



**THIRD QUARTER REPORT**

**Financial Statements and MD&A**

**September 30, 2019**

**Suite 1700 – 700 Pender Street**

**Vancouver, British Columbia V6C 1G8**

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

# **Copper Mountain Mining Corporation**

Condensed Consolidated Interim Financial Statements  
**For the Nine Months Ended September 30, 2019**  
(Unaudited)

# Copper Mountain Mining Corporation

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

	September 30, 2019 \$	December 31, 2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	36,008	46,123
Accounts receivable and prepaid expenses (note 4)	15,327	18,923
Inventory (note 5)	37,758	55,801
	89,093	120,847
<b>Reclamation bonds</b> (note 9)	4,131	8,752
<b>Deferred tax assets</b>	14,736	13,980
<b>Property, plant and equipment</b> (note 6)	485,545	448,237
<b>Low grade stockpile</b> (note 5)	112,754	109,846
	<b>706,259</b>	<b>701,662</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	33,768	37,494
Amounts payable to related parties	105,965	69,026
Current portion of long-term debt (note 8)	34,878	52,956
Current tax liability	1,490	622
	176,101	160,098
<b>Provisions</b> (note 9)	18,413	6,571
<b>Interest rate swap liability</b> (note 8)	584	601
<b>Long-term debt</b> (note 8)	197,068	229,001
<b>Deferred tax liability</b>	1,777	2,135
	393,943	398,406
<b>Equity</b>		
<b>Attributable to shareholders of the Company:</b>		
<b>Share capital</b>	266,663	263,822
<b>Contributed surplus</b>	18,304	17,378
<b>Accumulated other comprehensive loss</b>	(5,794)	(1,655)
<b>Accumulated deficit</b>	(43,182)	(48,030)
	235,991	231,515
<b>Non-controlling interest</b>	76,325	71,741
<b>Total equity</b>	312,316	303,256
	<b>706,259</b>	<b>701,662</b>

Approved on behalf of the Board of Directors

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

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

# Copper Mountain Mining Corporation

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

For the Three and Nine Months Ended September 30,

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Revenue</b> (note 11)	62,703	60,720	214,717	222,870
<b>Cost of sales</b> (note 12)	(64,131)	(70,294)	(191,233)	(205,460)
<b>Gross profit (loss)</b>	(1,428)	(9,574)	23,484	17,410
<b>Other income and expenses</b>				
General and administration (note 12)	(3,517)	(2,160)	(8,908)	(8,225)
Share based compensation (note 10)	(497)	(387)	(1,684)	(1,274)
<b>Operating income (loss)</b>	(5,442)	(12,121)	12,892	7,911
Finance income	135	134	389	476
Finance expense (note 13)	(3,454)	(3,602)	(11,695)	(10,963)
Unrealized (loss) gain on interest rate swap	(15)	195	(505)	1,197
Foreign exchange (loss) gain	(4,041)	5,419	8,733	(9,042)
<b>Income (loss) before tax</b>	<b>(12,817)</b>	<b>(9,975)</b>	<b>9,814</b>	<b>(10,421)</b>
Current tax (recovery) expense	(190)	59	(1,166)	(608)
Deferred income and resource tax recovery	2,412	4,850	1,113	3,135
<b>Net income (loss)</b>	<b>(10,595)</b>	<b>(5,066)</b>	<b>9,761</b>	<b>(7,894)</b>
<b>Other comprehensive income (loss)</b>				
Foreign currency translation adjustment	(1,432)	(2,684)	(4,139)	(3,219)
<b>Total comprehensive income (loss)</b>	<b>(12,027)</b>	<b>(7,750)</b>	<b>5,622</b>	<b>(11,113)</b>
<b>Net income (loss) attributable to:</b>				
Shareholders of the Company	(8,755)	(4,289)	4,848	(7,351)
Non-controlling interest	(1,840)	(777)	4,913	(543)
	<b>(10,595)</b>	<b>(5,066)</b>	<b>9,761</b>	<b>(7,894)</b>
<b>Earnings (loss) per share:</b>				
Basic	(0.05)	(0.02)	0.03	(0.04)
Diluted	(0.05)	(0.02)	0.03	(0.04)
<b>Weighted average shares outstanding, basic (thousands)</b>	190,344	188,116	188,925	166,939
<b>Weighted average shares outstanding, diluted (thousands)</b>	191,711	191,435	190,492	170,796
<b>Shares outstanding at end of the period (thousands)</b>	191,331	188,170	191,331	188,170

# Copper Mountain Mining Corporation

## Condensed Consolidated Interim Statements of Cash Flows

For the Three and Nine Months Ended September 30,

(Unaudited in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Cash flows from operating activities</b>				
Net income (loss) for the period	(10,595)	(5,066)	9,761	(7,894)
Adjustments for:				
Depreciation	6,312	13,389	17,834	40,853
Unrealized foreign exchange (gain) loss	672	(6,079)	(8,916)	6,447
Unrealized loss (gain) on interest rate swap	15	(195)	505	(1,197)
Deferred income and resource tax expense	(2,412)	(4,849)	(1,113)	(3,141)
Finance expense	3,454	3,602	11,695	10,963
Share based compensation	497	387	1,684	995
	(2,057)	1,189	31,450	47,026
Net changes in working capital items (note 15)	2,425	(20,839)	15,443	(24,537)
<b>Net cash from operating activities</b>	368	(19,650)	46,893	22,489
<b>Cash flows from investing activities</b>				
Cash acquired in acquisition of Altona	-	-	-	29,115
Transaction costs	-	(54)	-	(2,291)
Share issue costs	-	-	-	(364)
Deferred stripping activities	(8,264)	(3,092)	(32,608)	(15,555)
Purchase of property, plant and equipment	(6,590)	(4,216)	(14,486)	(16,087)
Reclamation bonds	4,545	(387)	4,621	(387)
Proceeds on disposal of fixed assets	-	-	-	-
<b>Net cash (used in) from investing activities</b>	(10,309)	(7,749)	(42,473)	(5,569)
<b>Cash flows from financing activities</b>				
Proceeds on exercise of options and warrants	2,284	26	2,310	224
Advances from non-controlling interest	23,294	14,383	38,329	28,412
Payments made to non-controlling interest	-	(899)	(329)	(2,367)
Loan principal paid	(21,189)	(12,427)	(43,558)	(34,320)
Interest paid	(2,356)	(2,275)	(8,586)	(8,057)
Finance lease payments	(626)	(1,277)	(1,900)	(5,266)
<b>Net cash used in financing activities</b>	1,407	(2,469)	(13,734)	(21,374)
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	646	(532)	(801)	1,011
<b>(Decrease) Increase in cash and cash equivalents</b>	(7,888)	(30,400)	(10,115)	(3,443)
<b>Cash and cash equivalents - Beginning of period</b>	43,896	72,090	46,123	45,133
<b>Cash and cash equivalents - End of period</b>	36,008	41,690	36,008	41,690

Supplementary cash flow disclosures (note 15)

