes in the projected timing of processing of the stockpile could result in significant impairment charges or reversal. The change in expected life of the Copper Mountain Mine resulted in a net realizable value write down as at December 31, 2019 of $48.8 million (see note 6).

Decommissioning and restoration provisions

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

Current and deferred taxes

Judgment is required in determining whether deferred tax assets are recognized on the balance sheet. 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.

3 Significant accounting policies

a. Basis of measurement

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

b. Consolidation

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

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

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

c. Non-controlling interest

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

d. Financial instruments

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

Cash and cash equivalents and reclamation bonds

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

Cash and cash equivalents, restricted cash and reclamation bonds have been classified as loans and receivables and are recorded at amortized cost.

Accounts receivable

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

Derivatives

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

Accounts payable and accrued liabilities and debt

Accounts payable and accrued liabilities and debt are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption amount is recognized in net earnings over the period to maturity using the effective interest rate method.

e. Inventory

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

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

f. Property, plant and equipment

Exploration and evaluation

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

Development

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Impairment of property, plant and equipment

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

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

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 charges recorded for the Company's property, plant, and equipment for the year ended December 31, 2019.

g. 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.

h. 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.

i. Revenue

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

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

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

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

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

j. Current and deferred income and resource taxes

Income tax expense comprises current and deferred income and resource tax. The Company records B.C. Mineral Tax as an income tax. Income tax expense is recognized in the statement of income (loss) except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

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

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

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

k. Share-based payments

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

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

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

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

l. Share capital

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

m. Earnings per share

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

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

n. New Accounting Pronouncements

The Company adopted the following IFRS standards effective January 1, 2019.

IFRS 16 – Leases

The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective application method. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.0%. The Company has applied the recognition exemptions for ‘low value’ leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases.

Operating lease commitments as at December 31, 2018	1,270
Discounted using the incremental borrowing rate at the date of initial application	972
Add: lease liabilities recognized as at December 31, 2018	6,427
Less: short-term leases	(121)
Less: low value leases	(18)
Lease liability recognized as at January 1, 2019	7,260
Current lease liabilities	2,198
Long term lease liabilities	5,062
	7,260

The following is the new accounting policy for leases under IFRS 16:

Until the 2019 fiscal year, leases of property, plant and equipment were classified as either capital or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

4 Acquisition of Altona Mining Ltd.

On April 18, 2018 the Company acquired all of the issued and outstanding common shares of Altona Mining Limited ("Altona"), a company based in Australia. Under the terms of the transaction, the Company issued 53,538,984 Copper Mountain common shares for 100% of Altona (the "Transaction") at which time Altona became a wholly owned subsidiary of the Company.

The Transaction was accounted for as an asset acquisition because it lacked the necessary inputs, processes and outputs to constitute a business under IFRS 3, Business Combinations.

The purchase price allocation is as follows:

	$
Consideration paid - 53,538,984 common shares of the Company at $1.25 per share	67,015
Transaction costs	3,413
	70,428
Net assets acquired:	
Cash and cash equivalents	29,115
Accounts receivables and prepaids	526
Reclamation bond	121
Property, plant and equipment	45
Exploration and evaluation assets	41,076
Current liabilities	(455)
	70,428

These consolidated financial statements include Altona's results from April 18, 2018 to December 31, 2019.

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

5 Accounts receivable and prepaid expenses

	2019 $	2018 $
Amounts due from concentrate sales	16,504	15,737
Pricing adjustments on concentrate sales	6,221	(888)
GST and other receivables	2,103	1,684
Prepaid expenses	3,119	2,390
	27,947	**18,923**

6 Inventory

	2019 $	2018 $
Supplies	14,902	18,811
Ore stockpile	10,209	24,313
Crushed ore stockpile	3,137	3,225
Copper Concentrate	7,051	9,452
	35,299	**55,801**
Low grade stockpile[1]	**64,978**	**109,846**

Inventory expensed during the period ended December 31, 2019 totaled $250,307 (2018 – $256,954).

During the year ended December 31, 2019, the Company recorded a write-down of $48,769 (2018 – $6,293) to the low grade stockpile. This adjustment records the low grade stockpile at net realizable value and arose from the Copper Mountain Mine expected life increasing to approximately 18 years from 9 years. The cash flows associated with the processing of the low grade stockpile were based on a long term copper price of US$3.08 per lb and a $US/$Cdn exchange rate of 1.30, and were discounted using a pre-tax discount rate of 7.0%. Other assumptions included the grade of the stockpiled ore, processing costs and estimated recoveries.

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

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

7 Property, plant and equipment

Cost	**Plant and equipment $**	**Exploration and evaluation asset $**	**Mineral properties and mine development costs $**	**Total $**
As at January 1, 2018	540,235	6,763	161,413	708,411
Additions	13,580	49,033	25,354	87,967
Restoration provision	-	-	65	65
Currency translation adjustment	(153)	(833)	-	(986)
As at December 31, 2018	**553,662**	**54,963**	**186,832**	**795,457**
Additions	35,299	4,349	43,942	83,590
Restoration provision	-	-	11,198	11,198
Disposals	(4,594)	-	-	(4,594)
Currency translation adjustment	313	(2,666)	-	(2,353)
As at December 31, 2019	**584,680**	**56,646**	**241,972**	**883,298**

Accumulated depreciation	**Plant and equipment**	**Exploration and evaluation asset $**	**Mineral properties and mine development costs $**	**Total $**
As at January 1, 2018	(211,180)	-	(83,190)	(294,370)
Depreciation charge	(36,606)	-	(16,244)	(52,850)
As at December 31, 2018	(247,786)	-	(99,434)	(347,220)
Disposals	1,827	-	-	1,827
Depreciation charge	(27,200)	-	(9,042)	(36,242)
As at December 31, 2019	**(273,159)**	**-**	**(108,476)**	**(381,635)**
Net book value				
As at December 31, 2018	305,876	54,963	87,398	448,237
As at December 31, 2019	**311,521**	**56,646**	**133,496**	**501,663**

Property, plant and equipment includes right of use assets of $27,272 with a net book value of $25,643 at December 31, 2019.

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

8 Accounts payable and accrued liabilities

	2019 $	2018 $
Trade accounts payable	24,575	20,252
Accrued liabilities	15,476	16,246
Current portion of interest rate swap liability (note 9(b))	1,214	600
Deferred Share Units liability	60	87
Restricted Share Units liability	41	309
	41,366	**37,494**

9 Long-term debt

	2019 $	2018 $
Senior credit facility (b) in US$	77,318	88,553
Term loan (c) in US$	78,359	103,490
Total US$ long term debt in US$	155,677	192,043
Total US$ long term debt in CAD$	202,193	261,983
Subordinated loan (a)	14,127	13,547
Leases (d)	32,063	6,427
Total	248,383	281,957
Less: current portion	(60,260)	(52,956)
	188,123	**229,001**

a) Subordinated loan

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

b) Senior credit facility

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

The maximum amount available under the SCF was US$162 million which was fully drawn in 2011. The SCF carries a variable interest rate of LIBOR plus 2% and matures on June 15, 2023. The SCF is repayable in twenty four semi-annual instalments which commenced December 15, 2011, with 40% of the principal balance due in the final two years before maturity. The instalments are payable on a fixed schedule, subject to mandatory prepayment based on cash flows relating to the Copper Mountain Mine. As at December 31, 2019 the Company has repaid a total of US$83.0 million in principal and paid a total of US$30.3 million in interest on the SCF.

Under the terms of the SCF, the Company is required to maintain certain balances up to a total of US $12 million in the debt service reserve account ("DSRA") and the capex reserve account ("CXRA") by

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

June 30, 2012. Since this date, the Company and MMC have jointly guaranteed to June 30, 2020 the amounts owing to the DSRA and the CXRA, and as a result no funds were required to be placed on deposit in either of the accounts.

As at December 31, 2019 the SCF has a principal amount outstanding of $102,573 (US$78.9 million). The outstanding amount of $100,421 is net of issue costs of $2,152 which are amortized over the life of the loan.

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

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

	US$ '000
2020	9,315
2021	21,060
2022	32,400
2023	16,200
	78,975

Under the terms of the SCF, the Company was required to complete an interest rate swap on 70% of the principal amount of the facility. The Company swapped a LIBOR variable rate interest payment stream for a 3.565% fixed rate interest payment stream on US$74 million of the principal. The interest rate swaps mature on December 15, 2020.

As at December 31, 2019 the swap had an unrealized fair value loss of $1,214 (2018 - $1,201). The current portion of $1,214 is included in accounts payable and accrued liabilities.

As at December 31, 2019 the Company is in compliance with all covenants which may result in the event of default of the senior credit facility.

c) Term loan

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

The maximum amount available under the Term Loan was US$160 million which was fully drawn in 2011. The Term Loan carries a variable interest rate of LIBOR plus 0.551% and matures on February 15, 2022. As at December 31, 2019 the Term Loan has a principal amount outstanding of $103,904 (US$80 million). The outstanding amount of $101,773 is net of issue costs of $2,131 which are amortized over the life of the loan. The Term Loan is guaranteed by MMC in exchange for a fee of 0.2% per annum.

