



**SECOND QUARTER REPORT**

**Financial Statements and MD&A**

**June 30, 2021**

**Suite 1700 – 700 Pender Street**

**Vancouver, British Columbia V6C 1G8**

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# **Copper Mountain Mining Corporation**

Condensed Consolidated Interim Financial Statements  
**For the Six Months Ended June 30, 2021**  
(Unaudited)

# Copper Mountain Mining Corporation

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited in thousands of Canadian dollars)

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	144,462	85,571
Restricted cash (note 9)	46,728	-
Accounts receivable and prepaid expenses (note 4)	35,562	30,413
Inventory (note 6)	41,803	38,038
Other financial assets (note 5)	1,447	-
	<b>270,002</b>	<b>154,022</b>
<b>Reclamation bonds</b> (note 10)	4,409	4,162
<b>Deferred tax assets</b>	3,335	473
<b>Property, plant and equipment</b> (note 7)	618,779	552,648
<b>Low grade stockpile</b> (note 6)	64,879	64,836
	<b>961,404</b>	<b>776,141</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	55,466	44,400
Amounts payable to related parties	-	3,644
Current portion of long-term debt (note 9)	62,387	79,559
Current tax liability	2,279	1,578
	<b>120,132</b>	<b>129,181</b>
<b>Provisions</b> (note 10)	25,415	18,371
<b>Due to related parties</b> (note 15)	-	145,918
<b>Long-term debt</b> (note 9)	331,525	129,153
<b>Deferred tax liability</b>	62,535	4,465
	<b>539,607</b>	<b>427,088</b>
<b>Equity</b>		
<b>Attributable to shareholders of the Company:</b>		
<b>Share capital</b>	286,613	283,926
<b>Contributed surplus</b>	18,931	19,611
<b>Accumulated other comprehensive loss</b>	(3,059)	(520)
<b>Retained Earnings (deficit)</b>	27,666	(35,153)
	<b>330,151</b>	<b>267,864</b>
<b>Non-controlling interest</b>	91,646	81,189
<b>Total equity</b>	<b>421,797</b>	<b>349,053</b>
	<b>961,404</b>	<b>776,141</b>

Approved on behalf of the Board of Directors

(signed) Gil Clausen Director

(signed) Bruce Aunger Director

# Copper Mountain Mining Corporation

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

For the Three and Six Months Ended June 30,

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Revenue</b> (note 12)	142,064	91,089	304,271	140,653
<b>Cost of sales</b> (note 13)	(56,278)	(60,830)	(122,205)	(125,343)
<b>Gross profit</b>	85,786	30,259	182,066	15,310
<b>Other income and expenses</b>				
General and administration (note 13)	(4,263)	(914)	(9,531)	(3,360)
Share based compensation (note 11)	(4,532)	(575)	(10,491)	(1,203)
<b>Operating income</b>	76,991	28,770	162,044	10,747
Finance income	31	31	49	105
Finance expense (note 14)	(10,469)	(4,133)	(13,400)	(7,432)
Gain (loss) on derivatives (note 5)	(1,915)	(76)	(1,915)	(1,018)
Foreign exchange (loss) gain	(417)	14,463	2,829	(12,395)
<b>Income (loss) before tax</b>	<b>64,221</b>	<b>39,055</b>	<b>149,607</b>	<b>(9,993)</b>
Current tax expense	(1,733)	(505)	(3,590)	(513)
Deferred income expense	(23,826)	(6,617)	(55,237)	(1,019)
<b>Net income (loss)</b>	<b>38,662</b>	<b>31,933</b>	<b>90,780</b>	<b>(11,525)</b>
<b>Other comprehensive income (loss)</b>				
Foreign currency translation adjustment	(1,378)	4,192	(2,539)	1,085
<b>Total comprehensive income (loss)</b>	<b>37,284</b>	<b>36,125</b>	<b>88,241</b>	<b>(10,440)</b>
<b>Net income (loss) attributable to:</b>				
Shareholders of the Company	26,167	23,373	62,819	(8,961)
Non-controlling interest	12,495	8,560	27,961	(2,564)
	<b>38,662</b>	<b>31,933</b>	<b>90,780</b>	<b>(11,525)</b>
<b>Earnings (loss) per share:</b>				
Basic	0.12	0.12	0.30	(0.05)
Diluted	0.12	0.12	0.29	(0.05)
<b>Weighted average shares outstanding, basic (thousands)</b>	209,467	191,331	209,013	191,331
<b>Weighted average shares outstanding, diluted (thousands)</b>	219,642	194,194	216,016	191,331
<b>Shares outstanding at end of the period (thousands)</b>	209,889	191,331	209,889	191,331

# Copper Mountain Mining Corporation

## Condensed Consolidated Interim Statements of Cash Flows

For the Three and Six Months Ended June 30,

(Unaudited in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
<b>Cash flows from operating activities</b>				
Net income (loss) for the period	38,662	31,933	90,780	(11,525)
Adjustments for:				
Depreciation	6,331	5,964	14,115	12,096
Unrealized foreign exchange (gain) loss	(4,502)	(7,791)	(6,446)	11,933
Loss on derivatives	1,915	76	1,915	1,018
Deferred income tax expense	23,810	6,617	55,221	1,019
Finance expense	10,469	4,133	13,400	7,432
Share based compensation	4,532	575	10,491	1,203
	81,217	41,507	179,476	23,176
Net changes in working capital items (note 16)	13,357	(25,822)	(5,309)	8,849
<b>Net cash from operating activities</b>	<b>94,574</b>	<b>15,685</b>	<b>174,167</b>	<b>32,025</b>
<b>Cash flows from investing activities</b>				
Purchase of copper puts	(3,397)	-	(3,397)	-
Reclamation bonds	3	(415)	(246)	(415)
Deferred stripping activities	(7,147)	-	(15,188)	(7,437)
Purchase of property, plant and equipment	(33,744)	(9,657)	(49,479)	(15,792)
<b>Net cash used in investing activities</b>	<b>(44,285)</b>	<b>(10,072)</b>	<b>(68,310)</b>	<b>(23,644)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issuance of bonds	287,785	-	287,785	-
Proceeds on exercise of options	1,229	-	1,720	-
Increase in restricted cash	(45,615)	-	(45,615)	-
Advances from non-controlling interest	-	-	20,393	24,223
Payments made to non-controlling interest	(178,310)	-	(178,310)	-
Loan principal paid	(93,868)	(6,057)	(113,988)	(28,756)
Interest paid	(7,193)	(3,299)	(8,260)	(5,031)
Finance lease payments	(6,470)	(2,128)	(9,175)	(2,993)
<b>Net cash used in financing activities</b>	<b>(42,442)</b>	<b>(11,484)</b>	<b>(45,450)</b>	<b>(12,557)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(450)</b>	<b>(1,349)</b>	<b>(1,516)</b>	<b>1,053</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>7,397</b>	<b>(7,220)</b>	<b>58,891</b>	<b>(3,123)</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>137,065</b>	<b>36,223</b>	<b>85,571</b>	<b>32,126</b>
<b>Cash and cash equivalents - End of period</b>	<b>144,462</b>	<b>29,003</b>	<b>144,462</b>	<b>29,003</b>

Supplementary cash flow disclosures (note 16)

# Copper Mountain Mining Corporation

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited in thousands of Canadian dollars, except for number of shares)

## Attributable to equity owners of the company

	Number of Shares	Amount \$	Contributed surplus \$	Accumulated other comprehensive loss	Retained Earnings (Deficit) \$	Total \$	Non- controlling interest \$	Total equity \$
Balance January 1, 2020	191,331,053	266,663	18,623	(4,158)	(70,516)	210,612	67,289	277,901
Share based compensation	-	-	867	-	-	867	-	867
Loss for the period	-	-	-	-	(8,961)	(8,961)	(2,564)	(11,525)
Foreign currency translation	-	-	-	1,085	-	1,085	-	1,085
<b>Balance June 30, 2020</b>	<b>191,331,053</b>	<b>266,663</b>	<b>19,490</b>	<b>(3,073)</b>	<b>(79,477)</b>	<b>203,603</b>	<b>64,725</b>	<b>268,328</b>
Balance January 1, 2021	207,653,732	283,926	19,611	(520)	(35,153)	267,864	81,189	349,053
Options exercised	2,234,819	1,720	-	-	-	1,720	-	1,720
Fair value of options exercised	-	967	(967)	-	-	-	-	-
Share based compensation	-	-	287	-	-	287	-	287
Amount paid to non-controlling interest	-	-	-	-	-	-	(17,504)	(17,504)
Income for the period	-	-	-	-	62,819	62,819	27,961	90,780
Foreign currency translation	-	-	-	(2,539)	-	(2,539)	-	(2,539)
<b>Balance June 30, 2021</b>	<b>209,888,551</b>	<b>286,613</b>	<b>18,931</b>	<b>(3,059)</b>	<b>27,666</b>	<b>330,151</b>	<b>91,646</b>	<b>421,797</b>

# **Copper Mountain Mining Corporation**

Notes to Condensed Consolidated Interim Financial Statements

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

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## **1 General information**

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.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

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### 2 Basis of presentation

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board ("IFRS"). These condensed consolidated interim financial statements were approved on July 23, 2021 by the Board of Directors.

b. Foreign currency translation

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

### 3 Significant Accounting Policies

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2020.