# 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 Share	Amount \$	Contributed surplus \$	Accumulated other comprehensive loss	Deficit \$	Total \$	Non- controlling interest \$	Total equity \$
Balance January 1, 2018	134,285,192	195,670	15,724	-	(25,693)	185,701	79,584	265,285
Shares issued on acquisition of Altona	53,538,984	66,650	-	-	-	66,650	-	66,650
Tax effect on share issue costs	-	1,200	-	-	-	1,200	-	1,200
Shares issued on exercise of options	156,183	82	-	-	-	82	-	82
Shares issued on exercise of warrants	190,000	143	-	-	-	143	-	143
Fair value of options exercised	-	46	(46)	-	-	-	-	-
Fair value of warrants exercised	-	31	(31)	-	-	-	-	-
Share based compensation	-	-	1,731	-	-	1,731	-	1,731
Payments to non-controlling interests	-	-	-	-	-	-	(3,304)	(3,304)
Loss for the period	-	-	-	-	(22,337)	(22,337)	(4,539)	(26,876)
Foreign currency translation	-	-	-	(1,655)	-	(1,655)	-	(1,655)
<b>Balance December 31, 2018</b>	<b>188,170,359</b>	<b>263,822</b>	<b>17,378</b>	<b>(1,655)</b>	<b>(48,030)</b>	<b>231,515</b>	<b>71,741</b>	<b>303,256</b>
Balance January 1, 2019	188,170,359	263,822	17,378	(1,655)	(48,030)	231,515	71,741	303,256
Shares issued on exercise of options	166,802	67	-	-	-	67	-	67
Warrants exercised	2,993,892	2,245	-	-	-	2,245	-	2,245
Fair value of options exercised	-	34	(34)	-	-	-	-	-
Fair value of warrants exercised	-	495	(495)	-	-	-	-	-
Share based compensation	-	-	1,455	-	-	1,455	-	1,455
Payments to non-controlling interests	-	-	-	-	-	-	(329)	(329)
Income for the period	-	-	-	-	4,848	4,848	4,913	9,761
Foreign currency translation	-	-	-	(4,139)	-	(4,139)	-	(4,139)
<b>Balance September 30, 2019</b>	<b>191,331,053</b>	<b>266,663</b>	<b>18,304</b>	<b>(5,794)</b>	<b>(43,182)</b>	<b>235,991</b>	<b>76,325</b>	<b>312,316</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 and liquidity

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

As at September 30, 2019, the Company had negative working capital of \$87 million compared to negative working capital of \$39.3 million at December 31, 2018. Included in the working capital is \$106.0 million due to MMC (Note 14 (c)) and this amount is not expected to be repaid within the next twelve months. The Company has no material commitments for capital expenditures as of September 30, 2019.

In the next twelve months the Company has contractual obligations which are due in US dollars including senior credit facility payments of US\$8.9 million and term loan payments of US\$32.0 million, which the Company expects to be able to fund through cash on hand and cash flows from operations. However, the current commodity price and exchange rate environment can be volatile and accordingly could have an impact on the Company’s cash flows. The Company continues to review its near term operating plans and continues to take steps to reduce costs and maximize cash flow from operations, while still maintaining copper output levels. The Company remains vigilant for ongoing opportunities to reduce costs and improve net cash generation.

Management has received an extension of the required funding of the debt service and capex reserve accounts relating to the Company’s Senior Credit Facility by providing corporate guarantees (Note 8). The extension expires June 30, 2020 and although such extensions have been obtained in the past there are no guarantees they will continue to be obtained in the future.

# 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 Statement of compliance

#### a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and follow the same accounting policies and methods of application, except as explained in Note 3, as the Company's most recent annual audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These condensed consolidated interim financial statements were approved for issue on October 31, 2019 by the Board of Directors.

#### b. Foreign currency translation

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

### 3 Significant Accounting Policies

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2018 except for those policies noted below.

#### *IFRS 16 – Leases*

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



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

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

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

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

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

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

# 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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### 4 Accounts receivable and prepaid expenses

	September 30, 2019	December 31, 2018
	\$	\$
Amounts due from concentrate sales	10,813	15,737
Pricing adjustments	437	(888)
GST and other receivables	2,348	1,684
Prepaid expenses	1,729	2,390
	<b>15,327</b>	<b>18,923</b>

### 5 Inventory

	September 30, 2019	December 31, 2018
	\$	\$
Supplies	14,621	18,811
Ore stockpile	9,116	24,313
Crushed ore stockpile	5,463	3,225
Copper Concentrate	8,558	9,452
	<b>37,758</b>	<b>55,801</b>
Low grade stockpile <sup>1</sup>	<b>112,754</b>	<b>109,846</b>

Inventory expensed during the nine months ended September 30, 2019 totaled \$181,154 (2018 – \$195,136).

During the nine months ended September 30, 2019, the Company recorded a write-down of \$Nil (2018- \$6,293) to the low grade stockpile. These adjustments were necessary to record the low grade stockpile at net realizable value.

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

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 6 Property, plant and equipment

Cost	Plant and equipment \$	Exploration and evaluation asset \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2018	540,235	6,763	161,413	708,411
Additions	13,580	49,033	25,354	87,967
Restoration provision	-	-	65	65
Currency translation adjustment	(153)	(833)	-	(986)
<b>As at December 31, 2018</b>	<b>553,662</b>	<b>54,963</b>	<b>186,832</b>	<b>795,457</b>
Additions	13,701	2,868	38,298	54,867
Restoration provision	-	-	11,569	11,569
Currency translation adjustment	(338)	(3,247)	-	(3,585)
<b>As at September 30, 2019</b>	<b>567,025</b>	<b>54,584</b>	<b>236,699</b>	<b>858,308</b>

Accumulated depreciation	Plant and equipment	Exploration and evaluation asset \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2018	(211,180)	-	(83,190)	(294,370)
Depreciation charge	(36,606)	-	(16,244)	(52,850)
As at December 31, 2018	(247,786)	-	(99,434)	(347,220)
Depreciation charge	(20,180)	-	(5,363)	(25,543)
<b>As at September 30, 2019</b>	<b>(267,966)</b>	<b>-</b>	<b>(104,797)</b>	<b>(372,763)</b>

#### Net book value

As at December 31, 2018	305,876	54,963	87,398	448,237
<b>As at September 30, 2019</b>	<b>299,059</b>	<b>54,584</b>	<b>131,902</b>	<b>485,545</b>

Property, plant and equipment includes right of use assets of \$833 with a net book value of \$680 at September 30, 2019.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 7 Accounts payable and accrued liabilities

	September 30, 2019	December 31, 2018
	\$	\$
Trade accounts payable	16,304	20,252
Accrued liabilities	16,204	16,246
Current portion of interest rate swap liability (note 8(b))	1,169	600
Deferred Share Units liability	53	87
Restricted Share Units liability	38	309
	<b>33,768</b>	<b>37,494</b>

### 8 Long-term debt

	September 30, 2019	December 31, 2018
	\$	\$
Senior credit facility (b) in US\$ (net of issue costs)	81,646	88,553
Term loan (c) in US\$ (net of issue costs)	78,242	103,490
Total US\$ long term debt in US\$	159,888	192,043
Total US\$ long term debt in CA\$	211,739	261,983
Subordinated loan (a)	13,982	13,547
Leases (d)	6,225	6,427
Total	231,946	281,957
Less: current portion	(34,878)	(52,956)
	<b>197,068</b>	<b>229,001</b>

#### a) Subordinated loan

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

#### b) Senior credit facility

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

The maximum amount available under the SCF was US\$162 million which was fully drawn in 2011. The SCF carries a variable interest rate of LIBOR plus 2% and matures on June 15, 2023. The SCF is repayable in twenty four semi-annual instalments which commenced December 15, 2011, with 40% of the principal balance due in the final two years before maturity. The instalments are payable on a fixed schedule, subject to mandatory prepayment based on cash flows relating to the Copper Mountain Mine. As at September 30,

# 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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2019 the Company has repaid a total of US\$78.6 million in principal and US\$29.1 million in interest on the SCF.

Under the terms of the SCF, the Company was required to maintain certain balances up to a total of US \$12 million in the debt service reserve account (“DSRA”) and the capex reserve account (“CXRA”) by June 30, 2012. Since this date, the Company and MMC have jointly guaranteed to June 30, 2020 the amounts owing to the DSRA and the CXRA, as a result no funds were required to be placed on deposit in either of the accounts.

As at September 30, 2019 the SCF has a principal amount outstanding of \$110,486 (US\$83.4 million). The outstanding amount of \$108,123 is net of issue costs of \$2,363.

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

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

<b>Minimum annual payments from September 30</b>	<b>US\$ ‘000</b>
2019	8,910
2020	9,720
2021	32,400
2022 – 2023	32,400
	<b>83,430</b>

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

As at September 30, 2019, the swap had an unrealized fair value loss of \$1,752 (2018 - \$1,201). The current portion of \$1,169 is included in accounts payable and accrued liabilities.

As at September 30, 2019 the Company is in compliance with all covenants which may result in the event of default of the senior credit facility.