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

The Term Loan is unsecured and repayable in increasing instalments every six months commencing February 2012, with the majority of the loan falling due in the last six instalments. As at December 31, 2019 the Company has repaid a total of US$80 million in principal and paid a total of US$16.9 million in interest on the Term Loan.

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

	US$
2020	32,000
2021	32,000
2022	16,000
	80,000

The Company is subject to certain debt covenants on the Term Loan. As at December 31, 2019 the Company is in compliance with all of those covenants.

d) Leases

The Company has a number of leases related to mobile mining equipment. The mobile equipment is security for the respective lease obligations.

During 2019 the Company entered into a lease agreement with one of its equipment suppliers for haul trucks. The leases are payable in 84 monthly instalments to commece in June 2020.

During 2019 the Company entered into a secured borrowing agreement for proceeds of $10.3 million. The transaction is similar to the form of a sale-and-lease-back; whereby the Company sold and leased-back for proceeds of $10.3 million of a previously purchased ball mill.

Gross lease liability and minimum lease payments	**2019**	**2018**
	$	**$**
Within one year	7,589	3,053
Between two and four years	28,984	3,733
	36,573	6,786
Future interest	(4,510)	(359)
Present value of lease liability	**32,063**	**6,427**

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

10 Provisions

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

Balance, January 1, 2018	6,260	825	7,085
Share-based payment expense	-	(125)	(125)
Changes in estimate costs and timing	65	-	65
Unwinding of discount on restoration provision	221	-	221
Payments during the year	-	(279)	(279)
Balance, December 31, 2018	**6,546**	**421**	**6,967**
Less: Current portion of share-based payment obligations included within accounts payable (Note 7)	-	(396)	(396)
Total provision – Non-current	**6,546**	**25**	**6,571**

The Company has a liability for remediation of current and past disturbances associated with mining activities at the Copper Mountain property. At December 31, 2019 the Company used an inflation rate of 1.90% (2018 – 1.50%) and a discount rate of 1.76% (2018 – 2.18%) in calculating the estimated obligation. The decommissioning obligations will be accreted as a finance expense over the life of the mine. The liability for retirement and remediation on an undiscounted basis is $17,486 (2018 - $7,005). The expected timing of payment of the cash flows will occur in various stages to 2040.

The Company has on deposit $3,516 (2018- $8,609) 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 (2018 - $Nil) for total reclamation security of $20,983.

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

11 Share capital

Authorized - Unlimited number of common shares without par value.

12 Share based compensation

a. Stock options

The Company has a stock option plan whereby it can grant up to 17,876,184 stock options exercisable for a period of up to ten years from the grant date. As at December 31, 2019, the Company had 10,291,063 options outstanding as follows:

	Number of shares	Weighted average exercised price $
December 31, 2017	7,964,235	1.23
Granted	4,575,000	1.11
Exercised	(156,183)	0.52
Forfeited	(1,074,583)	1.39
December 31, 2018	11,308,469	1.21
Granted	2,263,185	1.02
Exercised	(166,802)	0.39
Expired	(2,850,000)	1.92
Forfeited	(263,789)	1.18
December 31, 2019	**10,291,063**	**0.98**

Date of stock option grant	Number of options	Exercise price $	Expiry date
Sep. 18, 2015	520,000	0.59	Sep. 18, 2020
Jan. 26, 2016	1,660,000	0.39	Jan. 26, 2021
June 30, 2016	66,667	0.50	June 30, 2021
Jan. 13, 2017	1,490,000	1.18	Jan. 13, 2021
Apr. 24, 2017	35,000	0.93	Apr. 24, 2022
February 22, 2018	1,835,000	1.28	Feb. 22, 2023
April 26, 2018	100,000	1.37	Apr. 26, 2023
June 1, 2018	1,000,000	1.07	June 1, 2023
June 7, 2018	100,000	1.26	June 7, 2023
June 20, 2018	100,000	1.26	June 20, 2023
July 5, 2018	80,000	1.16	July 5, 2023
August 13, 2018	750,000	1.14	Aug 13, 2023
November 2, 2018	355,000	1.00	Nov. 2, 2023
March 22, 2019	2,149,396	1.02	Mar. 22, 2024
August 2, 2019	50,000	0.76	August 2, 2024
	10,291,063		

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

As at December 31, 2019 the following options were both outstanding and exercisable:

Date of stock option grant	Number of options	Exercise price $	Expiry date
Sep. 18, 2015	520,000	0.59	Sep. 18, 2020
Jan. 26, 2016	1,660,000	0.39	Jan. 26, 2021
June 30, 2016	66,667	0.50	June 30, 2021
Jan. 13, 2017	1,117,500	1.18	Jan. 13, 2021
Apr. 24, 2017	26,250	0.93	Apr. 24, 2022
Feb. 22, 2018	917,500	1.28	Feb. 22, 2023
April 26, 2018	50,000	1.37	Apr. 26, 2023
June 1, 2018	333,333	1.07	June 1, 2023
June 7, 2018	50,000	1.26	June 7, 2023
June 20, 2018	50,000	1.26	June 20, 2023
July 5, 2018	26,667	1.16	July 5, 2023
Aug. 13, 2018	350,000	1.14	Aug. 13, 2023
Nov. 2, 2018	118,333	1.00	Nov. 2, 2023
Mar. 22, 2019	537,349	1.02	Mar. 22, 2024
Aug. 2, 2019	12,500	0.76	Aug. 2, 2024
	5,836,099		

The weighted average exercise price of exercisable options at year end is $0.98 (2018 - $1.33).

During the year ended December 31, 2019, the total fair value of stock options vesting was $1,775 (2018 – $1,706) with a weighted average grant-date fair value of $0.52 (2018 – $0.51) per option. The fair values of the stock options granted were estimated on the grant date using the Black-Scholes option pricing model. Volatility was determined using a historical daily volatility over the expected life of the options.

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

	December 31, 2019	December 31, 2018
Risk free interest rate	1.48%	2.14%
Expected dividend yield	Nil	Nil
Expected share price volatility	65.3%	64.7%
Expected forfeiture rate	3.3%	3.3%
Expected life	5.0 years	5.0 years

b. Deferred Share Unit, Restricted Share Unit and Performance Share Unit Plans

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

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

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

	DSUs	**RSUs**	**PSUs**
Outstanding, January 1, 2018	4,611,985	527,500	-
Expired	(925,000)	-	-
Forfeited	(250,000)	(85,000)	-
Settled	(62,819)	(195,000)	-
Outstanding, December 31, 2018	**3,374,166**	**247,500**	**-**
Granted	282,352	937,021	937,021
Forfeited	(247,683)	-	-
Expired	(2,800,000)	-	-
Settled	(62,819)	(207,500)	-
Outstanding, December 31, 2019	**546,016**	**977,021**	**937,021**

During the year ended December 31, 2019, the Company recorded share-based compensation expense of $317 (2018 – recovery of $125) related to DSUs, RSUs and PSUs.

During the year ended December 31, 2019, the total fair value of DSUs, RSUs and PSUs granted was $2,164 (2018 - $Nil) and had a weighted average grant date fair value of $1.02 (2018 - $Nil) per unit.

13 Revenue

	2019 **$**	**2018** **$**
Copper in concentrate	256,232	272,724
Gold in concentrate	49,163	42,474
Silver in concentrate	5,013	4,885
Treatment and refining charges	(21,948)	(24,064)
	288,460	**296,019**

Total mark-to-market and final adjustments from provisional pricing on concentrate sales in 2019 was an increase of $10,698 (2018 – decrease of $20,059) to revenues.

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

	2019 **$**	**2018** **$**
Copper in concentrate	5,436	(2,648)
Gold in concentrate	60	3
Silver in concentrate	991	1,757
	6,487	**(888)**

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

14 Expenses by nature

	2019 $	2018 $
Direct mining and milling costs	175,427	161,777
Employee compensation and benefits	47,417	44,132
Depreciation	27,464	51,046
Transportation costs	13,054	13,758
Cost of sales	**263,362**	**270,713**
General and administration:		
Corporate employee compensation and benefits	4,074	5,493
Corporate and mine site administrative expenses	7,470	5,497
	11,544	10,990
	274,906	**281,703**

Cost of sales consists of direct mining and milling costs (which include operating waste stripping costs, maintenance and repair costs, operating supplies, and external services), employee compensation and benefits, depreciation, transportation costs and changes in the inventory balance.

15 Finance expense

	2019 $	2018 $
Interest on loans	14,871	13,667
Amortization of financing fees	1,398	1,375
Loan guarantee fee	243	301
Unwinding of discount on restoration provision	(36)	221
	16,476	**15,564**

16 Related party transactions

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

a. During the year ended December 31, 2019 the Company sold copper concentrates to MMC with revenues totalling $288,460 (2018 – $296,019) including pricing adjustments.

b. During the year ended December 31, 2019 the Company accrued interest on the subordinated loan with MMC totalling $516 (2018 - $467).

c. As at December 31, 2019 the Company has accrued a cumulative guarantee fee due to MMC of $3,559 (2018 - $3,486) related to the Term Loan. The Company has also received cumulative funding advances from MMC totalling $96,817 (2018 - $62,879). These advances bear interest at 2.88% to 4.80% with total accrued interest of $4,490 (2018 - $2,661). (see note 23)

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

d. In 2015, a company controlled by a director of the Company agreed to purchase 642 acres of land adjoining the mine site for future expansion opportunities. Under the terms of the put/call agreement the Company had the irrevocable right to call the land from the company controlled by the director at any time for the same price as the company controlled by the director paid for the land. Similarly, the company controlled by the director had the irrevocable right to put the land to the Company at any time after January 16, 2016. The Company completed the purchase of the land for a total of $1.72 million inclusive of interest and out of pocket expenses during the year ended December 31, 2018.

e. Compensation of key management:

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

	2019 $	2018 $
Salaries and short-term employee benefits	2,690	3,764
Share based compensation	1,699	1,582
	4,389	**5,346**

17 Supplementary cash flow disclosures

a. As at December 31, 2019, cash and cash equivalents consisted of guaranteed investment certificates of $81 (2018 – $81) and $32,045 in cash (2018 – $46,042) held in bank accounts.