In preparing these condensed consolidated interim financial statements, management makes judgments in applying the Company's accounting policies. The areas of policy judgement are consistent with those reported in our 2020 annual consolidated financial statements. In addition, management makes assumptions about the future in deriving estimates used in preparing the Company's condensed consolidated interim financial statements. The areas of significant estimation are consistent with those reported in our 2020 annual consolidated financial statements.

#### COVID-19 Estimation Uncertainty

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

# Copper Mountain Mining Corporation

Notes to Condensed Consolidated Interim Financial Statements

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

## 4 Accounts receivable and prepaid expenses

	June 30, 2021 \$	December 31, 2020 \$
Amounts due from concentrate sales	23,270	14,565
Pricing adjustments	8,270	11,990
GST and other receivables	2,362	463
Prepaid expenses	1,660	3,395
	<b>35,562</b>	<b>30,413</b>

## 5 Derivative instruments

During the six month period ended June 30, 2021, the Company purchased copper put option contracts on a total of 28.4 million pounds of copper with maturity dates from May 2021 to December 2021 and strike prices of US\$3.75 per pound. The total cost of the put option contracts was \$3,379. At June 30, 2021, the put option contract had a fair value of \$1,447 and is presented as other financial assets.

The Company recognized a net realized loss of \$193 on copper put options for 7.1 million pounds of copper that expired out-of-the-money during the six month period.

The following table outlines the losses associated with derivative instruments:

	Three months ended June 30,		Six months ended June 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Realized loss on copper put options	193	-	193	-
Unrealized loss on copper put options	1,722	-	1,722	-
Unrealized loss on interest rate swap	-	76	-	1,018
	<b>1,915</b>	<b>76</b>	<b>1,915</b>	<b>1,018</b>

# Copper Mountain Mining Corporation

Notes to Condensed Consolidated Interim Financial Statements

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

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## 6 Inventory

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Supplies	14,914	14,980
Ore stockpile	11,138	8,842
Crushed ore stockpile	296	1,424
Copper concentrate	15,455	12,792
	<b>41,803</b>	<b>38,038</b>
Low grade stockpile <sup>1</sup>	<b>64,879</b>	<b>64,836</b>

Inventory expensed during the three months ended June 30, 2021 totaled \$115,538 (2020 – \$118,701).

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

# Copper Mountain Mining Corporation

Notes to Condensed Consolidated Interim Financial Statements

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

## 7 Property, plant and equipment

Cost	Plant and equipment \$	Exploration and evaluation asset \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2020	584,680	56,646	241,972	883,298
Additions	36,848	3,768	37,810	78,426
Restoration provision	-	-	667	667
Disposals	(4,076)	-	-	(4,076)
Currency translation adjustment	(367)	3,745	-	3,378
<b>As at December 31, 2020</b>	<b>617,085</b>	<b>64,159</b>	<b>280,449</b>	<b>961,693</b>
Additions	63,508	2,035	17,350	82,893
Restoration provision	-	-	2,253	2,253
Currency translation adjustment	(18)	(2,826)	-	(2,844)
<b>As at June 30, 2021</b>	<b>680,575</b>	<b>63,368</b>	<b>300,052</b>	<b>1,043,995</b>

Accumulated depreciation	Plant and equipment	Exploration and evaluation asset \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2020	(273,159)	-	(108,476)	(381,635)
Disposals	1,105	-	-	1,105
Depreciation charge	(22,222)	-	(6,293)	(28,515)
<b>As at December 31, 2020</b>	<b>(294,276)</b>	<b>-</b>	<b>(114,769)</b>	<b>(409,045)</b>
Depreciation charge	(12,196)	-	(3,975)	(16,171)
<b>As at June 30, 2021</b>	<b>(306,472)</b>	<b>-</b>	<b>(118,744)</b>	<b>(425,216)</b>

### Net book value

As at December 31, 2020	322,809	64,159	165,680	552,648
<b>As at June 30, 2021</b>	<b>374,103</b>	<b>63,368</b>	<b>181,308</b>	<b>618,779</b>

Property, plant and equipment includes right of use assets of \$75,176 (December 31, 2020 - \$52,565) with a net book value of \$68,191 (December 31, 2020 - \$47,409) at June 30, 2021.

# Copper Mountain Mining Corporation

Notes to Condensed Consolidated Interim Financial Statements

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

## 8 Accounts payable and accrued liabilities

	June 30, 2021	December 31, 2020
	\$	\$
Trade accounts payable	17,138	19,277
Accrued liabilities	28,160	20,408
Deferred, Restricted and Performance Share Units liability	10,168	4,715
	<b>55,466</b>	<b>44,400</b>

## 9 Long-term debt

	June 30, 2021	December 31, 2020
	\$	\$
Bonds (d) in US\$	238,483	-
Senior credit facility (b) in US\$	-	68,513
Term loan (c) in US\$	31,062	46,828
Total US\$ long term debt in US\$	269,545	115,341
Total US\$ long term debt in CA\$	334,074	146,852
Subordinated loan (a)	-	14,609
Leases (e)	59,838	47,251
Total	393,912	208,712
Less: current portion	(62,387)	(79,559)
	<b>331,525</b>	<b>129,153</b>

### a) Subordinated loan

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

### b) Senior credit facility

The Company had 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 carried a variable interest rate of LIBOR plus 2% and was scheduled to mature on June 15, 2023. The SCF was 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 were payable on a fixed schedule, subject to mandatory prepayment based on cash flows relating to the Copper Mountain Mine.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

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

### 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 June 30, 2021, the Term Loan has a principal amount outstanding of \$39,661 (US\$32 million). The outstanding amount of \$38,499 is net of issue costs of \$1,162. The Term Loan is guaranteed by MMC in exchange for a fee of 0.2% per annum.

The Term Loan is unsecured and repayable in increasing instalments every six months commencing February 2013, with the majority of the loan falling due in the last six instalments. As at June 30, 2021 the Company has repaid a total of US\$128 million in principal and US\$18.9 million in interest on the Term Loan.

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

<b>Minimum annual payments from June 30</b>	<b>US\$</b>
2021	<u>32,000</u>

The Company is subject to certain debt covenants on the Term Loan. As at June 30, 2021 the Company is in compliance with all covenants.

### d) Bonds

On April 9, 2021, the Company completed an offering of US\$250 million of secured bonds (“the Bonds”). The Bonds mature on April 9, 2026 and bear interest at an annual rate of 8.0%, payable semi-annually on April 9 and October 9. Semi-annual principal instalments in the amount of US\$10 million are payable on each interest payment date. The Company has deposited \$6,261 (US\$5.1 million) into a debt service account towards the next semi-annual principal instalment and interest payment. The balance of the debt service account is presented on the statement of financial position as a component of restricted cash.

The net bond proceeds of US\$238.7 million, after transaction cost of US\$11.3 million, were used to repay the remaining balance of the SCF, the subordinated loan and other related party debts due to MMC. The remaining net proceeds of \$40,467 (US\$32.7 million) are held in escrow for repayment of the Term Loan on August 16, 2021. The escrowed funds are presented on the statement of financial position as a component of restricted cash.

The Bonds are secured by a general security agreement on the assets of the Company. The Company may redeem all or part of the principal amount of the outstanding Bonds at any time from October 2023, at redemption prices ranging from 104% to 100%, plus accrued and unpaid interest to the date of redemption.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

The prepayment options are not closely related to the host debt instrument and are separately accounted for as embedded derivatives. At June 30, 2021, the value of the prepayment options was nominal.

As at June 30, 2021, the Bonds have a principal amount outstanding of \$309,850 (US\$250 million). The outstanding amount of \$295,577 is net of issue costs of \$14,273.