### c) Term loan

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

The maximum amount available under the Term Loan was US\$160 million which was fully drawn in 2011. The Term Loan carries a variable interest rate of LIBOR plus 0.551% and matures on February 15, 2022. As at September 30, 2019, the term Loan has a principal amount outstanding of \$105,944 (US\$80,000). The outstanding amount of \$103,616 is net of issue costs of \$2,328. The Term Loan is guaranteed by MMC in exchange for a fee of 0.2% per annum.

# 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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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 September 30, 2019 the Company has repaid a total of US\$80 million in principal and US\$16.9 million in interest on the Term Loan.

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

<b>Minimum annual payments from September 30</b>	<b>US\$</b>
2019	32,000
2020	32,000
2021	16,000
	<b>80,000</b>

The Company is subject to certain debt covenants on the Term Loan. As at September 30, 2019 the Company is in compliance with all covenants.

d) Leases

<b>Gross finance lease liability and minimum lease payments</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Within one year	2,041	3,053
Between two and four years	4,399	3,733
	6,440	6,786
Future interest	(215)	(359)
Finance lease liability	<b>6,225</b>	<b>6,427</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 9 Provisions

	Decommissioning and restoration provision	Share-based payment obligations	Total
	\$	\$	\$
Balance, January 1, 2019	6,546	421	6,967
Share-based payment expense	-	226	226
Changes in estimate costs and timing	11,570	-	11,570
Unwinding of discount on restoration provision	(20)	-	(20)
Payments during the period	-	(239)	(239)
Balance, September 30, 2019	<b>18,096</b>	<b>408</b>	<b>18,504</b>
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 7)</i>	-	(91)	(91)
Total provision – Non-current	<b>18,096</b>	<b>317</b>	<b>18,413</b>

  

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

The Company has a liability for remediation of current and past disturbances associated with mining activities at the Copper Mountain property. At September 30, 2019 the Company used an inflation rate of 1.90% (2018 – 1.50%) and a discount rate of 1.53% (2018 – 2.18%) in calculating the estimated obligation. The decommissioning obligations will be accreted as a finance expense over the life of the mine. The liability for retirement and remediation on an undiscounted basis is \$17,486 (2018 - \$7,005). The expected timing of payment of the cash flows commences in 2028.

The Company has on deposit \$4,131 (2018- \$8,609) with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain mine site. The Company receives interest on these bonds. The Company has also issued a surety bond of \$17,467 (2018 - \$Nil) for total reclamation security of \$20,983.

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 10 Share based compensation

#### a. Stock options

The Company has a stock option plan whereby it can grant up to 17.9 million stock options exercisable for a period of up to ten years from the grant date. As at September 30, 2019, the Company had 10,291,063 options outstanding as follows:

	Number of shares	Weighted average exercise price \$
Outstanding, December 31, 2018	11,308,469	1.21
Granted	2,263,185	1.02
Exercised	(166,802)	0.39
Expired/Forfeited	(3,113,789)	1.86
Outstanding, September 30, 2019	<b>10,291,063</b>	<b>0.98</b>

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



# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

As at September 30, 2019 the following options were both outstanding and exercisable:

Date of stock option grant	Number of options	Exercise price \$	Expiry date
Sep. 18, 2015	520,000	0.59	Sep. 18, 2020
Jan. 26, 2016	1,660,000	0.39	Jan. 26, 2021
June 30, 2016	66,667	0.50	June 30, 2021
Jan. 13, 2017	1,117,500	1.18	Jan. 13, 2021
Apr. 24, 2017	26,250	0.93	Apr. 24, 2022
Feb. 22, 2018	917,500	1.28	Feb. 22, 2023
April 26, 2018	50,000	1.37	Apr. 26, 2023
June 1, 2018	333,333	1.07	June 1, 2023
June 7, 2018	50,000	1.26	June 7, 2023
June 20, 2018	50,000	1.26	June 20, 2023
July 5, 2018	26,667	1.16	July 5, 2023
Aug. 13, 2018	350,000	1.14	Aug. 13, 2023
Mar. 22, 2019	537,349	1.02	Mar. 22, 2024
Aug. 2, 2019	12,500	0.76	Aug. 2, 2024
	<b>5,717,766</b>		

During the period ended September 30, 2019, the total fair value of stock options vesting was \$1,456 (2018 – \$1,303) with a weighted average grant-date fair value of \$0.52 (2018 – \$0.51) per option. The fair values of the stock options granted were estimated on the grant date using the Black-Scholes option pricing model. Volatility was determined using a historical daily volatility over the expected life of the options.

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

	Sept 30, 2019	Sept 30, 2018
Risk free interest rate	1.48%	2.12%
Expected dividend yield	Nil	Nil
Expected share price volatility	65.3%	64.8%
Expected forfeiture rate	3.3%	3.3%
Expected life	5.0 years	5.0 years

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

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

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

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

	<b>DSUs</b>	<b>RSUs</b>	<b>PSUs</b>
Outstanding, January 1, 2018	4,611,985	527,500	-
Expired	(925,000)	-	-
Forfeited	(250,000)	(85,000)	-
Settled	(62,819)	(195,000)	-
Outstanding, December 31, 2018	<b>3,374,166</b>	<b>247,500</b>	-
Granted	282,352	937,021	937,021
Forfeited	(247,683)	-	-
Expired	(2,800,000)	-	-
Settled	(62,819)	(207,500)	-
Outstanding, September 30, 2019	<b>546,016</b>	<b>977,021</b>	<b>937,021</b>

During the period ended September 30, 2019, the Company recorded share-based compensation expense of \$226 (2018 – \$4) related to DSUs, RSUs and PSUs.

During the period ended September 30, 2019, the total fair value of DSUs, RSUs and PSUs granted was \$1,912 (2018 - \$Nil) and had a weighted average grant date fair value of \$1.02 (2018 - \$Nil) per unit.

## 11 Revenue

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Copper concentrate	54,498	55,539	190,917	208,238
Gold metal sales	12,002	9,540	37,113	28,975
Silver metal sales	1,401	976	3,336	3,685
Treatment and refining charges	(5,198)	(5,335)	(16,649)	(18,028)
	<b>62,703</b>	<b>60,720</b>	<b>214,717</b>	<b>222,870</b>

Total mark-to-market and final adjustments from provisional pricing on concentrate sales for the nine months ended September 30, 2019 was an increase of \$3,350 (2018 – decrease of \$15,400) to revenues.

# 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Copper in concentrate	(2,009)	(2,112)	172	(5,251)
Gold in concentrate	870	(106)	1,808	(153)
Silver in concentrate	202	(152)	35	147
	<b>(937)</b>	<b>(2,370)</b>	<b>2,015</b>	<b>(5,257)</b>

## 12 Expenses by nature

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Cost of sales</b>				
Direct mining and milling costs	43,336	43,159	129,348	121,726
Employee compensation and benefits	11,208	10,381	34,008	32,557
Depreciation	6,295	13,389	17,798	40,853
Transportation costs	3,292	3,365	10,079	10,324
	<b>64,131</b>	<b>70,294</b>	<b>191,233</b>	<b>205,460</b>
<b>General and administration</b>				
Corporate employee compensation and benefits	542	1,149	3,405	4,257
Corporate administrative and office expenses	2,975	1,011	5,503	3,968
	<b>3,517</b>	<b>2,160</b>	<b>8,908</b>	<b>8,225</b>
	<b>67,648</b>	<b>72,454</b>	<b>200,141</b>	<b>213,685</b>

## 13 Finance expense

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Interest on loans	3,065	3,171	10,474	9,503
Amortization of financing fees	349	344	1,051	1,023
Loan guarantee fee	59	73	190	227
Unwinding of discount on restoration provision	(19)	14	(20)	210
	<b>3,454</b>	<b>3,602</b>	<b>11,695</b>	<b>10,963</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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### 14 Related party transactions