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

	2019 $	2018 $
Change in accounts receivable and prepaid expenses	(10,076)	11,450
Change in inventory	21,271	(8,322)
Change in tax liability	564	(662)
Change in accounts payable and accrued liabilities	777	(9,456)
	12,536	**(6,990)**

c. During the year ended December 31, 2019, the Company paid B.C. Mineral tax of $102 (2018 - $1,208).

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

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, 2019 and 2018 at a rate of 27.00% and 26.00% respectively.

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

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

	2019	**2018**
	$	**$**
(Loss) earnings before income taxes	(39,118)	(25,343)
Statutory tax rate	27.00%	27.00%
Income tax (recovery) expense	(10,562)	(6,842)
Increase (decrease) due to:		
Non-deductible expenses and other	2,374	648
Non-taxable (deductible) portion of loss	(2,189)	3,845
Taxable income allocated to minority interest	(945)	(1,203)
Change in estimates of deferred tax credits	-	1,216
Losses and temporary differences for which no tax benefit has been recorded	199	4,235
Use of losses and temporary differences for which no tax benefit has previously been recorded	(2,054)	(366)
Income tax expense (recovery)	**(13,177)**	**1,533**
Income tax expense (recovery) consists of:		
Deferred income tax expense (recovery)	(13,937)	316
Current income tax	1,169	8
Current BC Mineral tax	(409)	1,209
	(13,177)	**1,533**

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

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

The significant components of the Company's recognized net deferred income tax asset and deferred income tax liability at December 31, 2019 and 2018 are as follows:

	2019 **$**	**2018** **$**
Non-capital losses	58,255	34,961
Capital leases	7,751	2,345
Decommissioning and restoration provision	6,461	2,388
Investment tax credits	4,645	4,645
Mineral tax credits	10,044	7,448
Derivatives	328	324
Property, plant and equipment expenditures	(51,563)	(36,054)
Debt issue costs	(1,003)	(1,534)
Inventory	(8,547)	(2,105)
Unrealized foreign exchange gain	(486)	(579)
Deferred tax liability	-	-
Net deferred tax asset	**25,885**	**11,839**

The significant components of the Company's unrecognized deferred income tax assets at December 31, 2019 and 2018 are as follows:

	2019 **$**	**2018** **$**
Deferred income tax assets		
Non-capital loss carry-forward	11,249	23,263
Unrealized foreign exchange loss	8,776	11,436
Other	2,265	1,745
	22,290	**36,444**

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

b. As at December 31, 2019 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:

	2019	**2018**
	$	**$**
2021	83	83
2022	153	153
2023	360	360
2028	608	608
2029	1,748	1,748
2030	1,156	1,156
2031	1,095	1,095
2032	275	275
2033	665	665
	6,143	**6,143**

As at December 31, 2019, 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:

	2019	**2018**
	$	**$**
Expiry date		
December 31, 2035	88,450	88,450
December 31, 2036	41,180	41,180
December 31, 2037	-	795
December 31, 2038	27,160	-
December 31, 2039	59,114	-
	215,904	**130,425**

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.

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

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2019 and 2018.

	2019 $	2018 $
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	32,126	46,123
Reclamation bonds	3,740	8,752
Amounts due from concentrate sales (note 5)	16,504	15,737
Financial assets at fair value through profit and loss		
Pricing adjustments (notes 5 and 13)	6,221	(888)
Financial liabilities		
Financial liabilities at amortized cost		
Accounts payable (note 8)	24,575	20,252
Long-term debt (note 9)	188,123	229,001
Financial liabilities at fair value through profit and loss		
Interest rate swap liability (note 9b)	1,214	1,201

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

- Amounts due from concentrate sales. Copper concentrate is sold under pricing arrangements where final prices are set at a specified future date based on market copper prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices give rise to a derivative instrument in accounts receivable. This derivative is recorded at fair value, with changes in fair value recognized as a component of revenue.

- Long-term debt. The Company's long-term debt carries interest based on specified benchmark interest rates plus a spread (see note 9). The fair values of the Company's debt obligations approximate their carrying amounts due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates except for the SCF. The fair value of the SCF is less than the carrying value due to changes in the Company's credit risk since the inception of the agreement.

- Interest rate swaps liability. The Company's derivative liabilities relate to interest rate swap contracts. The fair values of interest rate swaps are calculated as the net present value of the future cash flows expected to arise on the variable and fixed legs, determined using applicable yield curves at each measurement date. Swap curves, which incorporate credit spreads applicable to large commercial banks, are typically used to calculate expected future cash flows and the present values thereof. Adjustments are also made to reflect the Company's own credit risk and the credit risk of the counter party, if different from the spread implicit in the swap curve.

Fair Value hierarchy

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

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

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at December 31, 2019:

	Level 1 $	**Level 2 $**	**Level 3 $**	**Total fair value $**
Financial assets				
Pricing adjustments (note 5 and 13)	-	6,221	-	6,221
Financial liabilities				
Interest rate swap liability (note 9b)	-	1,214	-	1,214

Financial risks factors

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

a. Credit risk

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

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

b. Market risks

Commodity price risk

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

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

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper, gold and silver commodity prices, based on December 31, 2019 prices.

The impact of a 10% movement in commodity prices on provisionally priced metal sales as at December 31, 2019 is as follows:

	Impact of price change on net earnings	
	10% increase $	10% decrease $
Accounts receivable		
Pricing adjustments on concentrate sales	9,878	(9,878)

As at December 31, 2019 the Company had approximately 27.9 million pounds of copper, 9,916 ounces of gold and 113,514 ounces of silver that was provisionally priced at US$2.65 per pound, US$1,487 per ounce and US$17.25 per ounce respectively to be settled at a future date.

Interest rate risk

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

The floating-to-fixed interest rate swaps as at December 31, 2019 covered 32% (2018 – 32%) of the Company's floating rate debt at a rate of 3.565% per annum. The final maturity of the swaps is on December 15, 2020.

At December 31, 2019 the impact on a full year net earnings of a 1% change in interest rate would be as follows:

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

	Impact of interest rate change on net earnings	
	1% increase	**1% decrease**
	$	**$**
Cash and cash equivalents	38	(38)
Interest rate swap liabilities	(1,342)	1,342
Long-term debt	(1,347)	1,347

Currency risk

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

The Company has not hedged its exposure to currency fluctuations. The majority of the Company's debt is denominated in US dollars. The currency risk on debt principal and interest payments are minimized as the Company receives US dollars on the sale of copper concentrate. The net impact of a 10% increase or decrease in the US dollar to the Canadian dollar exchange rate at December 31, 2019 would result in a $28,846 (2018 - $29,592) decrease or increase in net income.

Liquidity risk

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

	2019	**2018**
	$	**$**
Cash and cash equivalents	32,126	46,123
Working capital deficit	(112,100)	(39,251)

The primary reason for the increase in the working capital deficiency relates to the increase in the short term payable to MMC, which has increased from $69,026 as at December 31, 2018 to $104,698 as at December 31, 2019. The increase in this short term payable results from additional advances during 2019 to enable the Company to make the scheduled repayments on the term loan, accrued interest on the subordinated loan, accrued interest on the funding advances by MMC and the guarantee fee on the term loan (see note 23).

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

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

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

Maturity analysis of financial liabilities as at December 31, 2018 is as follows:

	Total $	**< 1 year** $	**2-3 years** $	**4-5 years** $	**Thereafter** $
Long-term debt	275,531	49,611	126,074	86,298	13,548
Due to MMC	69,026	69,026	-	-	-
Capital lease	6,427	2,010	4,417	-	-
Decommissioning & restoration provision	6,546	-	-	-	6,546
Trade accounts payable	20,252	20,252	-	-	-
	377,782	140,899	130,491	86,298	20,094

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

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, 2019. In the management of capital, the Company includes the components of equity, net of cash and cash equivalents.

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

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.

Details on a geographic basis are as follows:

	December 31, 2019	December 31, 2018
Assets by geographic segment, at cost		
Canada		
Current assets	93,948	116,402
Non-current assets	548,916	527,779
	642,864	644,181
Australia		
Current assets	1,424	4,445
Non-current assets	49,553	53,036
	50,977	57,481

The Company sells all of its copper concentrates to MMC smelters in Japan based on quoted market prices. During the year ended December 31, 2019 revenues attributed to the sale of copper concentrate to MMC totaled $288,460 (2018 - $296,019).