### e) Leases

<b>Gross finance lease liability and minimum lease payments</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Within one year	13,013	14,739
Between two and four years	56,654	41,059
	69,667	55,798
Future interest	(9,829)	(8,547)
Finance lease liability	<b>59,838</b>	<b>47,251</b>

## 10 Provisions

	<b>Decommissioning and restoration provision</b>	<b>Share-based payment obligations</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, January 1, 2021	18,371	4,715	23,086
Share-based payment expense	-	10,201	10,201
Changes in estimate costs and timing	2,253	-	2,253
Unwinding of discount on restoration provision	43	-	43
Balance, June 30, 2021	<b>20,667</b>	<b>14,916</b>	<b>35,583</b>
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 8)</i>	-	(10,168)	(10,168)
<b>Total provision – Non-current</b>	<b>20,667</b>	<b>4,748</b>	<b>25,415</b>
Balance, January 1, 2020	17,708	497	18,205
Share-based payment expense	-	4,218	4,218
Changes in estimate costs and timing	667	-	667
Unwinding of discount on restoration provision	(4)	-	(4)
Balance, December 31, 2020	<b>18,371</b>	<b>4,715</b>	<b>23,086</b>
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 8)</i>	-	(4,715)	(4,715)
<b>Total provision – Non-current</b>	<b>18,371</b>	<b>-</b>	<b>18,371</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

The Company has a liability for remediation of current and past disturbances associated with mining activities at the Copper Mountain property. At June 30, 2021, the Company used an inflation rate of 2.80% (2020 – 0.70%) and a discount rate of 1.84% (2020 – 0.99%) 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 \$17,626 (2020 - \$17,486). The expected timing of payment of the cash flows will occur in various stages to 2040.

The Company has on deposit \$4,302 (2020 - \$3,516) with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain mine site. The Company receives interest on these bonds. The Company has also issued a surety bond of \$17,467 (2020 - \$17,467) for total reclamation security of \$21,769.

## 11 Share based compensation

### a. Stock options

The Company has a stock option plan whereby it can grant up to 19.7 million stock options exercisable for a period of up to ten years from the grant date. As at June 30, 2021, the Company had 8,849,401 options outstanding as follows:

	Number of shares	Weighted average exercise price \$
Outstanding, December 31, 2019	10,291,063	0.98
Granted	3,620,516	0.58
Exercised	(1,322,677)	0.52
Forfeited	(1,504,682)	1.15
Outstanding, December 31, 2020	11,084,220	0.88
Exercised	(2,234,819)	0.77
Outstanding, June 30, 2021	<b>8,849,401</b>	<b>0.91</b>

As at June 30, 2021, the following options were outstanding and exercisable:

Exercise prices (\$)	Outstanding			Exercisable		
	Number of options	Weighted average exercise price (\$)	Weighted average remaining life (years)	Number of options	Weighted average exercise price (\$)	Weighted average remaining life (years)
\$0.58 - \$1.00	3,545,928	0.61	3.6	1,814,631	0.62	3.5
\$1.02 - \$1.07	2,998,473	1.04	2.5	2,498,855	1.04	2.4
\$1.14 - \$1.28	2,305,000	1.21	1.7	2,208,333	1.22	1.6
	<b>8,849,401</b>	<b>\$ 0.91</b>	<b>2.7</b>	<b>6,341,819</b>	<b>\$ 0.98</b>	<b>2.5</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

During the period ended June 30, 2021, the stock based compensation expense in respect of stock options was \$287 (2020 – \$870) with a weighted average grant-date fair value of \$0.54 (2020 – \$0.46) 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.

In 2021 the Company ceased issuing stock options and accordingly no stock options were granted during the six months ended June 30, 2021. Weighted average assumptions used in calculating the fair value of options granted during the six months ended June 30, 2020 are as follows:

	<b>June 30, 2020</b>
Risk free interest rate	1.19%
Expected dividend yield	Nil
Expected share price volatility	63.6%
Expected forfeiture rate	3.3%
Expected life	5.0 years

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

The Company has other share-based compensation plans in the form of 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 10).

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

	<b>DSUs</b>	<b>RSUs</b>	<b>PSUs</b>
Outstanding, January 1, 2020	546,016	977,021	937,021
Granted	372,414	1,612,753	1,612,753
Forfeited	-	(32,318)	(36,624)
Expired	(117,256)	-	-
Settled	(260,877)	(44,306)	-
Outstanding, December 31, 2020	<b>540,297</b>	<b>2,513,150</b>	<b>2,513,150</b>
Granted	374,009	916,481	591,177
Forfeited	(35,294)	-	-
Expired	-	-	(308,035)
Settled	(285,282)	(52,069)	-
Outstanding, June 30, 2021	<b>593,730</b>	<b>3,377,562</b>	<b>2,796,292</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

During the period ended June 30, 2021, the Company recorded share-based compensation of \$10,201 (2020 - \$382) related to DSUs, RSUs and PSUs.

During the period ended June 30, 2021, the total fair value of DSUs, RSUs and PSUs granted was \$4,548 (2020 - \$2,087) with a weighted average grant date fair value of \$2.42 (2020 - \$0.58) per unit.

c. Basic and diluted weighted average number of shares outstanding

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Weighted average shares outstanding – basic	209,467,394	191,331,053	209,013,065	191,331,053
Dilutive securities				
Stock options	6,797,183	345,164	6,411,616	-
Restricted share units	3,377,562	2,517,456	591,177	-
Weighted average shares outstanding – diluted	<b>219,642,139</b>	<b>194,193,673</b>	<b>216,015,858</b>	<b>191,331,053</b>

## 12 Revenue

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Copper concentrate	127,257	77,658	272,514	117,579
Gold metal sales	15,129	16,842	33,023	30,351
Silver metal sales	4,691	2,140	9,902	3,609
Treatment and refining charges	(5,013)	(5,551)	(11,168)	(10,886)
	<b>142,064</b>	<b>91,089</b>	<b>304,271</b>	<b>140,653</b>

Revenue for the six months ended June 30, 2021 included a mark-to-market and final adjustments from provisional pricing on concentrate sales of \$33,738 (2020 – \$1,143).

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Copper in concentrate	6,446	16,268	21,949	(1,136)
Gold in concentrate	761	2,229	1,144	2,722
Silver in concentrate	1,626	507	1,193	313
	<b>8,833</b>	<b>19,004</b>	<b>24,286</b>	<b>1,899</b>

### 13 Expenses by nature

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Cost of sales</b>				
Direct mining and milling costs	33,614	42,390	73,285	84,540
Employee compensation and benefits	13,555	9,151	28,268	22,090
Depreciation	6,300	5,963	13,985	12,071
Transportation costs	2,809	3,326	6,667	6,642
	<b>56,278</b>	<b>60,830</b>	<b>122,205</b>	<b>125,343</b>
<b>General and administration</b>				
Corporate employee compensation and benefits	3,136	307	5,868	1,085
Corporate administrative and office expenses	1,127	607	3,663	2,275
	<b>4,263</b>	<b>914</b>	<b>9,531</b>	<b>3,360</b>
	<b>60,541</b>	<b>61,744</b>	<b>131,736</b>	<b>128,703</b>

The Company received \$6.1 million in Canada Emergency Wage Subsidy during the six months ended June 30, 2020. This has been applied as a reduction against employee compensation and benefits in cost of sales of \$5.9 million, and general and administration of \$0.2 million.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 14 Finance expense

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Interest on loans	8,180	3,776	10,913	6,689
Amortization of financing fees	2,244	337	2,404	676
Loan guarantee fee	15	44	40	96
Unwinding of discount on restoration provision	30	(23)	43	(29)
	<b>10,469</b>	<b>4,134</b>	<b>13,400</b>	<b>7,432</b>

### 15 Related party transactions

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

- During the six months ended June 30, 2021, the Company sold copper concentrates to MMC with revenues totalling \$304,271 (2020 – \$140,653) including pricing adjustments.
- During the six months ended June 30, 2021, the Company accrued interest on the subordinated loan with MMC totalling \$203 (2020 - \$238). The subordinated loan and accrued interest was repaid on June 9, 2021.
- During the six months ended June 30, 2021, the Company accrued to MMC a guarantee fee related to the Term Loan of \$45 (2020 - \$44). The cumulative amount of guarantee fees payable of \$3,514 was settled on June 9, 2021.
- The Company received aggregate funding advances from MMC totalling \$154,117 (as at December 31, 2020 - \$137,945). These advances bear interest at rates of 2.88% to 4.80% with total interest during the six months ended June 30, 2021 of \$1,879 (2020 - \$917). The cumulative funding advances of \$154,117 and related accumulated interest was repaid on June 8, 2021.
- Compensation of key management:

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and short-term employee benefits	1,813	619	4,461	1,253
Share based compensation	3,010	559	7,112	1,123
	<b>4,823</b>	<b>1,178</b>	<b>11,573</b>	<b>2,376</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 16 Supplementary cash flow disclosures

a. As at June 30, 2021, cash and cash equivalents consists of guaranteed investment certificates of \$81 (2020 – \$81) and \$144,381 in cash (2020 - \$28,922) held in bank accounts.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Change in accounts receivable and prepaid expenses	11,700	(28,581)	(5,069)	(5,102)
Change in inventory	(5,502)	4,441	1,305	5,977
Change in tax liability	(44)	408	701	275
Change in accounts payable and accrued liabilities	7,202	(2,090)	(2,246)	7,699
	<b>13,356</b>	<b>(25,822)</b>	<b>(5,309)</b>	<b>8,849</b>

c. The significant non-cash financing and investing transactions during the three and six month periods ended June 30 are as follow:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Increase in accounts payable related to plant and equipment	(988)	(2,321)	(2,864)	(2,435)
Addition of plant and equipment through leases	(5,219)	(11,863)	(22,818)	(23,748)