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

- a. During the nine months ended September 30, 2019 the Company sold copper concentrates to MMC with revenues totalling \$214,717 (2018 – \$222,870) including pricing adjustments.
- b. During the nine months ended September 30, 2019 the Company accrued interest on the subordinated loan with MMC totalling \$357 (2018 - \$349).
- c. As at September 30, 2019 the Company accrued to MMC a guarantee fee related to the Term Loan of \$190 (2018 - \$226). The Company has also received aggregate funding advances from MMC totalling \$98,717 (2018 - \$62,416). These advances bear interest at rates of 2.88% to 4.80% with total interest during the nine months ended September 30, 2019 of \$1,718 (2018 - \$1,186).
- d. In 2015, a company controlled by a director of the Company agreed to purchase 642 acres of land adjoining the mine site for future expansion opportunities. Under the terms of the put/call agreement the Company had the irrevocable right to call the land from the company controlled by the director at any time for the same price as the company controlled by the director paid for the land. Similarly, the company controlled by the director had the irrevocable right to put the land to the Company at any time after January 16, 2016. The Company completed the purchase of the land for a total of \$1.72 million inclusive of interest and out of pocket expenses during the year ended December 31, 2018.
- e. Compensation of key management:

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Salaries and short-term employee benefits	639	655	2,054	3,168
Share based compensation	487	487	1,465	1,218
	<b>1,126</b>	<b>1,142</b>	<b>3,519</b>	<b>4,386</b>

# Copper Mountain Mining Corporation

## Notes to Condensed Consolidated Interim Financial Statements

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

### 15 Supplementary cash flow disclosures

- As at September 30, 2019, cash and cash equivalents consists of guaranteed investment certificates of \$4,592 (2018 – \$81) and \$31,416 in cash (2018 - \$41,610) held in bank accounts.
- A reconciliation of net changes in working capital items is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Change in accounts receivable and prepaid expenses	(3,177)	(10,207)	2,399	3,470
Change in inventory	4,971	(3,024)	18,883	(5,535)
Change in tax liability	109	(355)	868	(1,271)
Change in accounts payable and accrued liabilities	522	(7,253)	(6,707)	(21,201)
	<b>2,425</b>	<b>(20,839)</b>	<b>15,443</b>	<b>(24,537)</b>

### 16 Financial instruments

The fair values of financial asset and financial liabilities approximate their carrying amounts in the condensed consolidated interim statement of financial position.

#### Fair Value hierarchy

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

The levels in the hierarchy are:

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

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at September 30, 2019:

	Level 1	Level 2	Level 3	Total fair value
	\$	\$	\$	\$
<b>Financial assets</b>				
Pricing adjustments (note 4 and 11)	-	437	-	437
<b>Financial liabilities</b>				
Interest rate swap liability (note 8b)	-	1,752	-	1,752

# 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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### **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.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF COPPER MOUNTAIN MINING CORPORATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of Copper Mountain Mining Corporation and its subsidiaries ("Copper Mountain" or the "Company"). This MD&A should be read in conjunction with Copper Mountain's unaudited condensed consolidated financial statements for the nine months ended September 30, 2019 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as applicable to interim financial reporting. This MD&A contains forward-looking statements that are subject to risks and uncertainties, as discussed in the cautionary note contained in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements. All figures in this MD&A are expressed in thousands of **Canadian dollars** except for share, per share, per pound and per ounce amounts, unless otherwise specified. References to "US\$" are to United States dollars. Certain comparative figures have been reclassified to conform to the current year's presentation. This MD&A has been prepared as at October 31, 2019.

### **About Copper Mountain**

Copper Mountain is a Canadian mining company focused on the development and production of base and precious metals assets. The Company, through its subsidiaries, owns 75% of the Copper Mountain Mine located in southern BC. The Copper Mountain Mine produces about 90 million pounds of copper equivalent per year with a large resource that remains open laterally and at depth. Copper Mountain also has the permitted, development-stage Eva Copper Project in Queensland, Australia and an extensive 397,000 hectare highly prospective land package, also in the Mount Isa area of Queensland, Australia. Copper Mountain trades on the Toronto Stock Exchange under the symbol "CMMC" and Australian Stock Exchange under the symbol "C6C". For further information on Copper Mountain, reference should be made to its public filings (including its most recently filed AIF) which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also available on the Company's website at [www.cumtn.com](http://www.cumtn.com).

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

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

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

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



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## OVERVIEW

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

The Copper Mountain Mine is situated 20 km south of Princeton, British Columbia and 300 km east of the port of Vancouver. Production of copper concentrate from the Copper Mountain Mine commenced during the third quarter of 2011. The property consists of 138 Crown granted mineral claims, 145 located mineral claims, 14 mining leases, and 12 fee simple properties covering an area of 6,702.1 hectares or 67 square kilometres.

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

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

## Q3 2019 HIGHLIGHTS

- Production for the third quarter of 2019 was 20.3 million pounds of copper equivalent (comprised of 16.3 million pounds of copper, 6,498 ounces of gold and 57,225 ounces of silver).
- C1 cash costs per pound of copper produced was US\$2.12 and all in sustaining cost (AISC) per pound of copper was US\$2.28.
- Revenue for the third quarter of 2019 was \$62.7 million, from the sale of 17.0 million pounds of copper, 6,400 ounces of gold and 57,426 ounces of silver, net of pricing adjustments.
- Cash flow from operations for the third quarter of 2019 was \$0.4 million.
- Cash and cash equivalents at the end of the third quarter was \$36.0 million.
- Eva Copper Mineral Resource was increased with the announcement of Blackard Mineral Resource:
  - Measured and Indicated Resource of 77 million tonnes grading 0.49% of copper containing 836 million pounds of copper (Increases Eva Copper M&I Resource by 66% to 2.1 billion pounds of copper).
  - Inferred Resource of 19 million tonnes grading 0.49% of copper containing 206 million pounds of copper (Increases Eva Copper Inferred Resource by 118% to 380 million pounds of copper).

Results and Highlights (100%)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
(In thousands of CDN\$, except for per share amounts)	\$	\$	\$	\$
<b>Financial</b>				
Revenue	62,703	60,720	214,717	222,870
Gross profit (loss)	(1,428)	(9,574)	23,484	17,410
Gross profit before depreciation <sup>(1)</sup>	4,866	3,815	41,282	58,263
Net income (loss)	(10,595)	(5,066)	9,760	(7,894)
Earnings (loss) per share – basic	(0.05)	(0.02)	0.03	(0.02)
Adjusted earnings (loss) <sup>(1)</sup>	(5,602)	(3,002)	(482)	7,132
Adjusted earnings (loss) per share – basic	(0.03)	(0.02)	(0.00)	0.04
EBITDA <sup>(1)</sup>	(3,204)	6,882	38,917	40,919
Adjusted EBITDA	1,789	8,946	28,674	68,493
Cash flow from operations	368	(19,650)	46,893	22,489
Cash and cash equivalents – end of period			36,008	41,690
<b>Production</b>				
Copper (000s lb)	16,302	18,283	53,362	58,219
Gold (oz)	6,498	7,532	20,547	20,126
Silver (oz)	57,225	64,889	185,212	211,202
<b>Unit costs and prices</b>				
C1 cash cost per pound of copper (US\$/lb produced (net)) <sup>(1)</sup>	2.12	1.98	1.87	1.82
All-in-sustaining cost per pound of copper (US\$/lb produced (net)) <sup>(1)</sup>	2.28	2.13	1.99	2.00
Cost of Sales per pound of copper (US\$/lb sold (net))	2.26	2.60	2.09	2.23
Average realized copper price (US\$/lb)	2.65	2.77	2.74	3.03

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

## OPERATIONS REVIEW

### Production

In Q3 2019, the Copper Mountain Mine produced 16.3 million pounds of copper, 6,498 ounces of gold, and 57,225 ounces of silver compared to 18.3 million pounds of copper, 7,532 ounces of gold, and 64,889 ounces of silver in Q3 2018. Lower production is primarily due to grade and tonnage losses in a small isolated area of the Pit2 West pushback when compared to the resource model. This model shortfall has been rectified with additional infill drilling during the quarter and is accounted for in the resulting reserve update the Company announced on October 28, 2019. In addition, the Company began to feed stockpiled ore from the medium grade stock pile in the third quarter to accommodate the development of the Copper Mountain North pit to allow production to commence in 2020.