22 Contingencies and 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, 2019 the Company met this shipping tonnage requirement.

23 Subsequent Event

At year end, the Company had reached an agreement with MMC to extend the maturity of the funding advances received to date and shown as a related party current liability totalling $101 million to a longer term related party debt due June 15, 2023. The agreement was made effective December 31, 2019 and was signed subsequent to the end of the year and under IFRS it is treated as a non-adjusting subsequent event. Had this agreement been signed prior to year end, the Company's current related party debt would have decreased by $101 million and the Company's long term related party debt would have increased by $101 million. Amounts due to MMC under their guarantee fee of $3.6 million would not be affected by the maturity extension of the funding advances.

COPPER MOUNTAIN
MINING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF COPPER MOUNTAIN MINING CORPORATION FOR THE YEAR ENDED DECEMBER 31, 2019

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 consolidated financial statements for the years ended December 31, 2019 and 2018 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 14, 2020.

About Copper Mountain

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

Cautionary Statement on Forward-Looking Information

The MD&A contains certain statements that may be deemed "forward-looking statements." All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities, and events or developments that the Company expects to occur, are forward-looking statements. Future estimates regarding production, capital and operating costs are based on NI 43-101 Technical Reports and on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "targets" and similar expressions, or that events or conditions "will", "would", "may", "could", or "should" occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, but are not limited to: general business, economic, competitive, political and social uncertainties; the limited operating history of the Company; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of the Canadian dollar relative to the United States dollar; fluctuations in the value of the Australian dollar relative to the United States dollar; changes in project parameters as plans continue to be refined; failure of equipment or process to operate as anticipated; changes in labor costs and other costs and availability of equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavorable operating conditions and losses, detrimental events that interfere with transportation of concentrate or the smelters ability to accept concentrate, including declaration of Force Majeure events, insurrection or war; delays in obtaining governmental approvals or revocation of governmental approvals; title risks and Aboriginal land claims; delays or unavailability in financing or in the completion of development or construction activities; failure to comply with restrictions and covenants in senior loan agreements, actual results of current exploration activities; volatility in Company's publicly traded securities; and the factors discussed in the section entitled "Risk Factors" in the Company's annual information form and in the Company's continuous disclosure filings available under its profile on SEDAR at www.sedar.com. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

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

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OVERVIEW

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

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

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

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

HIGHLIGHTS

- Production for the fourth quarter of 2019 was 22.6 million pounds of copper equivalent (comprised of 18.6 million pounds of copper, 6,200 ounces of gold and 86,623 ounces of silver).
- For the fourth quarter C1 cash costs per pound of copper produced was US$2.06, all in sustaining cost (AISC) per pound of copper was US$2.27 and total all in cost per pound of copper (AIC) was US$2.31, and C1 cash costs per pound of copper produced for the full year was US$1.92, all in sustaining cost (AISC) per pound of copper was US$2.06 and total all in cost per pound of copper (AIC) was US$2.44.
- Revenue for the fourth quarter of 2019 was $73.7 million, from the sale of 17.6 million pounds of copper, 6,008 ounces of gold and 76,847 ounces of silver, and revenue for the full year was $288.4 million, from the sale of 71.9 million pounds of copper, 26,478 ounces of gold and 254,541 ounces of silver, net of pricing adjustments.
- Cash flow from operations for the fourth quarter of 2019 was $4.3 million and $51.2 million for 2019.
- Cash and cash equivalents at the end of the fourth quarter was $32.1 million.
- During the year the Company significantly increased the Mineral Reserves of the Copper Mountain mine which deferred the expected milling time of the low-grade stockpile to 2038 on the increased mine life. The discounting of future cash flows required to value the low-grade stockpile resulted in a one-time non-cash write-down of $48.8 million on the low-grade stockpile value effective at the year end of 2019.
- Measured and Indicated Mineral Resource at the Company's Eva Copper Project increased to 2.1 billion pounds of copper with the announcement of the Blackard Mineral Resource:
  - Measured and Indicated Mineral Resource of 77 million tonnes grading 0.49% of copper containing 836 million pounds of copper (Increases Eva Copper M&I Mineral Resource by 66%).
  - Inferred Mineral Resource of 19 million tonnes grading 0.49% of copper containing 206 million pounds of copper (Increases Eva Copper Inferred Mineral Resource by 118%).
- With affect at year end, the Company and Mitsubishi Materials Corporation reached an agreement to extend the maturity of the funding advances received to date and shown as a related party current liability totalling

$101 million to a longer-term related party debt due June 15, 2023. This will have the effect of improving the Company's working capital by the same $101 million.

Results and Highlights (100%)	**Three months ended December 31,**		**Year ended December 31,**	
(In thousands of CDN$, except for per share amounts)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Financial				
Revenue	73,743	73,149	288,460	296,019
Gross profit	1,613	7,896	25,098	25,306
Gross profit before depreciation[(1)]	11,279	18,089	52,562	76,352
Net loss	(35,702)	(18,982)	(25,941)	(26,876)
Loss per share – basic	(0.14)	(0.09)	$(0.12)	(0.13)
Adjusted earnings (loss)[(1)]	1,317	(1,400)	835	3,377
Adjusted earnings (loss) per share – basic	0.01	(0.01)	$0.00	0.02
EBITDA[(1)]	(35,271)	(234)	3,647	40,685
Adjusted EBITDA	1,748	17,348	30,423	85,841
Cash flow from operations	4,339	28,777	51,232	51,266
Cash and cash equivalents – end of period			32,126	46,123
Production				
Copper (000s lb)	18,588	20,628	71,950	78,847
Gold (oz)	6,200	8,124	26,746	28,250
Silver (oz)	86,623	62,711	271,835	273,913
Unit costs and prices				
C1 cash cost per pound of copper (US$/lb produced (net))[(1)]	2.06	1.60	1.92	1.77
AISC per pound of copper produced (US$)[(1)]	2.27	1.73	2.06	1.94
AIC per pound of copper produced (US$)[(1)]	2.31	2.00	2.44	2.33
Average realized copper price (US$/lb)	2.67	2.81	2.73	2.98

(1) Non-GAAP performance measure. See Page 22 of this MD&A for details.

OPERATIONS REVIEW

Mine Production Information

Copper Mountain Mine (100% Basis)	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2019 Annual	2018 Annual	2017 Annual
Mine								
Total tonnes mined (000s)	**14,571**	13,965	16,139	17,454	19,730	62,129	74,337	72,597
Ore tonnes mined (000s)	**3,914**	2,761	3,007	2,814	4,407	12,496	20,567	26,204
Waste tonnes (000s)	**10,657**	11,204	13,132	14,640	15,323	49,633	53,770	46,393
Stripping ratio	**2.72**	4.06	4.37	5.20	3.48	3.97	2.61	1.77
Mill								
Tonnes milled (000s)	**3,733**	3,596	3,764	3,550	3,873	14,643	14,535	14,086
Feed Grade (Cu%)	**0.31**	0.26	0.28	0.29	0.30	0.29	0.31	0.32
Recovery (%)	**73.0**	78.2	78.2	81.6	81.0	77.8	79.8	77.2
Operating time (%)	**93.1**	91.9	95.0	92.9	96.0	93.2	92.6	90.3
Tonnes milled (TPD)	**40,576**	39,087	41,363	39,444	42,098	40,118	39,822	38,592
Production								
Copper (000s lb)	**18,588**	16,302	18,450	18,610	20,628	71,950	78,847	75,791
Gold (oz)	**6,200**	6,498	6,922	7,127	8,124	26,747	28,250	23,633
Silver (oz)	**86,623**	57,225	65,707	62,280	62,711	271,835	273,913	277,094
Sales								
Copper (000s lb)	**17,598**	17,021	17,931	19,348	19,431	71,898	79,195	75,791
Gold (oz)	**6,008**	6,400	7,044	7,026	7,475	26,478	26,799	23,633
Silver (oz)	**76,847**	57,426	55,276	64,992	69,761	254,541	284,086	277,094
C1 cash cost per pound of copper produced (US$)(1)	**2.06**	2.12	1.74	1.77	1.60	1.92	1.77	1.84
AISC per pound of copper produced (US$)(1)	**2.27**	2.28	1.85	1.87	1.73	2.06	1.94	1.99
AIC per pound of copper produced (US$)(1)	**2.31**	2.67	2.35	2.44	2.00	2.44	2.33	2.26

(1) Non-GAAP performance measure. See Page 22 of this MD&A for details.

Operation Results – Three Months Ended December 31, 2019

Production

In Q4 2019, the Copper Mountain Mine produced 18.6 million pounds of copper, 6,200 ounces of gold, and 86,623 ounces of silver compared to 20.6 million pounds of copper, 8,124 ounces of gold, and 62,711 ounces of silver in Q4 2018. During the quarter, the mine processed a total of 3.7 million tonnes of ore at an average feed grade of 0.31% Cu and achieved an average copper recovery of 73.0%. Production was lower in Q4 2019 as compared Q4 2018 as a result of processing a greater percentage of ore during the 2019 quarter from lower recovery ore domain areas that are made up of finer grained ore that results in lower recovery. In addition, during the quarter approximately 0.3 million tonnes of ore that was fed to the mill came from the ore stockpile and was included in the average feed grade for the quarter. Mill availability averaged 93.1% for Q4 2019 as compared to 96% in Q4 2018. Q4 2019 production increased 14% from Q3 2019 as a result of improved grades, which increased 19% quarter-over-quarter. Grade improvements are expected to continue into 2020.