# Copper Mountain Mining Corporation

Notes to Condensed Consolidated Interim Financial Statements

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

## 17 Financial instruments

### Fair Value hierarchy

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

The levels in the hierarchy are:

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

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at June 30, 2021:

	Level 1	Level 2	Level 3	Total fair value
	\$	\$	\$	\$
<b>Financial assets</b>				
Copper put options (note 5)	-	1,447	-	1,447
Pricing adjustments (note 4)	-	8,270	-	8,270

### Financial risks factors

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

#### *Liquidity risk*

	June 30, 2021	December 31, 2020
	\$	\$
Cash and cash equivalents	144,462	85,571
Working capital	149,870	24,841

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

Maturity analysis of financial liabilities as at June 30, 2021 is as follows:

	Total \$	< 1 year \$	2-3 years \$	4-5 years \$	Thereafter \$
Long-term debt	334,074	52,055	49,576	232,443	-
Lease liabilities	59,838	10,914	20,450	19,193	9,281
Decommissioning & restoration provision	20,667	-	-	-	20,667
Trade accounts payable	17,138	17,138	-	-	-
	431,717	80,107	70,026	251,636	29,948

## 18 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:

	June 30, 2021	December 31, 2020
Assets by geographic segment, at cost		
Canada		
Current assets	269,198	153,066
Non-current assets	636,697	566,654
	<u>905,895</u>	<u>719,720</u>
Australia		
Current assets	804	956
Non-current assets	54,705	55,465
	<u>55,509</u>	<u>56,421</u>

The Company sells all of its copper concentrates to MMC smelters in Japan based on quoted market prices. During the period ended June 30, 2021 revenues attributed to the sale of copper concentrate to MMC totaled \$304,271 (2020 - \$140,653).



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF COPPER MOUNTAIN MINING CORPORATION FOR THE QUARTER ENDED JUNE 30, 2021

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of Copper Mountain Mining Corporation and its subsidiaries ("Copper Mountain" or the "Company"). This MD&A should be read in conjunction with Copper Mountain's unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as applicable to interim financial reporting and which are available on SEDAR at [www.sedar.com](http://www.sedar.com). 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 July 23, 2021.

### About Copper Mountain

Copper Mountain is a Canadian mining company focused on the development and production of base and precious metals. The Company, through its subsidiaries, owns 75% of the Copper Mountain Mine located in southern BC. The Copper Mountain Mine produces about 100 million pounds of copper equivalent per year with a large resource that remains open laterally and at depth. Copper Mountain also has the development-stage Eva Copper Project in Queensland, Australia and an extensive 210,000 hectare highly prospective land package, also in the Mount Isa area of Queensland, Australia. Copper Mountain trades on the Toronto Stock Exchange under the symbol "CMMC" and Australian Stock Exchange under the symbol "C6C". For further information on Copper Mountain, reference should be made to its public filings (including its most recently filed annual information form ("AIF")) which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also available on the Company's website at [www.cumtn.com](http://www.cumtn.com).

### Cautionary Statement on Forward-Looking Information

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; 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; global economic events arising from the coronavirus (COVID-19) pandemic outbreak; 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 AIF and in the Company's continuous disclosure filings available under its profile on SEDAR at [www.sedar.com](http://www.sedar.com). Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

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## OVERVIEW

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

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

The mine is a conventional open pit, truck and shovel operation. The mill consists of one SAG mill, two ball mills with a third ball mill under construction, 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 210,000 hectare highly prospective land package within the Mount Isa area.

## HIGHLIGHTS

- The Company achieved strong production in the second quarter of 2021 of 29.6 million pounds of copper equivalent (comprised of 25.5 million pounds of copper, 7,627 ounces of gold, and 147,973 ounces of silver).
- C1 cash cost<sup>(1)</sup> per pound of copper produced in the second quarter of 2021 was US\$1.38, all-in sustaining cost (AISC)<sup>(1)</sup> per pound of copper was US\$1.83, and all-in cost (AIC)<sup>(1)</sup> per pound of copper was US\$2.06.
- Revenue for the second quarter of 2021 was \$142.1 million from the sale of 21.7 million pounds of copper, 6,545 ounces of gold, and 121,291 ounces of silver, net of pricing adjustments.
- Gross profit for the second quarter of 2021 was \$85.8 million and net income was \$38.7 million, or \$0.12 on a per-share basis.
- Cash flow from operations for the second quarter of 2021 was \$94.6 million, or \$0.45 on a per-share basis.<sup>(1)</sup>
- During the second quarter of 2021, the Company closed a US \$250 million senior secured bond issuance to refinance existing debt enabling the Company to access 100% of cash flow from the mine.
- Cash and cash equivalents at the end of the second quarter of 2021 were \$144.5 million-plus restricted cash of \$46.7 million.
- The Company increased 2021 production guidance range to 90 to 100 million pounds of copper.

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

<b>Results and Highlights (100%)</b>	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>(In thousands of CDN\$, except for per share amounts)</i>				
<b>Financial</b>				
Revenue	142,064	91,089	304,271	140,653
Gross profit	85,786	30,259	182,066	15,310
Gross profit before depreciation <sup>(1)</sup>	92,085	36,222	196,051	27,381
Net income (loss)	38,662	31,933	90,780	(11,525)
Income (loss) per share – basic	0.12	0.12	0.30	(0.05)
Adjusted earnings <sup>(1)</sup>	32,161	(1,458)	65,580	(11)
Adjusted earnings per share – basic	0.15	(0.01)	0.31	(0.00)
EBITDA <sup>(1)</sup>	80,958	49,120	176,943	9,405
Adjusted EBITDA	74,457	15,729	151,743	20,919
Cash flow from operations	94,574	15,685	174,167	32,025
Cash and cash equivalents – end of period			144,462	29,003
<b>Production</b>				
Copper Equivalent (000s lb)	29,647	23,946	60,014	45,717
Copper (000s lb)	25,515	18,092	51,041	35,564
Gold (oz)	7,627	7,499	15,814	13,638
Silver (oz)	147,973	86,126	308,457	166,142
<b>Unit costs and prices</b>				
C1 cash cost per pound of copper (US\$/lb produced (net)) <sup>(1)</sup>	1.38	1.48	1.27	1.74
AISC per pound of copper produced (US\$) <sup>(1)</sup>	1.83	1.67	1.64	1.90
AIC per pound of copper produced (US\$) <sup>(1)</sup>	2.06	1.67	1.88	2.06
Average realized copper price (US\$/lb)	4.33	2.43	4.09	2.49

<sup>(1)</sup> Non-GAAP performance measure. See Page 18 of this MD&A for details.

## OPERATIONS REVIEW

### Mine Production Information

Copper Mountain Mine (100% Basis)	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2021 H1	2020 H1	2020 Annual
<b>Mine</b>								
Total tonnes mined (000s)	15,674	15,372	15,499	13,681	10,947	31,046	25,866	55,045
Ore tonnes mined (000s)	3,854	3,428	3,785	3,133	3,577	7,282	7,255	14,173
Waste tonnes (000s)	11,820	11,944	11,713	10,548	7,370	23,764	18,611	40,872
Stripping ratio	3.07	3.48	3.09	3.37	2.06	3.26	2.57	2.88
<b>Mill</b>								
Tonnes milled (000s)	3,435	3,430	3,408	3,725	3,665	6,865	7,203	14,336
Feed Grade (Cu%)	0.42	0.42	0.40	0.29	0.28	0.42	0.29	0.32
Recovery (%)	79.4	80.2	77.3	80.4	79.0	79.8	77.2	78.0
Operating time (%)	94.1	93.9	94.1	90.8	92.5	94.0	92.4	92.4
Tonnes milled (TPD)	37,747	38,111	37,043	40,489	40,275	37,928	39,582	39,169
<b>Production</b>								
Copper (000s lb)	25,515	25,526	23,053	18,934	18,092	51,041	35,564	77,551
Gold (oz)	7,627	8,187	8,959	6,630	7,499	15,814	13,638	29,227
Silver (oz)	147,973	160,484	144,934	81,418	86,126	308,457	166,142	392,494
<b>Sales</b>								
Copper (000s lb)	21,696	27,501	18,712	17,824	18,879	49,197	36,741	73,277
Gold (oz)	6,545	8,553	7,253	6,232	6,289	15,098	12,653	26,137
Silver (oz)	121,291	161,657	96,509	67,901	80,294	282,948	158,866	323,276
C1 cash cost per pound of copper produced (US\$) <sup>(1)</sup>	1.38	1.15	1.43	1.27	1.48	1.27	1.74	1.53
AISC per pound of copper produced (US\$) <sup>(1)</sup>	1.83	1.46	1.58	1.43	1.67	1.64	1.90	1.69
AIC per pound of copper produced (US\$) <sup>(1)</sup>	2.06	1.71	1.82	1.68	1.67	1.88	2.06	1.90

<sup>(1)</sup> Non-GAAP performance measure. See Page 18 of this MD&A for details.