During the quarter, the mine processed a total of 3.6 million tonnes of ore at an average feed grade of 0.26% Cu and with a copper recovery of 78.2%. Approximately 0.8 million tonnes of ore that was fed to the mill came from the ore stockpile and was included in the average feed grade for the quarter. The slightly lower recovery experienced during the quarter was due to processing some oxidized ore from the mid grade ore stockpile. Mill availability averaged 91.9% for Q3 2019. Subsequent to the quarter, the Company completed the installation of oil-filled transformers on both ball mills, which should allow for higher tonnage rates going forward. The SAG mill and both ball mills are now operating with oil filled transformers, completing replacement of the dry type transformers. This change is expected to improve

long term operational reliability and allow the mills to increase grinding energy input to their original design specifications.

## Costs

C1 cash cost per pound of copper produced for Q3 2019 was US\$2.12, as compared to US \$1.98 in Q3 2018. The increase in cost per pound was primarily the result of lower copper production in the period when compared to Q3 2018. C1 cash cost for Q3 2019 was positively impacted by the cost associated with stripping in excess of the average life of mine strip ratio, due to the continued development stripping on the southwest highwall of the CMM main Pit (formerly Pit #3). The total cash value of deferred stripping in Q3 2019 was \$8.3 million, compared to \$3.1 million in Q3 2018. All-in costs for the quarter, inclusive of deferred stripping costs, were US \$2.67 per pound, compared to US \$2.52 per pound in Q3 2018.

Site cash costs for Q3 2019 were \$49.3 million and C1 cash costs were \$45.6 million, both of which are net of deferred stripping. This is in line with the previous quarters. The consistency in total costs over the past quarters demonstrates reliable production and operation at the Copper Mountain Mine quarter-after-quarter.

### Mine Production Information

<b>Copper Mountain Mine (100% Basis)</b>	<b>2019 Q3</b>	<b>2019 Q2</b>	<b>2019 Q1</b>	<b>2018 Q4</b>	<b>2018 Q3</b>	<b>2019 9 Mos.</b>	<b>2018 9 Mos.</b>	<b>2018 Annual</b>
<b>Mine</b>								
Total tonnes mined (000s)	<b>13,965</b>	16,139	17,454	19,730	18,503	47,558	54,607	74,337
Ore tonnes mined (000s)	<b>2,761</b>	3,007	2,814	4,407	5,612	8,582	16,160	20,567
Waste tonnes (000s)	<b>11,204</b>	13,132	14,640	15,323	12,891	38,976	38,447	53,770
Stripping ratio	<b>4.06</b>	4.37	5.20	3.48	2.30	4.54	2.38	2.61
Total tonnes reclaimed from stockpile (000s)	<b>835</b>	757	736	-	-	2,328	-	-
<b>Mill</b>								
Tonnes milled (000s)	<b>3,596</b>	3,764	3,550	3,873	3,802	10,910	10,662	14,535
Feed Grade (Cu%)	<b>0.26</b>	0.28	0.29	0.30	0.28	0.28	0.32	0.31
Recovery (%)	<b>78.2</b>	78.2	81.6	81.0	79.1	79.3	79.4	79.8
Operating time (%)	<b>91.9</b>	95.0	92.9	96.0	92.7	93.3	91.5	92.6
Tonnes milled (TPD)	<b>39,087</b>	41,363	39,444	42,098	41,326	39,963	39,055	39,822
<b>Production</b>								
Copper (000s lb)	<b>16,302</b>	18,450	18,610	20,628	18,283	53,362	58,219	78,847
Gold (oz)	<b>6,498</b>	6,922	7,127	8,124	7,532	20,547	20,126	28,250
Silver (oz)	<b>57,225</b>	65,707	62,280	62,711	64,889	185,212	211,202	273,913
<b>Sales</b>								
Copper (000s lb)	<b>17,021</b>	17,931	19,348	19,431	17,612	54,300	59,764	79,195
Gold (oz)	<b>6,400</b>	7,044	7,026	7,475	6,349	20,470	19,324	26,799
Silver (oz)	<b>57,426</b>	55,276	64,992	69,761	62,487	177,694	214,325	284,086
C1 cash cost per pound of copper produced (US\$) <sup>(1)</sup>	<b>2.12</b>	1.74	1.77	1.60	1.98	1.87	1.82	1.77
All-in-sustaining cost (AISC) per pound of copper produced (US\$) <sup>(1)</sup>	<b>2.28</b>	1.85	1.87	1.73	2.13	1.99	2.00	1.94

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

## OUTLOOK

The Company expects 2019 production to be at the lower end of the full year guidance range of 72 million to 80 million pounds of copper, as the fourth quarter is expected to be strong with improved throughput and grades planned. The Company is beginning a higher grade-mining sequence at the Copper Mountain Mine as a result of the stripping development work that has been completed year to date. The grade and production is expected to continue to increase throughout 2020, providing for a strong production year for the mine as outlined in the Company's guidance.

## PROJECT DEVELOPMENT UPDATE

### Copper Mountain Mine, Canada

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

The Company has re-scheduled and slowed the project development timing to match the 2020 cash flow generation of the mine in the current low copper price environment, such that additional financing is not required to complete the project in fiscal year 2020. As a result, full commissioning has been rescheduled from Q2 2020 to Q4 2020. Project Engineering design has been completed to support commissioning the project in Q4 2020, while Engineering of the cleaner circuit upgrade is well advanced to support earlier commissioning of the cleaner circuit upgrade in mid 2020. During the third quarter, the new higher capacity SAG Mill screen was installed and is operating as expected. Subsequent to the quarter, at the end of October, the third ball mill arrived at the Port of Vancouver and is now on site.

## EXPLORATION UPDATE

### Canada

The 2019 exploration drill program for the Copper Mountain Mine is now completed. This included approximately 15,000 metres of drilling with the objective of defining resources adjacent to and below current reserves in high potential areas. Key areas of drilling include the westward extension of the current pit area towards the New Ingerbelle deposit; the eastern edge of the pit 3 area to follow-up on the strong drill results obtained in 2018; in-fill drilling of areas at depth in the southwest pit 3 area, and drilling within and below the North deposit, which is adjacent to the primary crusher, in order to upgrade reserve and resource classification. As a result of the drilling program that concluded in the third quarter, the Company, subsequent to the end of the third quarter, updated the reserve and resource for the Copper Mountain Mine. Reserves increased by 12% to 477 million tonnes grading 0.23% copper and 0.10 g/t gold for contained metal of 2.47 million pounds of copper and 1.55 million ounces of gold. Measured and Indicated Mineral Resources increased by 9% to 599 million tonnes grading 0.23% copper and 0.10 g/t gold for contained metal of 3.08 billion pounds of copper and 2.0 million ounces of gold. Inferred Mineral Resources increased by 16% to 276 million tonnes grading 0.20% copper and 0.10 g/t gold for contained metal of 1.23 billion pounds of copper and 0.88 million ounces of gold. Please refer to press release dated October 28, 2019.

Additionally, geotechnical drilling to facilitate the development of New Ingerbelle was also completed.

### Australia

The 2019 exploration drill program in Australia has been completed. This program included both exploration drilling and metallurgical test-work for the Blackard deposit, which is a large stratabound

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

The Blackard deposit was not included in the Eva Copper 2018 feasibility study, and therefore, the Company will now be updating the Eva Copper feasibility study to include this new information, the results of which are planned for release in Q1 2020.