Costs

C1 cash cost per pound of copper produced for Q4 2019 was US$2.06, as compared to US $1.60 in Q4 2018. The increase in cost per pound was primarily the result of C1 cash cost for Q4 2018 excluded $7.3 million in costs or US$0.27 per pound that was capitalized as they were associated with stripping costs deferred and costs allocated to the low grade stockpile. C1 cash costs for Q4 2019 had no such deferred stripping during the quarter and only had $0.9 million or US$0.04 per pound of costs allocated to the low-grade stockpile. In addition, Q4 2019 had lower copper production when compared to Q4 2018 which further contributed to higher unit costs in Q4 2019 as a result of using a lower denominator.

All-in costs per pound of copper produced (AIC) for Q4 2019 was US$2.31 and higher than Q4 2018 of US$2.00 primarily as a result of producing two million fewer pounds of copper in Q4 2019 and timing of sustaining capital expenditures which resulted in Q4 2019 having $1.6 million more in sustaining capital expenditures than that of Q4 2018.

Total all-in costs for Q4 2019 was $56.5 million as compared to $54.4 million in Q4 2018. The slight increase is a result of sustaining capital increasing by $1.5 million in Q4 2018. The consistency in all-in costs over the past quarters demonstrates the consistency of the operation at the Copper Mountain Mine quarter-after-quarter, with cost variances on a unit of copper basis primarily impacted by copper grade and recovery fluctuations.

Operation Results – Full Year 2019

Production

During the year ended December 31, 2019, the Copper Mountain Mine produced 72.0 million pounds of copper, 26,747 ounces of gold, and 271,835 ounces of silver compared to 78.8 million pounds of copper, 28,250 ounces of gold, and 273,913 ounces of silver in the year ended December 31, 2018. During the year, the mine processed a total of 14.6 million tonnes of ore at an average feed grade of 0.29% Cu and with a copper recovery of 77.8%. Production was lower for the year ended December 31, 2019 as compared the year ended December 31, 2018 as a result of processing a lower average feed grade and a greater percentage of ore from lower recovery ore domains that are made up of finer grained ore. Mill availability averaged 93.2% for the year ended December 31, 2019 as compared to 92.6% for the fiscal year 2018.

Costs

C1 cash cost per pound of copper produced for the year ended December 31, 2019 was US$1.92, as compared to US $1.77 in 2018. The increase in C1 cash cost per pound was primarily the result of lower copper production in the year when compared to the year ended December 31, 2018. All in costs per pound of copper for the year ended December 31, 2019 was US$2.44 as compared to US$2.33 for the year ended December 31, 2018.

Total all in costs to operate the Copper Mountain mine for the year ended December 31, 2019 was $232.6 million, which is $5.3 million lower than the $237.9 million for the year-ended December 31, 2018. The decrease in total all-in costs reflects the Company’s cost containment efforts and further illustrates the mines consistency and reliability year after year.

OUTLOOK

Copper production in 2020 is expected to increase to 86 to 96 million pounds and in 2021 to 88 to 98 million pounds due to higher grades mined from the main pit. Production is expected to be lower in 2022 at 75 to 85 million pounds of copper with production planned to recover back to higher levels immediately thereafter. Gold production is expected to be 25,000 to 30,000 ounces and silver production is expected to be 400,000 to 500,000 ounces per year over the next three years.

Production for the Copper Mountain mine for the next three years is planned as follows:

Production Guidance	**2020**	**2021**	**2022**
Copper equivalent (Mlbs)*	100 to 113	102 to 115	88 to 100
Copper (Mlbs)	86 to 96	88 to 98	75 to 85

* Copper equivalent calculated using the following metal prices: US$3.00/lb of copper, US$1,400/oz of gold and US$16.50/oz silver

C1 cash cost is expected to improve to be between US$1.30 to $1.45 in 2020, primarily as a result of higher production and improved grades. Sustaining capital is expected to be approximately US$13 million, for all-in sustaining costs of US$1.40 to US$1.60 per pound. All-in costs are expected to be between US$1.95 to US$2.20 per pound. Deferred stripping is expected to decrease significantly from 2019 and expected to be approximately US$13 million.

Total growth or expansionary capital in 2020 is expected to be approximately US$33 million. The majority of the capital to be spent in 2020 is planned in the second half of the year for the concentrator expansion project at the Copper Mountain Mine. Capitalized exploration for 2020 is expected to be approximately US$2 million, with the focus on continued reserve expansion at the Copper Mountain Mine.

A summary of costs for 2020 is provided below:

	2020
Cost Guidance	
C1 cash costs (US$/lb)	$1.30 to $1.45
All-in sustaining costs (US$/lb) (1)	$1.40 to $1.60
All-in costs (US$/lb)(2)	$1.95 to $2.20
Capex	**2020**
Growth Capital (US$M)	Approx. $33M
Sustaining Capital (US$M)(1)	Approx. $13M
Deferred Stripping (US$M)	Approx. $13M

1) *Sustaining capital includes sustaining capital, lease payments and applicable administration*
2) *All-in costs include sustaining capital, deferred stripping and low-grade stockpile inventory expense*

PROJECT DEVELOPMENT UPDATE

Copper Mountain Mine, Canada

During the quarter, the Company continued with engineering work to advance its expansion plans of the existing Copper Mountain Mine mill, which is planned to increase throughput to 45,000 tonnes per day from 40,000 tonnes per day and improve copper recovery as a result of being able to achieve a finer grind of ore. The expansion project includes the installation of a third ball mill that the Company has already purchased.

Project Engineering design has been completed to support commissioning the third ball mill in Q4 2020. Engineering of the cleaner circuit upgrade is well advanced to allow for the commissioning of the cleaner circuit upgrade in mid 2020. During the quarter, the third ball mill arrived at the mine site and is in storage and available for installation when the project schedule provides. The Company has ordered all other critical long lead items required for the third ball mill installation and has adjusted the schedule of the project development to match the 2020 cash flow generation of the mine in the current low copper price environment, such that additional financing is not required to complete the project in fiscal year 2020.

EXPLORATION UPDATE

Canada

The 2019 exploration program for the Copper Mountain mine included approximately 15,000 metres of drilling with the objective of defining resources adjacent to and below current reserves in high potential areas. Key areas of drilling include the westward extension of the current pit area towards the New Ingerbelle deposit; the eastern edge of the pit 3 area to follow-up on the strong drill results obtained in 2018; in-fill drilling of areas at depth in the southwest pit 3 area, and drilling within and below the North deposit, which is adjacent to the primary crusher, in order to upgrade reserve and resource classification.

During the quarter, the Company updated the Mineral Reserve and Mineral Resource for the Copper Mountain Mine. Mineral Reserves increased by 12% to 477 million tonnes grading 0.23% copper and 0.10 g/t gold for contained metal of 2.47 billion pounds of copper and 1.55 million ounces of gold. Measured and Indicated Mineral Resources increased by 9% to 599 million tonnes grading 0.23% copper and 0.10 g/t gold for contained metal of 3.08 billion pounds of copper and 2.0 million ounces of gold. Inferred Mineral Resources increased by 16% to 276 million tonnes grading 0.20% copper and 0.10 g/t gold for contained metal of 1.23 billion pounds of copper and 0.88 million ounces of gold. Please refer to the press release dated October 28, 2019.

Australia

The 2019 exploration drill program in Australia included both exploration drilling and metallurgical test-work for the Blackard deposit, which is a large stratabound deposit located within the Company's Eva Copper Project mining leases, five kilometres from the proposed Eva Copper processing plant, in Queensland, Australia. Drilling confirmed a Measured and Indicated Mineral Resource of 77 million tonnes grading 0.49% copper containing 836 million pounds of copper. This brings the Eva Copper Project's Measured and Indicated Resource to 228 million tonnes grading 0.42% copper containing 2.1 billion pounds of copper. The Company also completed extensive metallurgical test-work that has confirmed economic recoveries at Blackard. Based on these results, flotation recoveries are expected to be 90% for the Copper Sulphide Zone and 63% for the Copper Zone, both producing saleable concentrates. Please refer to the press release dated October 15, 2019.

During the quarter, the Company continued with work on updating the Eva Copper 2020 Bankable Feasibility Study which is planned for release in Q1 2020. This will include a new mine plan that incorporates the new Blackard deposit as well as flowsheet optimizations, production, and cost improvements.