### Operation Results – Three Months Ended June 30, 2021

#### Production

The Copper Mountain Mine produced 25.5 million pounds of copper, 7,627 ounces of gold, and 147,973 ounces of silver in Q2 2021, as compared to 18.1 million pounds of copper, 7,499 ounces of gold, and 86,126 ounces of silver for Q2 2020. Similar to Q1 2021, the higher-grade ore from Phase 3 was the primary driver of the near record production in Q2 2021. Average mill feed grade was 0.42% Cu during the quarter, as compared to average feed grade of 0.28% Cu in Q2 2020. Grades are expected to be more moderate in Q3 as mining moves from Phase 3 to Phase 2, which has lower grade. Grades are expected to moderate further in Q4 with a higher percentage of Phase 2 ore planned for the commissioning of Ball Mill 3.

Copper recovery was 79.4% in Q2 2021 as compared to 79.0% in Q2 2020. The Company is advancing the installation of additional cleaner circuit capacity to support maximizing recovery on slower kinetic ore types. The mill processed a total of 3.4 million tonnes of ore during the quarter as compared to 3.7 million tonnes in Q2 2020. Mill tonnage continued at reduced rates in Q2 2021 during periods of high grades in order to manage the volume of copper concentrate being produced. The Company is advancing the installation of additional filtration capacity in order to maintain full throughput during periods of high-grade production. This project was originally

scheduled for 2022 and will be moved up to H2 2021. Mill availability averaged 94.1% for Q2 2021 as compared to 92.5% in Q2 2020.

To date there have been no material interruptions to the Company's operations, logistics and supply chains as a result of the COVID-19 pandemic. Enhanced health and safety protocols continue to be implemented and monitored.

### Costs

C1 cash cost per pound of copper produced for Q2 2021 was US\$1.38, as compared to US\$1.48 in Q2 2020. The decrease in cost per pound in Q2 2021 was the result of higher production and larger by-product credits for the gold and silver produced in Q2 2021 as compared to Q2 2020. Higher by-product credits resulted from improved precious metal prices and greater gold and silver production for Q2 2021 as compared to Q2 2020. The decrease is also a result of \$7.1 million in deferred stripping costs capitalized in Q2 2021, compared to \$Nil deferred stripping in Q2 2020.

All-in sustaining costs per pound of copper produced (AISC) for Q2 2021 was US\$1.83, as compared to US\$1.67 in Q2 2020. AISC carries forward from C1 costs with the addition of \$14.1 million in sustaining capital, lease and applicable administration expenditures in Q2 2021 as compared to \$4.8 million in Q2 2020. The increase is primarily due to higher sustaining capital of \$7.0 million and lease payments of \$6.5 million. Sustaining capital increased from the same quarter last year as the Company completed the installation of new contact water management systems in the quarter. Increased lease costs resulted from four new haul truck leases contracted in H1 2021, in addition to four new haul truck leases entered into in late 2020. All of the new trucks are electric trolley assist capable.

Total all-in costs per pound of copper produced (AIC), net of precious metal credits, for Q2 2021 was US\$2.06 as compared to US\$1.67 for Q2 2020. AIC carries forward from AISC with the addition of \$7.1 million in deferred stripping as compared to \$Nil deferred stripping in Q2 2020. Deferred stripping costs in Q2 2021 resulted from the Company's regular development activities as it continued to advance development of the Phase 4 pushback of the main pit. The lack of deferred stripping in Q2 2020 resulted from the Company responding to the lower copper price environment and uncertainty due to the COVID-19 pandemic by resequencing short term production to lower cost mining phases to reduce operating costs. No low-grade stockpile mining expenses were incurred in Q2 2021 or Q2 2020.

## Operation Results – Six Months Ended June 30, 2021

### Production

In the first half of 2021, the Copper Mountain Mine produced 51.0 million pounds of copper, 15,814 ounces of gold, and 308,457 ounces of silver compared to 35.6 million pounds of copper, 13,638 ounces of gold, and 166,142 ounces of silver in H1 2020. Higher mill feed grades are the primary driver of significantly higher production for H1 2021 over H1 2020. Average mill feed grade was 0.42% Cu during the first half of 2021 as compared to average feed grade of 0.29% in H1 2020. The 2021 development plan sequence has been adjusted slightly to have proportionally more ore coming from Phase 3 of the Main Pit which has higher grades. Grade is expected to moderate in H2 as mining transitions from Phase 3 to Phase 2, which has lower grades. Grades are expected to moderate further in Q4 with a higher percentage of Phase 2 ore planned for the commissioning of Ball Mill 3.

Copper recovery was 79.8% in Q1 2021 as compared to 77.2% in H1 2020. The mill processed a total of 6.9 million tonnes of ore during the first half of 2021 as compared to 7.2 million tonnes in H1 2020. Mill tonnage was intentionally reduced in H1 2021 in order to manage the volume of copper concentrate being produced due

to the higher head grade of Phase 3 ore. The Company is advancing the installation of additional filtration capacity in order to maintain full throughput during periods of high-grade production. This project was originally scheduled for 2022 and will be moved up to H2 2021. Mill availability averaged 94.0% for H1 2021 as compared to 92.4% in H1 2020.

## Costs

C1 cash cost per pound of copper produced for H1 2021 was US\$1.27, as compared to US\$1.74 in H1 2020. The decrease in cost per pound in H1 2021 was due to higher production and larger by-product credits for the gold and silver produced in H1 2021 as compared to H1 2020. Higher by-product credits was due to improved precious metal prices and greater gold and silver production in H1 2021 as compared to H1 2020. The decrease is also due to \$15.2 million in deferred stripping costs capitalized in H1 2021, compared to \$7.4 million being deferred in H1 2020.

All-in sustaining costs per pound of copper produced (AISC) for H1 2021 was US\$1.64 and lower than H1 2020 of US\$1.90. AISC carries forward from C1 costs with the addition of \$24.1 million in sustaining capital, lease and applicable administration expenditures in H1 2021 as compared to \$7.9 million in H1 2020. The increase in total AISC is due to higher sustaining capital of \$9.9 million and lease payments of \$6.2 million in H1 2021 as compared to H1 2020. AISC on a per pound of copper basis is lower in H1 2021 compared to H1 2020 due to the increased production in H1 2021. Increased lease costs resulted from four new haul truck leases contracted in H1 2021, in addition to four new haul truck leases entered into in late 2020. All of the new trucks are electric trolley assist capable.

Total all-in costs per pound of copper produced (AIC), net of credits, for H1 2021 was US\$1.88 as compared to US\$2.06 for H1 2020. AIC carries forward from AISC with the addition of \$15.2 million in deferred stripping in H1 2021 as compared to \$7.4 million deferred stripping in H1 2020. The increase in AIC for H1 2021 resulted from lower deferred stripping in H1 2020 as the Company adjusted its operating plan to market conditions in 2020 in response to the lower copper price environment and uncertainty due to the COVID-19 pandemic. The Company continued with regular development activities in H1 2021 and incurred deferred stripping costs as it advanced development of the Phase 4 pushback of the Main Pit. No low-grade stockpile mining costs incurred in H1 2021 as compared to \$0.3 million of low-grade stockpile costs in H1 2020.

## OUTLOOK

As a result of strong production in the first half of 2021, the Company is increasing its 2021 annual production guidance to 90 to 100 million pounds of copper. The Company also reaffirms annual AIC guidance of US\$1.80 to US\$2.00 per pound. Further, as the Company optimizes and improves its operations, it has approved an additional cleaner cell and filter press capital project, which is expected to be complete by the end of 2021. The extra filtration capacity will allow the Company to maintain throughput capacity during periods of high-grade production. As a result of this additional investment, the Company is revising its development capital guidance for 2021 to US\$45 million.

## PROJECT DEVELOPMENT UPDATE

### Copper Mountain Mine, Canada

The Company continued to progress the Ball Mill 3 Expansion Project during the quarter with construction well advanced. The Ball Mill 3 Expansion Project is designed to increase mill throughput to 45,000 tonnes per day from 40,000 tonnes per day and improve copper recovery as a result of achieving a finer grind of ore. As of the

end of the quarter, concrete foundations are complete, structural steel is well advanced, and the mill assembly has commenced. The Ball Mill 3 Expansion Project is on track for commissioning late in the third quarter of 2021.

### Eva Copper Project, Australia

The Company continued to advance project financing during the quarter and is on track for completion in the fourth quarter of 2021. Basic engineering also continues to progress well, with a final construction estimate planned to be complete in the fourth quarter ahead of a final construction decision to be made by the end of 2021.