## 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
(In thousands of CDN\$, except for per share amounts)	\$	\$	\$	\$
<b>Revenue</b>				
Copper	54,498	55,539	190,917	208,238
Gold	12,002	9,540	37,113	28,975
Silver	1,401	976	3,336	3,685
Treatment and refining	(5,198)	(5,335)	(16,649)	(18,027)
	<b>62,703</b>	<b>60,720</b>	<b>214,717</b>	<b>222,870</b>
<b>Cost of sales</b>				
Direct mining and milling	(43,336)	(43,159)	(129,348)	(121,726)
Employee compensation	(11,208)	(10,381)	(34,008)	(32,557)
Depreciation	(6,295)	(13,389)	(17,798)	(40,853)
Transportation	(3,292)	(3,365)	(10,079)	(10,324)
<b>Gross profit</b>	<b>(1,428)</b>	<b>(9,574)</b>	<b>23,484</b>	<b>17,410</b>
General and administration	(3,517)	(2,160)	(8,908)	(8,225)
Share based compensation	(497)	(387)	(1,684)	(1,274)
<b>Operating income (loss)</b>	<b>(5,442)</b>	<b>(12,121)</b>	<b>12,892</b>	<b>7,911</b>
Finance income	135	134	389	476
Finance expense	(3,454)	(3,602)	(11,695)	(10,963)
Unrealized gain (loss) on interest rate swap	(15)	195	(505)	1,197
Foreign exchange gain (loss)	(4,041)	5,419	8,733	(9,042)
<b>Income (loss) before tax</b>	<b>(12,817)</b>	<b>(9,975)</b>	<b>9,814</b>	<b>(10,421)</b>
Current tax (expense) recovery	(190)	59	(1,166)	(608)
Deferred tax (expense) recovery	2,412	4,850	1,113	3,135
<b>Net income (loss)</b>	<b>(10,595)</b>	<b>(5,066)</b>	<b>9,761</b>	<b>(7,894)</b>
<b>Adjustments</b>				
Pricing adjustments on concentrate sales	937	2,370	(2,015)	888
Write-down of low-grade stockpile	-	5,308	-	6,293
Unrealized (gain) loss on interest rate swap	15	(195)	505	(1,197)
Foreign exchange (gain) loss	4,041	(5,419)	(8,733)	9,042
<b>Adjusted net income (loss)<sup>(1)</sup></b>	<b>(5,602)</b>	<b>(3,002)</b>	<b>(482)</b>	<b>7,132</b>
<b>Earnings (loss) per share</b>	<b>(0.05)</b>	<b>(0.02)</b>	<b>0.03</b>	<b>(0.04)</b>
<b>Adjusted earnings (loss) per share<sup>(1)</sup></b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.00)</b>	<b>0.04</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.

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 September 30, 2019**

### **Summary**

The mine shipped and sold 17.0 million pounds of copper, 6,400 ounces of gold, and 57,426 ounces of silver during Q3 2019; compared to 17.6 million pounds of copper, 6,349 ounces of gold and 62,487 ounces of silver for Q3 2018. During the quarter the Company recognized revenues of \$62.7 million, net of pricing adjustments and treatment charges based on an average realized copper price of US\$2.65 per pound; compared to revenues of \$60.7 million net of pricing adjustments and treatment charges at an average realized copper price of US\$2.77 per pound for Q3 2018. Gross profit for Q3 2019 was a loss of \$1.4 million as compared to a loss of \$9.6 million for Q3 2018. This all resulted in the Company reporting a net loss of \$10.6 million for Q3 2019 as compared to a net loss of \$5.1 million for Q3 2018. The variance in the net loss for Q3 2019, as compared to the net loss for Q3 2018, was a result of several items including:

- Revenue in Q3 2019 was based on fewer pounds of copper sold (17.0 million pounds) at a lower realized price of US\$2.65 per pound as compared to Q3 2018 (17.6 million pounds of copper at a realized price of US\$2.77 per pound).
- Revenue in Q3 2019 included a negative mark to market adjustment of \$0.9 million as compared to a negative mark to market adjustment of \$2.3 million for Q3 2018;
- Cost of sales for Q3 2019 included lower depreciation of \$6.3 million for Q3 2019 compared to \$13.4 million for Q3 2018 as a result of an increased reserve base in 2018 over which the majority of these costs are depreciated;
- Cost of sales for Q3 2018 included a \$5.3 million write-down to the low-grade stockpile. This adjustment was necessary to record the low-grade stockpile to net realizable value. There was no such adjustment in Q3 2019.
- The inclusion of a non-cash unrealized foreign exchange loss of \$4.0 million as compared to a non-cash unrealized foreign exchange gain of \$5.4 million in Q3 2018, a differential of approximately \$9.4 million, which was primarily related to the Company's debt that is denominated in US dollars.

### **Revenue**

In Q3 2019, revenue was \$62.7 million, net of pricing adjustments and treatment charges, compared to \$60.7 million in Q3 2018. Q3 2019 revenue is based on the sale of 17.0 million pounds of copper, 6,400



ounces of gold, and 57,426 ounces of silver and on an average realized copper price of US\$2.65 per pound. This compares to 17.6 million pounds of copper, 6,349 ounces of gold and 62,487 ounces of silver sold in Q3 2018 and an average realized copper price of US\$2.77 per pound. Revenue was slightly higher in Q3 2019 as a result of slightly higher gold sales along with higher gold and silver prices realized when compared to Q3 2018.

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 September 30,		Quantities of Metal Sold Three months ended September 30,	
	2019	2018	2019	2018
Copper <sup>(1)</sup> – 000s lb	\$2.65	\$2.77	17,021	17,612
Gold <sup>(1)</sup> – oz	\$1,467	\$1,214	6,400	6,349
Silver <sup>(1)</sup> – oz	\$17.06	\$14.90	57,426	62,487

<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 Q3 2019 were \$64.1 million as compared to \$70.3 million for Q3 2018. Unit cost of sales were US\$2.26 per pound of copper sold, net of precious metals credits for Q3 2019, as compared to US\$2.60 per pound of copper sold, net of precious metals credits for Q3 2018. The decrease in cost of sales is a result of reduced depreciation due to the increased reserve base announced late in 2018 and due to mining costs of \$9.3 million being allocated to deferred stripping in Q3 2019 as compared to \$3.8 million in Q3 2018. The decrease in per unit cost of sales in Q3 2019 is a result of increased by product credits relating to higher gold and silver prices and increased deferred stripping costs in Q3 2019.

### Depreciation and Depletion

Depreciation expensed through cost of sales in Q3 2019 was \$6.3 million (Q3 2018 – \$13.4 million) a decrease of \$7.1 million. The difference is primarily a result of the NI 43-101 Mineral Resource update for the Copper Mountain Mine released in Q4 2018. The increase to reserves reported results in a lower depreciation rate over the remaining life of the mine.

Also contributing to the decrease was total depreciation expense of \$1.1 million (Q3 2018 – \$0.7 million) capitalized to deferred stripping and thereby decreasing the amount of depreciation posted to cost of sales.

### General and Administrative

The Company recorded Q3 2019 general and administrative costs of \$3.5 million (Q3 2018 – \$2.2 million). The increase is primarily attributable to finance related costs expensed and incurred towards the Company's debt restructuring efforts during the quarter. Increased costs are also a result of increased project activity and related administration costs.

### Finance Expense

The Company recorded Q3 2019 finance expense of \$3.4 million (Q3 2018 – \$3.6 million). Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The decrease of \$0.2 million is attributable to the impact of the decrease in long-term debt from ongoing debt payments made by the Company.

## Foreign Exchange

The Company recorded Q3 2019 foreign exchange loss of \$4.0 million (Q3 2018 – gain of \$5.4 million). Foreign exchange is primarily related to the Company's project debt which is denominated in US dollars. The loss in the period is a result of a change in the US to Canadian foreign exchange rate from 1.31 to 1.32 as compared to a change from 1.32 to 1.29 in the prior year.

## Financial Results – Nine Months Ended September 30, 2019

### Summary

The mine shipped and sold 54.3 million pounds of copper, 20,470 ounces of gold, and 177,694 ounces of silver during the nine-month period ended September 30, 2019; compared to 59.8 million pounds of copper, 19,324 ounces of gold and 214,325 ounces of silver for the nine-month period ended September 30, 2018. During the period the Company recognized revenues of \$215 million, net of pricing adjustments and treatment charges based on an average realized copper price of US\$2.74 per pound; compared to revenues of \$223 million net of pricing adjustments and treatment charges at an average realized copper price of US\$2.98 per pound for the nine-month period ended September 30, 2018. Gross profit for the nine-month period was \$23.5 million as compared to \$17.4 million for the nine months ended September 30, 2018. This all resulted in the Company reporting net income of \$9.8 million for the nine-month period ended September 30, 2019 as compared to a net loss of \$7.9 million for nine-month period ended September 30, 2018. The increase in net income for the nine-months ended September 30, 2019, as compared to the net income for the nine-month period ended September 30, 2018, was primarily a result of the inclusion of a non-cash unrealized foreign exchange gain of \$8.7 million as compared to a non-cash unrealized foreign exchange loss of \$9.0 million for the nine month period ended September 30, 2018, a differential of approximately \$17.7 million, which was primarily related to the Company's debt that is denominated in US dollars.