FINANCIAL REVIEW

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

Financial Results	Three months ended December 31,		Year ended December 31,	
(In thousands of CDN$, except for per share amounts)	2019 $	2018 $	2019 $	2018 $
Revenue				
Copper	65,315	64,486	256,232	272,724
Gold	12,050	13,500	49,163	42,474
Silver	1,677	1,200	5,013	4,885
Treatment and refining	(5,299)	(6,037)	(21,948)	(24,064)
	73,743	**73,149**	**288,460**	**296,019**
Cost of sales				
Direct mining and milling	(46,079)	(40,051)	(175,427)	(161,777)
Employee compensation	(13,409)	(11,574)	(47,417)	(44,132)
Depreciation	(9,666)	(10,193)	(27,464)	(51,046)
Transportation	(2,976)	(3,435)	(13,054)	(13,758)
Gross profit	**1,613**	**7,896**	**25,098**	**25,306**
General and administration	(2,635)	(2,765)	(11,544)	(10,990)
Share based compensation	(409)	(331)	(2,093)	(1,605)
Net realizable value adjustment to the low-grade stockpile	(48,769)	-	(48,769)	-
Operating income (loss)	**(50,200)**	**4,800**	**(37,308)**	**12,711**
Other income	786	106	1,175	582
Finance expense	(4,781)	(4,601)	(16,476)	(15,564)
Unrealized gain (loss) on interest rate swap	41	(481)	(464)	716
Foreign exchange gain (loss)	5,459	(14,746)	14,192	(23,788)
Loss on the sale of fixed assets	(237)	-	(237)	-
Loss before tax	**(48,932)**	**(14,922)**	**(39,118)**	**(25,343)**
Current tax (expense) recovery	304	(609)	(862)	(1,217)
Deferred tax (expense) recovery	12,926	(3,451)	14,039	(316)
Net loss	**(35,702)**	**(18,982)**	**(25,941)**	**(26,876)**
Adjustments				
Pricing adjustments on concentrate sales	(6,487)	2,355	(8,502)	888
Write-down of low-grade stockpile	48,769	-	48,769	6,293
Unrealized (gain) loss on interest rate swap	(41)	481	464	(716)
Foreign exchange (gain) loss	(5,459)	14,746	(14,192)	23,788
Loss on sale of fixed asset	237	-	237	-
Adjusted net income (loss)(1)	**1,317**	**(1,400)**	**835**	**3,377**
Loss per share	**(0.14)**	**(0.09)**	**(0.12)**	**(0.13)**
Adjusted earnings (loss) per share(1)	**0.01**	**(0.01)**	**0.00**	**0.02**

(1) Non-GAAP performance measure. See Page 23 of this MD&A for details.

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

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

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

Financial Results – Three Months Ended December 31, 2019

Summary

The mine shipped and sold 17.6 million pounds of copper, 6,008 ounces of gold, and 76,847 ounces of silver during Q4 2019; compared to 19.4 million pounds of copper, 8,124 ounces of gold and 69,761 ounces of silver for Q4 2018. During the quarter the Company recognized revenues of $73.7 million, net of pricing adjustments and treatment charges based on an average realized copper price of US$2.67 per pound; compared to revenues of $73.1 million net of pricing adjustments and treatment charges at an average realized copper price of US$2.81 per pound for Q4 2018. Gross profit for Q4 2019 was $1.6 million as compared to $7.9 million for Q4 2018.

The Company reported a net loss of $35.7 million for Q4 2019 as compared to a net loss of $19.0 million for Q4 2018. The variance in the net loss for Q4 2019, as compared to the net loss for Q4 2018, was a result of several items including:

- During the year the Company significantly increased the reserves of the Copper Mountain mine which deferred the milling of the low-grade stockpile to 2038 on the increased mine life. The discounting of future cash flows required to value the low-grade stockpile resulted in a one-time non-cash write-down of $48.8 million on the carrying value of the low-grade stockpile at the end of the quarter.
- Revenue in Q4 2019 included a positive mark to market adjustment on concentrate sales of $6.5 million as compared to a negative mark to market adjustment of $2.4 million for Q4 2018;
- The inclusion of a non-cash unrealized foreign exchange gain of $5.4 million as compared to a non-cash unrealized foreign exchange loss of $14.7 million in Q4 2018, a differential of approximately $20 million, which was primarily related to the Company's debt that is denominated in US dollars.

Revenue

In Q4 2019, revenue was $73.7 million, net of pricing adjustments and treatment charges, compared to $73.1 million in Q4 2018. Q4 2019 revenue is based on the sale of 17.6 million pounds of copper, 6,008 ounces of gold, and 7,475 ounces of silver and on an average realized copper price of US$2.67 per pound. This compares to 19.4 million pounds of copper, 7,475 ounces of gold and 69,761 ounces of silver sold in Q4 2018 and an average realized copper price of US$2.81 per pound. Although less copper and gold was sold in Q4 2019, than Q4 2018, revenue was slightly higher in Q4 2019 as a result of increased gold prices in Q4 2019 of US $1,481/oz as compared to US $1,229/oz in Q4 2018, and a positive mark-to-market adjustment of $6.5 million in Q4 2019 compared to a negative mark-to-market adjustment of $2.4 million in Q4 2018. A net difference of $8.9 million from the mark-to-market adjustments.

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,	
	2019	2018	2019	2018
Copper[1] – 000s lb	$2.67	$2.81	17,598	19,431
Gold[1] – oz	$1,481	$1,229	6,008	7,475
Silver[1] – oz	$17.11	$14.48	76,847	69,761

[1]Metal prices stated as US dollars per ounce for gold and silver and US dollars per pound for copper.

Cost of Sales

Cost of sales in Q4 2019 was $72.1 million as compared to $65.3 million for Q4 2018. The increase in cost of sales in Q4 2019 as compared to Q4 2018 is primarily the result of mining costs of $7.3 million being allocated to deferred stripping and the low-grade stockpile in Q4 2018 as compared to only $0.9 million in Q4 2019.

Depreciation and Depletion

Depreciation expensed through cost of sales in Q4 2019 was $9.7 million (Q4 2018 – $10.1 million) a similar amount. The Company released an updated NI 43-101 Mineral Resource update for the Copper Mountain Mine released in Q4 2018. The increase to reserves reported results in a lower depreciation rate over the remaining life of the mine. The updated reserves were used in both Q4 2019 and Q4 2018.

General and Administrative

The Company recorded Q4 2019 general and administrative costs of $2.6 million, very similar to the $2.8 million incurred in Q4 2018.

Finance Expense

The Company recorded Q4 2019 finance expense of $4.8 million (Q4 2018 – $4.6 million). Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The increase of $0.2 million is attributable to the increase in borrowing rates and specifically six-month LIBOR which the Company's long-term variable interest rates loans are based on. The increase in borrowing rates is marginally offset by the impact of a decrease in long-term debt from ongoing debt payments made by the Company during the quarter.

Foreign Exchange

The Company recorded Q4 2019 foreign exchange gain of $5.5 million (Q4 2018 – loss of $14.7 million). Foreign exchange is primarily related to the Company's project debt which is denominated in US dollars.

Low Grade Stockpile Adjustment

As a result of the Company extending the mine life from 14 years to 31 years from the increase in reserves announced over the course of the year, the Company is required to re-evaluate the net realizable value ("NRV") of the low-grade stockpile. This is done by way of a life of mine cash flow model that discounts back the value of the LGS from some point in the future when it is planned to be processed through the concentrator. As this value is being discounted back for many more years now, the present-day value or net present value declines and it is this value that is compared to the current carrying value of the low-grade stockpile. Under IFRS the Company is required to write-down the low-grade stockpile to the NRV, and therefore, during the quarter the Company wrote down the carrying value of the low-grade stockpile by $48.8 million.

Financial Results – Full Year 2019

Summary

The mine shipped and sold 72 million pounds of copper, 26,478 ounces of gold, and 254,541 ounces of silver during the year ended December 31, 2019; compared to 79 million pounds of copper, 26,799 ounces of gold and 284,086 ounces of silver for the year ended December 31, 2018. During the period the Company recognized revenues of $288 million, net of pricing adjustments and treatment charges based on an average realized copper price of US$2.73 per pound; compared to revenues of $296 million net of pricing adjustments and treatment charges at an average realized copper price of US$2.98 per pound for the year ended December 31, 2018.

Gross profit for the year was $25.1 million as compared to $25.3 million for the year ended December 31, 2018. The Company reported a net loss of $25.9 million for the year ended December 31, 2019 as compared to a net loss of $26.9 million for year ended December 31, 2018. The loss for the year ended December 31, 2019 is attributable to the non-cash net realizable adjustment of $48.8 million on the write-down of the low-grade stockpile. During the year the Company significantly increased the reserves of the Copper Mountain mine which deferred the milling of the low-grade stockpile to 2038 on the increased mine life. The discounting of future cash flows required to value the low-grade stockpile resulted in the one-time non-cash write-down adjustment to the carrying value of the low-grade stockpile at the end of the year.

The loss for the year ended December 31, 2019 was offset by the inclusion of a non-cash unrealized foreign exchange gain of $14.2 million as compared to a non-cash unrealized foreign exchange loss of $23.8 million for the year ended December 31, 2018, a differential of approximately $38.0 million, which was primarily related to the Company's debt that is denominated in US dollars.

Revenue

Revenue was $288 million, net of pricing adjustments and treatment charges, compared to $296 million for the year ended December 31, 2018. Revenue was lower for the year ended December 31, 2019 as fewer pounds of copper were sold and at a lower realized price, as compared to the year ended December 31, 2018.

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

	Realized Metal Prices Year ended December 31,		Quantities of Metal Sold Year ended December 31,	
	2019	2018	2019	2018
Copper[1] – 000s lb	$2.73	$2.98	71,898	79,195
Gold[1] – oz	$1,381	$1,273	26,478	26,799
Silver[1] – oz	$16.19	$15.58	254,541	284,086

[1]Metal prices stated as US dollars per ounce for gold and silver and US dollars per pound for copper.