## EXPLORATION UPDATE

### Canada

Exploration drilling to expand resources and reserves in the Copper Mountain North and New Ingerbelle deposits, which was initiated in March 2021, is continuing, and is planned for completion in the third quarter of 2021. Additional drilling within the Main pit at the Copper Mountain Mine is also on-going.

### Australia

The 2021 exploration program designed to discover additional copper, copper-gold or gold deposits within the Company's large land holdings continued through the second quarter. The program which consists of detailed geophysical, geochemical and geological surveys followed by drill testing, is progressing well and is planned for completion early in the third quarter of 2021.

## FINANCIAL REVIEW

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

Financial Results	Three months ended June 30,		Six months ended June 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
<i>(In thousands of CDN\$, except for per share amounts)</i>				
<b>Revenue</b>				
Copper	127,257	77,658	272,514	117,579
Gold	15,129	16,842	33,023	30,351
Silver	4,691	2,140	9,902	3,609
Treatment and refining	(5,013)	(5,551)	(11,168)	(10,886)
	<b>142,064</b>	<b>91,089</b>	<b>304,271</b>	<b>140,653</b>
<b>Cost of sales</b>				
Direct mining and milling	(33,614)	(42,390)	(73,285)	(84,540)
Employee compensation	(13,555)	(9,151)	(28,268)	(22,090)
Depreciation	(6,300)	(5,963)	(13,985)	(12,071)
Transportation	(2,809)	(3,326)	(6,667)	(6,642)
<b>Gross profit</b>	<b>85,786</b>	<b>30,259</b>	<b>182,066</b>	<b>15,310</b>
General and administration	(4,263)	(914)	(9,351)	(3,360)
Share based compensation	(4,532)	(575)	(10,491)	(1,203)
<b>Operating income</b>	<b>76,991</b>	<b>28,770</b>	<b>162,044</b>	<b>10,747</b>
Other income	31	31	49	105
Finance expense	(10,469)	(4,133)	(13,400)	(7,432)
Unrealized loss on derivatives	(1,915)	(76)	(1,915)	(1,018)
Foreign exchange gain (loss)	(417)	14,463	2,829	(12,395)
<b>Income (loss) before tax</b>	<b>64,221</b>	<b>39,055</b>	<b>149,607</b>	<b>(9,993)</b>
Current tax expense	(1,733)	(505)	(3,590)	(513)
Deferred tax expense	(23,826)	(6,617)	(55,237)	(1,019)
<b>Net income (loss)</b>	<b>38,662</b>	<b>31,933</b>	<b>90,780</b>	<b>(11,525)</b>
<b>Adjustments</b>				
Pricing adjustments on concentrate sales	(8,833)	(19,004)	(24,286)	(1,899)
Unrealized loss on derivatives	1,915	76	1,915	1,018
Foreign exchange (gain) loss	417	(14,463)	(2,829)	12,395
<b>Adjusted net income (loss)<sup>(1)</sup></b>	<b>32,161</b>	<b>(1,458)</b>	<b>65,580</b>	<b>(11)</b>
<b>Income (loss) per share</b>	<b>0.12</b>	<b>0.12</b>	<b>0.30</b>	<b>(0.05)</b>
<b>Adjusted earnings (loss) per share<sup>(1)</sup></b>	<b>0.15</b>	<b>(0.01)</b>	<b>0.31</b>	<b>(0.00)</b>

<sup>(1)</sup> Non-GAAP performance measure. See Page 18 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 June 30, 2021

### Summary

The mine shipped and sold 21.7 million pounds of copper, 6,545 ounces of gold, and 121,291 ounces of silver during Q2 2021; compared to 18.9 million pounds of copper, 6,289 ounces of gold and 80,294 ounces of silver for Q2 2020. During the quarter, the Company recognized revenues of \$142.1 million, net of pricing adjustments and treatment charges based on an average realized copper price of US\$4.33 per pound; compared to revenues of \$91.1 million net of pricing adjustments and treatment charges at an average realized copper price of US\$2.43 per pound for Q2 2020. Q2 2021 generated gross profit of \$85.8 million as compared to a gross profit of \$30.3 million for Q2 2020.

The Company reported net income of \$38.7 million for Q2 2021 as compared to net income of \$31.9 million for Q2 2020. The variance in the higher net income for Q2 2021, as compared to Q2 2020, was due to several items including:

- Higher revenue in Q2 2021 due to more pounds sold at a higher average price as compared to Q2 2020.
- Q2 2021 included an \$8.8 million positive mark to market and final adjustment from provisional pricing on concentrate sales, as compared to a \$20.3 million positive mark to market and final adjustment from provisional pricing on concentrate sales for Q2 2020, a differential of approximately \$11.5 million.
- Q2 2021 included a non-cash unrealized foreign exchange loss of \$0.4 million for Q2 2021 as compared to a gain of \$14.5 million in Q2 2020, a differential of approximately \$14.9 million, which was primarily related to the Company's debt that is denominated in US dollars.
- Q2 2021 included a non-cash deferred tax expense of \$23.8 million as compared to \$6.6 million for Q2 2020.

### Revenue

In Q2 2021, revenue was \$142.1 million, net of pricing adjustments and treatment charges, compared to \$91.1 million in Q2 2020. Q2 2021 revenue is based on the sale of 21.7 million pounds of copper, 6,545 ounces of gold, and 121,291 ounces of silver. This compares to 18.9 million pounds of copper, 6,289 ounces of gold and 80,294 ounces of silver sold in Q2 2020. As noted above, the increase in revenue is due to higher metal prices and metal sales which were somewhat offset by lower United States to Canadian dollar foreign exchange rates and lower positive mark to market and final adjustment on concentrate sales of \$8.8 million as compared to a positive mark to market and final adjustment of \$20.3 million for Q2 2020.

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

	Realized Metal Prices Three months ended June 30,		Quantities of Metal Sold Three months ended June 30,	
	2021	2020	2021	2020
Copper <sup>(1)</sup> – 000s lb	\$4.33	\$2.43	21,696	18,879
Gold <sup>(1)</sup> – oz	\$1,827	\$1,709	6,545	6,289
Silver <sup>(1)</sup> – oz	\$26.74	\$16.36	121,291	80,294

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

### Cost of Sales

Cost of sales in Q2 2021 was \$56.3 million as compared to \$60.8 million for Q2 2020. Mine operating costs are net of \$8.1 million of mining costs, inclusive of \$1.0 million in depreciation, allocated to deferred stripping in Q2 2021 and \$Nil in Q2 2020.

### Depreciation and Depletion

Depreciation expensed through cost of sales in Q2 2021 was \$6.3 million as compared to \$6.0 million for Q2 2020.

### General and Administrative

The Company recorded Q2 2021 general and administrative costs of \$4.3 million as compared to \$0.9 million incurred in Q2 2020. The increase was due to non-recurring expenses on the exercise of deferred share units related to the retirement of two directors as part of the Company's Board renewal program; executive compensation, and recruiting for the Eva Copper Project.

### Finance Expense

The Company recorded Q2 2021 finance expense of \$10.5 million as compared to \$4.1 million incurred in Q2 2020. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The increase in finance expenses was due to the higher interest rate associated with the Bonds as compared to the former Senior Credit Facility that was paid out during the quarter. In addition, due to the early repayment of the Senior Credit Facility the Company incurred a non-cash expense on settlement totalling \$1.1 million reflecting the write off of remaining unamortized financing costs.

### Foreign Exchange

The Company recorded a Q2 2021 foreign exchange loss of \$0.4 million as compared to a \$14.5 million gain in Q2 2020. Foreign exchange gains and losses are primarily related to the Company's debt which is denominated in US dollars. The significant variance is due to the non-cash foreign exchange adjustment required to be made to the Company's US dollar debt, as the US Dollar and Canadian dollar exchange rates vary. The US dollar Canadian dollar exchange rate for Q2 2021 was 1.24 as compared to 1.36 at the end of Q2 2020.

## Financial Results – Six Months Ended June 30, 2021

### Summary

The mine shipped and sold 49.2 million pounds of copper, 15,098 ounces of gold, and 282,948 ounces of silver during H1 2021; compared to 36.7 million pounds of copper, 12,653 ounces of gold and 158,866 ounces of silver for H1 2020. During H1 2021, the Company recognized revenues of \$304.3 million, net of pricing adjustments and treatment charges, based on an average realized copper price of US\$4.09 per pound; compared to revenues of \$140.6 million, net of pricing adjustments and treatment charges, at an average realized copper price of

US\$2.49 per pound for H1 2020. H1 2021 generated gross profit of \$182.1 million as compared to a gross profit of \$15.3 million for H1 2020.