### Revenue

Revenue decreased 4% to \$215 million, net of pricing adjustments and treatment charges, compared to \$223 million for the nine-month period ended September 30, 2018. Revenue was lower for the nine-month period ended September 30, 2019 as fewer pounds of copper were sold and at a lower realized price, as compared to the nine-month period ended September 30, 2018.

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

	Realized Metal Prices Nine months ended September 30,		Quantities of Metal Sold Nine months ended September 30,	
	2019	2018	2019	2018
Copper <sup>(1)</sup> – 000s lb	\$2.74	\$3.03	54,300	59,764
Gold <sup>(1)</sup> – oz	\$1,380	\$1,273	20,470	19,324
Silver <sup>(1)</sup> – oz	\$15.67	\$15.58	177,694	214,325

<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 during the nine-month period ended September 30, 2019 were \$191 million as compared to \$205 million for the nine-month period ended September 30, 2018. The decrease in cost of sales is a result of the deferral of stripping costs during the nine-month period ended September 30, 2019. Unit cost of sales were US\$2.09 per pound of copper sold, net of precious metals credits for the nine-month period

ended September 30, 2019, as compared to US\$2.23 per pound of copper sold, net of precious metals credits for the nine-month period ended September 30, 2018.

### Depreciation and Depletion

Depreciation expensed through cost of sales was \$17.8 million for the nine-month period ended September 30, 2019, as compared to \$40.9 million for the nine-month period ended September 30, 2018, a decrease of \$23.1 million. The difference is primarily a result of the NI 43-101 Mineral Resource update for the Copper Mountain Mine released in Q4 2018. The increase to reserves reported results in a lower depreciation rate over the remaining life of the mine.

Also contributing to the decrease was total depreciation expense of \$3.7 million that was capitalized to deferred stripping for the period ended September 30, 2019 and thereby decreasing the amount of depreciation posted to cost of sales. This compares to \$2.9 million that was capitalized to deferred stripping for the nine-month period ended September 30, 2018.

### General and Administrative

The Company recorded general and administrative costs of \$8.9 million for the nine-month period ended September 30, 2019, as compared to \$8.2 million for the nine-month period ended September 30, 2018. The increase of \$0.7 million is attributable to the increased costs incurred on refinancing initiatives and administration costs related to the project activity that has not been charged directly to the various growth projects within the Company.

### Finance Expense

The Company recorded finance expense of \$11.7 million for the nine-month period ended September 30, 2019, as compared to \$10.9 million for the nine-month period ended September 30, 2018. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The increase of \$0.8 million is attributable to the increase in borrowing rates and specifically LIBOR which the Company's long-term variable interest rates loans are based on. The increase in borrowing rates marginally offsets the impact of the decrease in long-term debt from ongoing debt payments made by the Company.

### Foreign Exchange

The Company recorded a foreign exchange gain of \$8.7 million for the nine-month period ended September 30, 2019, as compared to a \$9.0 million foreign exchange loss for the nine-month period ended September 30, 2018. Foreign exchange is primarily related to the Company's project 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 annual financial statements which are reported under IFRS.

Quarter results (100%)	2019			2018				2017
(In thousands of CDN\$, unless otherwise indicated)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	62,703	65,144	86,870	73,149	60,720	84,204	77,946	85,687
Net income (loss)	(10,595)	2,529	17,826	(18,982)	(5,066)	3,638	(6,466)	23,538
Earnings per share – basic	(0.05)	0.01	0.07	(0.09)	(0.02)	0.01	(0.04)	0.12
Adjusted net income (loss)	(5,602)	(917)	6,036	(1,400)	(3,002)	11,095	11,587	25,311
Adjusted earnings per share – basic	(0.03)	(0.00)	0.03	(0.01)	(0.02)	0.06	0.09	0.19
EBITDA	(3,204)	10,257	31,864	(234)	6,882	22,552	11,587	31,564
Adjusted EBITDA	1,789	6,811	20,074	17,348	8,946	30,009	29,538	33,337
Cash flow from operations	368	23,685	23,689	28,777	(19,650)	40,121	2,018	17,445
Average realized copper price (US\$)	\$2.65	\$2.72	\$2.85	\$2.81	\$2.77	\$3.12	\$3.17	\$3.12
C1 cash costs per pound of copper produced (US\$)	\$2.12	\$1.74	\$1.77	\$1.60	\$1.98	\$1.56	\$1.96	\$1.85
Copper sales (000s lb)	17,021	17,931	19,348	19,431	17,612	20,411	21,741	18,091

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

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

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

## LIQUIDITY AND CAPITAL RESOURCES

### Cash

The Company's cash and cash equivalents at September 30, 2019, was \$36.0 million (2018 – \$46.1 million). Subsequent to the end of the quarter, the Company completed a sale leaseback valued at US \$8 million for the two ball mills purchased during the year that resulted in US \$5 million of cash being added to the Company's cash balance subsequent to the quarter end. During the first nine months of 2019 the Company generated \$46.9 million of positive cash flow from operations at the Copper Mountain mine as compared to \$22.5 million for the nine month period ended September 30, 2018.

During the first nine-months of 2019 the Company used \$42.5 million in investing activities comprised mainly of deferred stripping costs of \$32.6 million and sustaining capital of \$4.4 million at the Copper Mountain mine.

During the first nine-months of 2019 the Company used \$13.7 million in its financing activities as compared to \$21.4 million to the same period ended September 30, 2018. This is comprised primarily of \$52.1 million in debt principal and interest payments (2018 – \$42.4 million), and \$1.9 million in lease payments on mining equipment (2018 – \$5.3 million). The Company also received \$38.3 million from MMC (2018 – \$28.4 million), which was applied towards principal and interest payments on the Term Loan during the period.

## Working Capital

As at September 30, 2019, the Company had working capital of \$19.0 million (exclusive of \$105.9 million of related party debt which is not expected to be repaid in the next twelve months) compared with working capital of \$29.8 million at December 31, 2018 (exclusive of \$69.0 million of related party debt which is not expected to be repaid in the next twelve months). The current liability balance, net of related party debt, has decreased at September 30, 2019 to \$70.1 million as compared to \$91.1 million at December 31, 2018. These one-year notes continue to be deferred and rolled-over under one-year amortizations between the Company and MMC.

## 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 net debt position is summarized in the following table:

(In thousands of CDN\$, except for ratio amounts and where otherwise noted)	September 30, 2019 \$	December 31, 2018 \$	December 31, 2017 \$
Senior credit facility (US\$)	83,430	90,720	105,300
Term loan (US\$)	80,000	105,600	124,800
Subordinated loan (US\$)	10,672	9,930	10,345
Leases	4,700	4,711	9,547
<b>Total debt (US\$ in thousands)</b>	<b>178,802</b>	<b>210,962</b>	<b>249,992</b>
Period-end foreign exchange rate (US\$ to CAD\$)	1.3243	1.3642	1.2545
<b>Total debt (CAD\$ in thousands)</b>	<b>236,787</b>	<b>287,793</b>	<b>313,615</b>

## Shareholders' Equity

As of September 30, 2019, the Company had 191,331,053 common shares outstanding and shareholders' equity was \$236.0 million at September 30, 2019, compared to \$231.5 million at December 31, 2018.

## Proposed Transactions

None.