Cost of Sales

Cost of sales during the year ended December 31, 2019 were $263 million as compared to $270 million for the year ended December 31, 2018. The decrease in cost of sales is a result of lower amounts of copper, gold and silver being sold in the year and as a result of $33 million of stripping costs being deferred for the year ended December 31, 2019 as compared to $20 million for the year ended December 31, 2018.

Depreciation and Depletion

Depreciation expensed through cost of sales was $27.5 million for the year ended December 31, 2019, as compared to $51.0 million for the year ended December 31, 2018, a decrease of $23.5 million. The difference is primarily a result of the NI 43-101 Mineral Resource update for the Copper Mountain Mine released in Q4 2018. The increase to reserves reported results in a lower depreciation rate over the remaining life of the mine.

General and Administrative

The Company recorded general and administrative costs of $11.5 million for the year ended December 31, 2019, as compared to $11.0 million for the year ended December 31, 2018. The increase of $0.5 million is attributable to the increased costs incurred on refinancing initiatives and administration costs related to the project activity that has not been charged directly to the various growth projects within the Company.

Finance Expense

The Company recorded finance expense of $16.5 million for the year ended December 31, 2019, as compared to $15.6 million for the year ended December 31, 2018. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The increase of $0.9 million is attributable to the increase in borrowing rates and specifically LIBOR which the Company's long-term variable interest rates loans are based on. The increase in borrowing rates marginally offsets the impact of the decrease in long-term debt from ongoing debt payments made by the Company.

Foreign Exchange

The Company recorded a foreign exchange gain of $14.2 million for the year ended December 31, 2019, as compared to a $23.8 million foreign exchange loss for the year ended December 31, 2018. Foreign exchange is primarily related to the Company's project debt which is denominated in US dollars.

Low Grade Stockpile Adjustment

The Company recorded a Q4 2019 non-cash net realizable adjustment of $48.8 million on the write-down of the low-grade stockpile carrying value. During the year the Company significantly increased the reserves of the Copper Mountain mine which deferred the milling of the low-grade stockpile to 2038 on the increased mine life. The discounting of future cash flows required to value the low-grade stockpile resulted in the one-time adjustment to the carrying value of the low-grade stockpile.

SELECTED ANNUAL FINANCIAL INFORMATION

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

Annual Results (100%)	**Year ended December 31,**		
(In thousands of CDN$, unless otherwise indicated)	**2019**	**2018**	**2017**
Revenues	288,460	296,019	304,080
Net income (loss)	(25,942)	(26,876)	67,339
Earnings per share – basic	(0.12)	(0.13)	0.36
Adjusted net income (loss)(1)	835	3,337	46,598
Adjusted earnings per share – basic(1)	0.00	0.02	0.35
EBITDA	3,647	40,685	122,504
Adjusted EBITDA(1)	30,423	85,841	90,692
Cash flow from operations	51,232	51,266	57,274
Total assets	693,841	701,662	667,949
Total non-current liabilities	208,430	238,308	266,975
Average realized copper price (US$)	$2.73	$2.98	$2.80
C1 cash cost per pound of copper produced (US$) (1)	$1.92	$1.77	$1.84
Copper sales (000s lb)	71,898	79,195	73,860

(1) Non-GAAP performance measure. See Pages 21 to 24 of this MD&A for details.

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%)	**2019**				**2018**			
(In thousands of CDN$, unless otherwise indicated)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	73,743	62,703	65,144	86,870	73,149	60,720	84,204	77,946
Net income (loss)	(35,702)	(10,595)	2,529	17,826	(18,982)	(5,066)	3,638	(6,466)
Earnings per share – basic	(0.14)	(0.05)	0.01	0.07	(0.09)	(0.02)	0.01	(0.04)
Adjusted net income (loss)(1)	1,317	(5,602)	(917)	6,036	(1,400)	(3,002)	11,095	11,587
Adjusted earnings per share – basic	0.01	(0.03)	(0.00)	0.03	$(0.01)	$(0.02)	$0.06	$0.09
EBITDA	(35,271)	(3,204)	10,257	31,864	(234)	6,882	22,552	11,485
Adjusted EBITDA(1)	1,748	1,789	6,811	20,074	17,348	8,946	30,009	29,538
Cash flow from operations	4,339	368	23,685	23,689	28,777	(19,650)	40,121	2,018
Average realized copper price (US$)	$2.67	$2.65	$2.72	$2.85	$2.81	$2.77	$3.12	$3.17
C1 cash cost per pound of copper produced (US$) (1)	$2.06	$2.12	$1.74	$1.77	$1.60	$1.98	$1.56	$1.96
Copper sales (000's lbs)	17,598	17,021	17,931	19,348	19,431	17,612	20,411	21,741

(1) Non-GAAP performance measure. See Pages 21 to 24 of this MD&A for details.

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash

The Company's cash and cash equivalents at December 31, 2019, was $32.1 million, compared to $46.1 million in 2018. During the year ended December 31, 2019 the Company generated $51.2 million of positive cash flow from operations at the Copper Mountain mine as compared to $51.3 million for the year ended December 31, 2018.

During the year ended December 31, 2019 the Company used $47.5 million in investing activities comprised mainly of deferred stripping costs of $32.6 million, sustaining capital of $7.5 million, exploration expenditures of $3.0 million, and development expenditures of $10.4 million mainly consisting of the advance purchase of grinding equipment for the Copper Mountain mine and the Eva Copper Project. In addition during the year the Company reviewed its reclamation obligations with the government and as a result of using third party external costing estimates to complete the reclamation work, as opposed to the Company completing the reclamation work with its own equipment, the reclamation estimates have increased from $7 million to $18.1 million. This increased liability has been funded with cash deposits of $3.7 million and the balance with a surety bond.

During the year ended December 31, 2019 the Company used $16.3 million in its financing activities as compared to $37.4 million for the same period ended December 31, 2018. This is comprised primarily of $63.0 million in debt principal and interest payments, and $3.3 million in lease payments on mining equipment as compared to $56.2 million and $6.5 million for the period ended December 31, 2018. The Company also received $38.3 million from MMC (2018 – $28.4 million), which was applied towards principal and interest payments on the Term Loan during the year, as it has been done in previous years. In addition, during 2019 the Company entered into a secured borrowing agreement for proceeds of $10.3 million. The transaction is similar to the form of a sale-and-lease-back; whereby the Company sold and leased-back for proceeds of $10.3 million of previously purchased grinding equipment not yet installed. The Company has the right to purchase back the grinding equipment, and therefore, constitutes a secured borrowing agreement.

Working Capital

As at December 31, 2019, the Company had negative working capital of $7.4 million (exclusive of $104.7 million of related party debt which is not expected to be repaid in the next twelve months) compared with working capital of $29.8 million at December 31, 2018 (exclusive of $69.0 million of related party debt which is not expected to be repaid in the next twelve months). The increase in the related party debt is a result of funds advanced by MMC to make the term loan payments during the year. The intent of related party debt is that it would be paid back after the bank debt has been fully repaid.

With affect at year end, the Company had reached an agreement with MMC to extend the maturity of the funding advances received to date and shown as a related party current liability totalling $101 million to a longer-term related party debt due June 15, 2023. The agreement was made effective December 31, 2019 and was signed subsequent to the end of the year, and as a result, under IFRS, is not reflected in the financial statements at December 31, 2019. Had this agreement been completed prior to year end, the Company's current related party debt would have been decreased by $101 million and the Company's long-term related party debt would have been increased by $101 million. Amounts due to MMC under their guarantee fee of $3.6 million would not be affected by the maturity extension of the funding advances. This has the effect of improving the Company's working capital by the same $101 million.

Debt

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

(In thousands of CDN$, except for ratio amounts and where otherwise noted)	December 31, 2019 $	December 31, 2018 $	December 31, 2017 $
Senior credit facility (US$)	78,975	90,720	105,300
Term loan (US$)	80,000	105,600	124,800
Related party loan (US$)	74,543	50,598	34,781
Subordinated loan (US$)	10,881	9,930	10,345
Leases (US$)	21,072	4,711	9,547
Total debt (US$ in thousands)	**265,471**	**261,559**	**284,773**
Period-end foreign exchange rate (US$ to CAD$)	1.2988	1.3642	1.2545
Total debt (CDN$ in thousands)	**344,794**	**356,819**	**357,248**

Shareholders' Equity

As of December 31, 2019, the Company had 191,331,053 common shares outstanding and shareholders' equity was $216.6 million at December 31, 2019, compared to $231.5 million at December 31, 2018.

Proposed Transactions

None.

Commitments and Contractual Obligations

As at December 31, 2019, the Company had the following consolidated contractual obligations:

	Annual Repayments due in the year ending December 31,						
(In thousands of CDN$)	Total $	2020 $	2021 $	2020 $	2023 $	2024 $	Over 5 years $
Senior credit facility	102,573	12,098	27,353	42,081	21,041	-	-
Term loan	103,905	41,562	41,562	20,781	-	-	-
Due to related party[(1)]	104,698	104,698	-	-	-	-	-
Subordinated loan	14,127	-	-	-	-	-	14,127
Lease obligation	32,063	6,600	11,714	2,627	2,374	2,408	6,340
Mine closure and reclamation	17,708	-	-	-	-	-	17,708
Total contractual obligations	**375,073**	**164,958**	**80,629**	**65,488**	**23,415**	**2,408**	**38,175**

[(1)] See Related Party Transactions. $101 million of this amount has been moved from a current liability to long term, as it is not repayable until June 15, 2023.