The Company reported net income of \$90.8 million for H1 2021 as compared to a net loss of \$11.5 million for H1 2020. The variance in the net income for H1 2021, as compared to the net loss for H1 2020, was due to several items including:

- Significantly higher revenue in H1 2021 was due to higher realized metal prices and higher quantities of metal sold when compared to H1 2020 which was made possible with the increased production due to the increased head grade associated with Phase 3 ore.
- The inclusion of a non-cash unrealized foreign exchange gain of \$2.8 million in H1 2021 as compared to a non-cash unrealized foreign exchange loss of \$12.4 million in H1 2020, a differential of \$15.2 million, which was primarily due to the Company's debt that is denominated in US dollars.
- The inclusion of \$55.2 million in non-cash deferred tax expense in H1 2021 as compared to \$1.0 million of deferred tax expense in H1 2020.

### Revenue

In H1 2021, revenue was \$304.3 million, net of pricing adjustments and treatment charges, compared to \$140.6 million in H1 2020. H1 2021 revenue is based on the sale of 49.2 million pounds of copper, 15,098 ounces of gold, and 282,948 ounces of silver. This compares to 36.7 million pounds of copper, 12,653 ounces of gold and 158,866 ounces of silver sold in H1 2020. The increase in revenue was due to higher copper prices during the period as well as selling more pounds of copper, which was somewhat offset by a smaller positive mark to market and final adjustment on concentrate sales of \$17.7 million as compared to \$20.3 million for H1 2020.

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

	Realized Metal Prices Six months ended June 30,		Quantities of Metal Sold Six months ended June 30,	
	2021	2020	2021	2020
Copper <sup>(1)</sup> – 000s lb	\$4.09	\$2.49	49,197	36,741
Gold <sup>(1)</sup> – oz	\$1,807	\$1,647	15,098	12,653
Silver <sup>(1)</sup> – oz	\$26.50	\$16.63	282,948	158,866

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

### Cost of Sales

Cost of sales in H1 2021 was \$122.2 million as compared to \$125.3 million for H1 2020. Mine operating costs are net of \$17.3 million of mining costs, inclusive of \$2.1 million in depreciation, allocated to deferred stripping in Q1 2021 and \$7.4 million in Q1 2020. The lower deferred stripping costs in H1 2020 was due to lower deferred stripping costs in H1 2020 in response to the Company responding to the affects of COVID-19 and adjusting its operating plan to market conditions to decrease AIC during Q2 2020.

### Depreciation and Depletion

Depreciation expensed through cost of sales in H1 2021 was \$13.9 million as compared to \$12.1 million for H1 2020.

### General and Administrative

The Company recorded H1 2021 general and administrative costs of \$9.4 million as compared to \$3.4 million incurred in H1 2020. The increase was due non-recurring costs on the exercise of deferred share units related to

the retirement of two directors as part of the Company's Board renewal program, additional expenses incurred for the 2020 employee bonus compensation program and recruiting for the Eva Copper Project.

### Finance Expense

The Company recorded H1 2021 finance expense of \$13.4 million as compared to \$7.4 million incurred in H1 2020. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The increase in finance expenses is due to the higher interest rate associated with the Bonds as compared to the former Senior Credit Facility that was paid out during the quarter. In addition, due to the early repayment of the Senior Credit Facility the Company incurred a non-cash expense on settlement totalling \$1.1 million reflecting the write off of remaining unamortized financing costs.

### Foreign Exchange

The Company recorded H1 2021 foreign exchange gain of \$2.8 million as compared to a \$12.4 million loss in H1 2020. The significant variance was due to the non-cash foreign exchange adjustment of the Company's US dollar debt which is denominated in US dollars.

## SELECTED QUARTERLY FINANCIAL INFORMATION

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

<b>Quarter results (100%)</b>	<b>2021</b>		<b>2020</b>				<b>2019</b>	
(In thousands of CDN\$, unless otherwise indicated)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	142,064	162,207	106,103	94,992	91,089	49,564	62,703	65,144
Net income (loss)	38,662	52,118	28,540	33,249	31,933	(43,458)	(10,595)	2,529
Earnings per share – basic	0.12	0.18	0.10	0.13	0.12	(0.17)	(0.05)	0.01
Adjusted net income (loss) <sup>(1)</sup>	32,161	33,419	5,502	15,078	(1,458)	1,447	(5,602)	(917)
Adjusted earnings per share – basic	0.15	0.16	0.03	0.08	(0.01)	0.01	(0.03)	(0.00)
EBITDA	80,958	95,985	57,205	51,226	49,120	(39,715)	(3,204)	10,257
Adjusted EBITDA <sup>(1)</sup>	74,457	77,286	34,167	33,055	15,729	5,190	1,789	6,811
Cash flow from operations	94,574	79,593	50,990	38,595	15,685	16,340	368	23,685
Average realized copper price (US\$)	\$4.33	\$3.90	\$3.35	\$2.97	\$2.43	\$2.58	\$2.65	\$2.72
C1 cash cost per pound of copper produced (US\$) <sup>(1)</sup>	\$1.38	\$1.15	\$1.43	\$1.27	\$1.48	\$2.01	\$2.12	\$1.74
Copper sales (000's lbs)	21,696	27,501	18,712	17,824	18,879	17,862	17,021	17,931

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

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

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

## LIQUIDITY AND CAPITAL RESOURCES

### Cash

The Company's cash and cash equivalents and restricted cash at June 30, 2021, was \$191.2 million, which includes restricted cash of \$46.7 million. The restricted cash includes \$40.5 million for the final repayment of the Term Loan set for August 16, 2021 and \$6.2 million for the first Bond interest and principal repayment on October 9, 2021. This compares to cash and cash equivalents of \$85.6 million at December 31, 2020.

During the six months ended June 30, 2021, the Company generated \$174.2 million of positive cash flow from operations at the Copper Mountain Mine as compared to \$32.0 million for the six months ended June 30, 2020.

During the six months ended June 30, 2021, the Company used \$68.3 million in investing activities comprised of the purchase of copper puts of \$3.4 million, deferred stripping costs of \$15.2 million, sustaining capital of \$13.4 million, and development expenditures of \$36.1 million mainly consisting of the construction work for the Ball Mill #3 expansion and Trolley Assist projects. Investing activities also included a \$2.5 million expenditure for the buyback of a royalty interest on the North Pit of the Copper Mountain Mine. The royalty was purchased for a total of \$5.0 million in 2020, with \$2.5 million paid in Q1 2020 and the balance paid in Q1 2021.

During the first six-months of 2021, the Company used a net of \$45.4 million in its financing activities. This is comprised primarily of \$287.8 million proceeds from a bond issuance, \$178.3 million repayment to MMC, \$122.2 million in debt principal and interest payments, and \$9.2 million in lease payments on mining equipment. The Company also received \$20.4 million from MMC, which was applied towards principal and interest payment on the Term Loan during the period and has subsequently been repaid.

### Working Capital

As at June 30, 2021, the Company had working capital (current assets less current liabilities) of \$149.9 million compared with working capital of \$76.5 million at December 31, 2020 (exclusive of \$51.7 million of related party debt which at such time was not expected to be repaid in the next twelve months but has subsequently been repaid).

### 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)	June 30, 2021 \$	December 31, 2020 \$	December 31, 2019 \$
Bond (\$US)	250,000	-	-
Senior credit facility (US\$)	-	69,660	78,975
Term loan (US\$)	32,000	48,000	80,000
Related party loan (US\$)	-	108,345	74,543
Subordinated loan (US\$)	-	11,474	10,881
Leases (US\$)	48,280	37,111	21,072
<b>Total debt (US\$ in thousands)</b>	<b>330,280</b>	<b>274,590</b>	<b>265,471</b>
Period-end foreign exchange rate (US\$ to CAD\$)	1.2394	1.2732	1.2988
<b>Total debt (CDN\$ in thousands)</b>	<b>409,349</b>	<b>349,608</b>	<b>344,794</b>

## Shareholders' Equity

As of June 30, 2021, the Company had 209,888,551 common shares outstanding and shareholders' equity was \$330.2 million at June 30, 2021, compared to \$267.9 million at December 31, 2020.

## Proposed Transactions

None.

## Commitments and Contractual Obligations

As at June 30, 2021, the Company had the following consolidated contractual obligations:

(In thousands of CDN\$)	Annual Repayments due from June 30,						Over 5 years
	Total	2021	2022	2023	2024	2025	
	\$	\$	\$	\$	\$	\$	\$
Bond	309,850	12,394	24,788	24,788	24,788	24,788	198,304
Term loan	39,661	39,661	-	-	-	-	-
Lease obligation	59,838	10,914	10,441	10,009	9,777	9,417	9,280
Mine closure and reclamation	20,667	-	-	-	-	-	20,667
<b>Total contractual obligations</b>	<b>430,016</b>	<b>62,969</b>	<b>35,229</b>	<b>34,797</b>	<b>34,565</b>	<b>34,205</b>	<b>228,251</b>

## Capital Resources

As at June 30, 2021, the Company had \$144.5 million in cash and cash equivalents on hand. The Company is expecting to meet future cash commitments from existing cash on hand and anticipated cash flows generated from the Copper Mountain Mine.