## Commitments and Contractual Obligations

As at September 30, 2019, the Company had the following consolidated contractual obligations:

	Annual Repayments due from September 30,						
(In thousands of CDN\$)	Total \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	Over 5 years \$
Senior credit facility	108,123	11,124	12,197	42,232	42,570	-	-
Term loan	103,616	41,757	41,757	20,102	-	-	-
Subordinated loan	14,101	-	-	-	-	-	14,101
Lease obligation	6,225	1,889	3,535	418	383	-	-
Mine closure and reclamation	17,486	-	-	-	-	-	17,486
<b>Total contractual obligations</b>	<b>249,551</b>	<b>54,770</b>	<b>57,489</b>	<b>62,752</b>	<b>42,953</b>	<b>-</b>	<b>31,587</b>

## Capital Resources

As at September 30, 2019, the Company had \$36.0 million in cash and cash equivalents on hand and \$10.8 million in concentrate sales receivables. The Company is expected to meet future cash commitment from existing cash on hand and anticipated cash flows generated from the Copper Mountain mine. The Company continues to review its near-term operating plans and take steps to reduce costs and maximize cash flow from operations, while maintaining copper output levels.

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the Board of Directors. The Company manages liquidity by continuously monitoring and forecasting cash flows based on changes in operations and economic conditions to facilitate the management of its capital requirements. If required, the Company may adjust the capital structure by issuing new shares, issuing new debt or retiring existing debt. In 2019, 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 nine-months ended September 30, 2019.

As at September 30, 2019 the Company had a total of \$4.2 million on deposit 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.

## Financial Instruments and Risks

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

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

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

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at September 30, 2019.

## RELATED PARTY TRANSACTIONS

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

- During the nine-month period ended September 30, 2019 the Company sold copper concentrates to MMC with revenue totalling \$215 million (2018 – \$223 million) including pricing adjustments.
- During the nine-month period ended September 30, 2019 the Company accrued interest on the subordinated loan with MMC totalling \$357 thousand (2018 – \$349 thousand).
- As at September 30, 2019 the Company accrued to MMC a guarantee fee related to the Term Loan of \$190 thousand (2018 – \$226 thousand). The Company has also received aggregate funding advances from MMC totalling \$98.72 million (2018 – \$62.42 million). These advances bear interest at rates of 2.88% to 4.80% with total interest during the nine-month period ended September 30, 2019 of \$1,718 thousand (2018 – \$1,186 thousand).

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<i>(In thousands of CDN\$)</i>	\$	\$	\$	\$
Salaries and short-term employee benefits	639	655	2,054	3,168
Share based compensation	487	487	1,465	1,218
<b>Total</b>	<b>1,126</b>	<b>1,142</b>	<b>3,519</b>	<b>4,386</b>

## ACCOUNTING POLICIES AND ESTIMATES

### Critical accounting estimates

The Company's significant accounting policies are presented in note 3 of the 2018 audited annual consolidated financial statements. The preparation of consolidated financial statements in accordance with IFRS requires management to establish accounting policies and to make judgement, estimates and assumptions that affect both the amount and timing of assets, liabilities, income and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

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

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

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



- Income and resources taxes.

### Change in accounting policies

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

### IFRS 16 – Leases

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

## NON-GAAP PERFORMANCE MEASURES

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

### Cash Costs per Pound

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

### C1 Cash Costs

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

### All-in Sustaining Costs (AISC)

All-in sustaining costs is an extension of C1 cash costs discussed above and is also a key performance measure used by management to measure performance. Management uses this measure to analyze margins achieved on existing assets while sustaining and maintaining production at current levels. Expansionary 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. AISC allows Copper Mountain to assess the ability of mining operations to support sustaining capital expenditures for future production from the generation of operating cash flows.

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

<b>Cash Costs per Pound Produced (100%)</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
(In thousands of CDN\$, unless otherwise noted)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cost of sales	64,131	70,294	191,233	205,460
<b>Adjustments</b>				
Depreciation and depletion	(6,294)	(13,389)	(17,798)	(40,853)
Change in inventory	(4,009)	(151)	(17,321)	(8,015)
Transportation costs	(4,503)	(4,735)	(14,201)	(14,816)
Low-grade stockpile write-down	-	(4,246)	-	(4,985)
<b>Site cash costs</b>	<b>49,325</b>	<b>47,773</b>	<b>141,913</b>	<b>136,791</b>
<b>Adjustments</b>				
Transportation costs	4,503	4,735	14,201	14,816
Treatment and refining costs	5,197	5,335	16,649	18,027
By-product credits (gold and silver)	(13,403)	(10,516)	(40,449)	(32,659)
<b>C1 cash cost</b>	<b>45,622</b>	<b>47,327</b>	<b>132,314</b>	<b>136,975</b>
<b>Adjustments</b>				
Sustaining capital	2,170	1,696	4,420	6,798
Lease payments	626	1,277	2,371	5,266
Applicable administration	590	609	1,692	1,756
<b>All-in sustaining costs (AISC)</b>	<b>49,008</b>	<b>50,909</b>	<b>140,797</b>	<b>150,795</b>
Average foreign exchange rate (CDN\$ to US\$)	0.7574	0.7652	0.7524	0.7721
Copper production (000s lb)	16,302	18,283	53,362	58,219
<b>C1 cash costs (US\$/lb produced (net))</b>	<b>\$2.12</b>	<b>\$1.98</b>	<b>\$1.87</b>	<b>\$1.82</b>
<b>All-in sustaining costs (AISC) (US\$/lb produced (net))</b>	<b>\$2.28</b>	<b>\$2.13</b>	<b>\$1.99</b>	<b>\$2.00</b>
Average realized copper price (US\$/lb)	\$2.65	\$2.77	\$2.74	\$3.03

### Adjusted Net Income

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

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

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

<b>Adjusted Net Income</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
(In thousands of CDN\$, except per share amounts)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net income (loss)	(10,595)	(5,066)	9,761	(7,894)
<b>Adjustments</b>				
Pricing adjustments on concentrate sales	937	2,370	(2,015)	888
Write-down of low-grade stockpile	-	5,308	-	6,293
Unrealized interest rate swap (gain) loss	15	(195)	505	(1,197)
Unrealized foreign exchange (gain) loss	4,041	(5,419)	(8,733)	9,042
<b>Adjusted net income</b>	<b>(5,602)</b>	<b>(3,002)</b>	<b>(482)</b>	<b>7,132</b>
<b>Adjusted earnings per share</b>	<b>(\$0.03)</b>	<b>(\$0.02)</b>	<b>(\$0.00)</b>	<b>\$0.04</b>

### **EBITDA and Adjusted EBITDA**

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

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

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

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

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

<b>EBITDA and Adjusted EBITDA</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
(In thousands of CDN\$)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net income (loss)	(10,595)	(5,066)	9,761	(7,894)
<b>Adjustments</b>				
Finance income	(135)	(134)	(389)	(476)
Finance expense	3,454	3,602	11,695	10,963
Depreciation	6,294	13,389	17,798	40,853
Current tax expense	190	(59)	1,166	608
Deferred income and resource tax recovery	(2,412)	(4,850)	(1,113)	(3,135)
<b>EBITDA</b>	<b>(3,203)</b>	<b>6,882</b>	<b>38,917</b>	<b>40,919</b>
<b>Adjustments</b>				
Pricing adjustments on concentrate sales	937	2,370	(2,015)	888
Write-down of low-grade stockpile	-	5,308	-	6,293
Unrealized interest rate swap loss (gain)	15	(195)	505	(1,197)
Unrealized foreign exchange (gain) loss	4,041	(5,419)	(8,733)	9,042
<b>Adjusted EBITDA</b>	<b>1,789</b>	<b>8,946</b>	<b>28,674</b>	<b>55,945</b>

## DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

### Disclosure Controls and Procedures

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

### Internal controls over financial reporting

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

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

### Changes in internal controls over financial reporting

There have been no changes in our internal control over financial reporting and disclosure controls and procedures during the period ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

## RISKS AND UNCERTAINTIES

The Company’s success depends on a number of factors, most of which are beyond the control of the Company. Typical risk factors include copper, gold and silver price fluctuations, foreign currency fluctuations, and operating uncertainties encountered in the mining business. Future government, legal or regulatory changes could affect any aspect of the Company’s business, including, among other things,

environmental issues, land claims, permitting and taxation costs all of which could adversely affect the ability of the Company to operate the Copper Mountain mine and develop its projects. These risks and uncertainties are managed by experienced managers, advisors and consultants, by maintaining adequate liquidity, and by cost control initiatives.