At year end, the Company reached an agreement with MMC to extend the maturity of the funding advances received to date and shown as a related party current liability totalling $101 million to a longer-term related party debt due June 15, 2023. This results in a decrease of 2020 contractual obligations to $63,958 and an increase of 2023 obligations to $124,415.

Capital Resources

As at December 31, 2019, the Company had $32.1 million in cash and cash equivalents on hand and $16.5 million in concentrate sales receivables. The Company is expected to meet future cash commitment from existing cash on hand and anticipated cash flows generated from the Copper Mountain mine. The Company continues to review its near-term operating plans and take steps to reduce costs and maximize cash flow from operations, while maintaining copper output levels.

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

The Company's investment policy is to invest its cash in highly liquid interest-bearing investments that are readily convertible to known amounts of cash or in cashable Guaranteed Investment Certificates at major Canadian, United States, or Australian banks. There were no changes to the Company's approach to capital management during the year ended December 31, 2019.

As at December 31, 2019 the Company had a total of $4.2 million on deposit and a surety bond in the amount of $17.5 million with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain Mine. The Company receives interest from these funds on deposit and pays an annual 2% fee for the surety bonding balance.

Financial Instruments and Risks

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

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and commodity price risk), credit risk and liquidity risk. Risk management is carried out by management under 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 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.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at December 31, 2019.

RELATED PARTY TRANSACTIONS

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

- During the year ended December 31, 2019 the Company sold copper concentrates to MMC with revenue totalling $288 million (2018 – $296 million) including pricing adjustments.
- During the year ended December 31, 2019 the Company accrued interest on the subordinated loan with MMC totalling $516 thousand (2018 – $467 thousand).

- As at December 31, 2019 the Company accrued to MMC a guarantee fee related to the Term Loan of $3.6 million (2018 – $3.5 million). The Company also received aggregate funding advances from MMC totalling $96.8 million (2018 – $62.9 million). These advances were used to pay the principal and interest of the term loan and bear interest at rates of 2.88% to 4.80% with total interest expense of $4.5 million (2018 – $2.6 million).

- At year end, the Company had reached an agreement with MMC to extend the maturity of the funding advances received to date and shown as a related party current liability totalling $101 million to a longer-term related party debt due June 15, 2023. The agreement was made effective December 31, 2019 and was signed subsequent to the end of the year, and as a result, is not reflected in these financial statements. Had this agreement been signed prior to year end, the Company's current related party debt would have been decreased by $101 million and the Company's long-term related party debt would have been increased by $101 million. Amounts due to MMC under their guarantee fee of $3.6 million would not be affected by the maturity extension of the funding advances.

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

	Three months ended December 31,		**Year ended December 31,**	
	2019	**2018**	**2019**	**2018**
(In thousands of CDN$)	**$**	**$**	**$**	**$**
Salaries and short-term employee benefits	636	595	2,690	3,764
Share based compensation	243	364	1,699	1,582
Total	**879**	**959**	**4,389**	**5,346**

ACCOUNTING POLICIES AND ESTIMATES

Critical accounting estimates

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

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

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

- Mineral reserves and resources;
- Recoverable amount of property, plant, and equipment;
- Depletion and depreciation of property, plant, and equipment;
- Decommissioning obligations;
- Deferred stripping;
- Net realizable value of inventories; and

- Income and resources taxes.

Change in accounting policies

No changes to accounting policies have been made for the period ended September 30, 2019 with the exception of the adoption of *IFRS 16 – Leases*. The accounting policy adopted in the preparation of the Company's condensed interim consolidated financial statements have been prepared based on all IFRS and interpretations effective as at September 30, 2019.

IFRS 16 – Leases

The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective application method. The Company has applied the recognition exemptions for 'low value' leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases. Refer to Note 3 of the Company's condensed interim consolidated financial statements for details of the adoption of IFRS 16.

NON-GAAP PERFORMANCE MEASURES

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

Cash Costs per Pound

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

C1 Cash Costs

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

All-in Sustaining Costs (AISC)

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

All-in Costs (AIC)

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

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

Cash Costs per Pound Produced (100%)	**Three months ended December 31,**		**Year months ended December 31,**	
(In thousands of CDN$, unless otherwise noted)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Cost of sales	72,130	65,253	263,363	270,713
Adjustments				
Depreciation and depletion	(9,666)	(10,193)	(27,464)	(51,046)
Change in inventory	(3,482)	(2,828)	(20,803)	(10,843)
Transportation costs	(4,284)	(4,764)	(18,485)	(19,580)
Low-grade stockpile write-down	-	-	-	(4,985)
Site cash costs	**54,698**	**47,468**	**196,611**	**184,259**
Adjustments				
Transportation costs	4,284	4,764	18,485	19,580
Treatment and refining costs	5,299	6,037	21,948	24,064
By-product credits (gold and silver)	(13,727)	(14,700)	(54,176)	(47,359)
C1 cash cost	**50,554**	**43,569**	**182,868**	**180,544**
Adjustments				
Sustaining capital	3,057	1,624	7,477	8,422
Lease payments	1,379	1,245	3,750	6,511
Applicable administration	731	600	2,423	2,356
All-in sustaining costs (AISC)	**55,721**	**47,038**	**196,518**	**197,833**
Adjustments				
Deferred stripping	-	4,629	32,608	20,184
Low grade stockpile	853	2,686	3,480	19,903
All-in costs (AIC)	**56,574**	**54,353**	**232,606**	**237,920**
Average foreign exchange rate (CDN$ to US$)	0.7576	0.7598	0.7536	0.7721
Copper production (000s lb)	18,588	20,628	71,950	78,847
C1 cash costs (US$/lb produced (net))	**$2.06**	**$1.60**	**$1.92**	**$1.77**
All-in sustaining costs (AISC) (US$/lb produced (net))	**$2.27**	**$1.73**	**$2.06**	**$1.94**
All-in costs (AIC) (US$/lb produced (net))	**$2.31**	**$2.00**	**$2.44**	**$2.33**
Average realized copper price (US$/lb)	$2.67	$2.81	$2.73	$2.98

Adjusted Net Income

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

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

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

Adjusted Net Income	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
(In thousands of CDN$, except per share amounts)	$	$	$	$
Net loss	(35,702)	(18,982)	(25,941)	(26,876)
Adjustments				
Pricing adjustments on concentrate sales	(6,487)	2,355	(8,502)	888
Write-down of low-grade stockpile	48,769	-	48,769	6,293
Unrealized interest rate swap (gain) loss	(41)	481	464	(716)
Unrealized foreign exchange (gain) loss	(5,459)	14,746	(14,192)	23,788
Loss on disposal of fixed assets	237	-	237	-
Adjusted net income (loss)	**1,317**	**(1,400)**	**835**	**3,377**
Adjusted earnings (loss) per share	**$0.01**	**($0.01)**	**$0.00**	**$0.02**

EBITDA and Adjusted EBITDA

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

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

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

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

While some of the adjustments are recurring, other non-recurring expenses do not reflect the underlying performance of the Company's core mining business and are not necessarily indicative of future results. Furthermore, unrealized gains/losses on derivative instruments, and unrealized foreign currency translation gains/losses are not necessarily reflective of the underlying operating results for the reporting periods presented.

EBITDA and Adjusted EBITDA	Three months ended December 30,		Year ended December 30,	
	2019	2018	2019	2018
(In thousands of CDN$)	$	$	$	$
Net loss	(35,702)	(18,982)	(25,941)	(26,876)
Adjustments				
Finance income	(786)	(106)	(1,175)	(582)
Finance expense	4,781	4,601	16,476	15,564

EBITDA and Adjusted EBITDA	Three months ended December 30,		Year ended December 30,	
	2019	2018	2019	2018
(In thousands of CDN$)	$	$	$	$
Depreciation	9,666	10,193	27,464	51,046
Current tax expense	(304)	609	862	1,217
Deferred income and resource tax recovery	(12,926)	3,451	(14,039)	316
EBITDA	**(35,271)**	**(234)**	**3,647**	**40,685**
Adjustments				
Pricing adjustments on concentrate sales	(6,487)	2,355	(8,502)	888
Write-down of low-grade stockpile	48,769	-	48,769	6,293
Unrealized interest rate swap loss (gain)	(41)	481	464	(716)
Unrealized foreign exchange (gain) loss	(5,459)	14,746	(14,192)	23,788
Loss on disposal of fixed assets	237	-	237	-
Adjusted EBITDA	**1,748**	**17,348**	**30,423**	**70,938**

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

Internal controls over financial reporting

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

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

Changes in internal controls over financial reporting

There have been no changes in our internal control over financial reporting and disclosure controls and procedures during the year ended December 31, 2019 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. These risks and uncertainties are managed by experienced managers, advisors and consultants, by maintaining adequate liquidity, and by cost control initiatives.