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the board of directors. The Company manages liquidity by continuously monitoring and forecasting cash flows based on changes in operations and economic conditions to facilitate the management of its capital requirements. If required, the Company may adjust the capital structure by issuing new shares, issuing new debt or retiring existing debt. In 2021, the Company intends to allocate its capital resources to debt repayment, development of its mining operations, resource expansion and exploration programs mentioned previously in this MD&A.

The Company's investment policy is to invest its cash in highly liquid interest-bearing investments that are readily convertible to known amounts of cash or in cashable Guaranteed Investment Certificates at major Canadian, United States, or Australian banks. There were no changes to the Company's approach to capital management during the period ended June 30, 2021.

As at June 30, 2021, 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, copper puts and long-term debt.

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

The financial instruments risk factors and the Company's exposure to these risks, are disclosed in Note 19 of the 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 June 30, 2021.

### RELATED PARTY TRANSACTIONS

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

- During the six months ended June 30, 2021, the Company sold copper concentrates to MMC with revenue totalling \$304.3 million (2020 – \$140.7 million) including pricing adjustments.
- During the six months ended June 30, 2021, the Company accrued interest on the subordinated loan with MMC totalling \$203 thousand (2020 – \$238 thousand).
- As at June 30, 2021, the Company accrued to MMC a guarantee fee related to the Term Loan of \$45 thousand (2020 – \$44 thousand).
- The Company has received aggregate funding advances from MMC totalling \$154 million (December 31, 2020 – \$137.9 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 during the six months ended June 30, 2021 of \$1.9 million (2020 – \$917 thousand). During Q2 2020, the funding advances received from MMC were repaid by the Company in full.

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

	Three months ended June 30,		Six months ended June 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
<i>(In thousands of CDN\$)</i>				
Salaries and short-term employee benefits	1,813	619	4,461	1,253
Share based compensation	3,010	559	7,112	1,123
<b>Total</b>	<b>4,823</b>	<b>1,178</b>	<b>11,573</b>	<b>2,376</b>

## ACCOUNTING POLICIES AND ESTIMATES

### Critical accounting estimates

The Company's significant accounting policies are presented in Note 3 of the 2020 audited annual consolidated financial statements. The preparation of consolidated financial statements in accordance with IFRS requires management to establish accounting policies and to make judgement, estimates and assumptions that affect both the amount and timing of assets, liabilities, income and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

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

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

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

### Change in accounting policies

No changes to accounting policies have been made in the period ended June 30, 2021. The accounting policies adopted in the preparation of the Company's condensed interim consolidated financial statements are based on IFRS and interpretations effective as at June 30, 2021.

## NON-GAAP PERFORMANCE MEASURES

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

## Cash Costs per Pound

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

## C1 Cash Costs

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

## All-in Sustaining Costs (AISC)

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

## All-in Costs (AIC)

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

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

<b>Cash Costs per Pound Produced (100%)</b>	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
(In thousands of CDN\$, unless otherwise noted)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cost of sales	56,278	60,830	122,205	125,343
<b>Adjustments</b>				
Depreciation and depletion	(6,299)	(5,963)	(13,985)	(12,071)
Change in inventory	8,155	(4,293)	4,075	(5,890)
Transportation costs	(4,699)	(4,638)	(10,765)	(9,269)
<b>Site cash costs</b>	<b>53,435</b>	<b>45,936</b>	<b>101,530</b>	<b>98,113</b>
<b>Adjustments</b>				
Transportation costs	4,699	4,638	10,765	9,269
Treatment and refining costs	5,013	5,551	11,168	10,886
By-product credits (gold and silver)	(19,820)	(18,982)	(42,925)	(33,960)
<b>C1 cash cost</b>	<b>43,327</b>	<b>37,143</b>	<b>80,538</b>	<b>84,308</b>
<b>Adjustments</b>				
Sustaining capital	7,034	2,108	13,402	3,535
Lease payments	6,470	2,128	9,175	2,993
Applicable administration	569	560	1,555	1,392
<b>All-in sustaining costs (AISC)</b>	<b>57,400</b>	<b>41,939</b>	<b>104,670</b>	<b>92,228</b>
<b>Adjustments</b>				
Deferred stripping	7,147	-	15,188	7,437
Low grade stockpile	-	-	-	327
<b>All-in costs (AIC)</b>	<b>64,547</b>	<b>41,939</b>	<b>119,858</b>	<b>99,992</b>
Average foreign exchange rate (CDN\$ to US\$)	0.8142	0.7219	0.8019	0.7325
Copper production (000s lb)	25,515	18,092	51,041	35,564
<b>C1 cash costs (US\$/lb produced (net))</b>	<b>\$1.38</b>	<b>\$1.48</b>	<b>\$1.27</b>	<b>\$1.74</b>
<b>All-in sustaining costs (AISC) (US\$/lb produced (net))</b>	<b>\$1.83</b>	<b>\$1.67</b>	<b>\$1.64</b>	<b>\$1.90</b>
<b>All-in costs (AIC) (US\$/lb produced (net))</b>	<b>\$2.06</b>	<b>\$1.67</b>	<b>\$1.88</b>	<b>\$2.06</b>
Average realized copper price (US\$/lb)	\$4.33	\$2.43	\$4.09	\$2.49

## Adjusted Net Income

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

- Pricing adjustments on concentrate and metal sales;
- Unrealized interest rate swap gains/losses;
- Unrealized foreign exchange gains/losses; and
- Non-recurring transactions.

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

<b>Adjusted Net Income</b>	<b>Three months ended</b>	<b>Six months ended</b>
	<b>June 30,</b>	<b>June 30,</b>

	2021	2020	2021	2020
(In thousands of CDN\$, except per share amounts)	\$	\$	\$	\$
Net income (loss)	38,662	31,933	90,780	(11,525)
<b>Adjustments</b>				
Pricing adjustments on concentrate sales	(8,833)	(19,004)	(24,286)	(1,899)
Unrealized loss on derivative	1,915	76	1,915	1,018
Unrealized foreign exchange (gain) loss	417	(14,463)	(2,829)	12,395
<b>Adjusted net (loss) income</b>	<b>32,161</b>	<b>(1,458)</b>	<b>65,580</b>	<b>(11)</b>
<b>Adjusted (loss) income per share</b>	<b>\$0.15</b>	<b>\$(0.01)</b>	<b>\$0.31</b>	<b>\$0.00</b>

## EBITDA and Adjusted EBITDA

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

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

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

- Pricing adjustments on concentrate and metal sales;
- Unrealized interest rate swap gains/losses;
- Unrealized foreign exchange gains/losses; and
- Non-recurring transactions.

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

EBITDA and Adjusted EBITDA	Three months ended		Six months ended	
	June 30,		June 30,	
(In thousands of CDN\$)	2021	2020	2021	2020
	\$	\$	\$	\$
Net income (loss)	38,662	31,933	90,780	(11,525)
<b>Adjustments</b>				
Finance income	(31)	(31)	(49)	(105)
Finance expense	10,469	4,133	13,400	7,432
Depreciation	6,299	5,963	13,985	12,071
Current tax expense	1,733	505	3,590	513
Deferred income and resource tax expense (recovery)	23,826	6,617	55,237	1,019
<b>EBITDA</b>	<b>80,958</b>	<b>49,120</b>	<b>176,943</b>	<b>9,405</b>

EBITDA and Adjusted EBITDA	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
(In thousands of CDN\$)	\$	\$	\$	\$
<b>Adjustments</b>				
Mark to market adjustments on concentrate sales	(8,833)	(19,004)	(24,286)	(1,899)
Unrealized loss on derivative	1,915	76	1,915	1,018
Unrealized foreign exchange (gain) loss	417	(14,463)	(2,829)	12,395
<b>Adjusted EBITDA</b>	<b>74,457</b>	<b>15,729</b>	<b>151,743</b>	<b>20,919</b>

## DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

### Disclosure Controls and Procedures

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

### Internal controls over financial reporting

Management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, and used the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company’s 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 the Company’s internal control over financial reporting and disclosure controls and procedures during the period ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

## RISKS AND UNCERTAINTIES

The Company’s success depends on a number of factors, most of which are beyond the control of the Company. Typical risk factors include copper, gold and silver price fluctuations, foreign currency fluctuations, and operating uncertainties encountered in the mining business. Future government, legal or regulatory changes could affect any aspect of the Company’s business, including, among other things, environmental issues, land claims, permitting and taxation costs all of which could adversely affect the ability of the Company to operate the Copper Mountain Mine and develop its projects. However, sometimes other risks show up that are not typical, like the recent uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the commodities we produce and on global financial markets. These risks and uncertainties are managed by experienced managers, advisors and consultants, by adjusting annual plans and by cost control initiatives and maintaining adequate liquidity for the Company’s operations. For a comprehensive list of risks, please refer to the Company’s 2020 AIF.