



**COPPER MOUNTAIN
MINING CORPORATION**

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended

December 31, 2009

and

December 31, 2008

Suite 1700 – 700 Pender Street

Vancouver, British Columbia V6C 1G8

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Auditors' Report

To the Shareholders of
Copper Mountain Mining Corporation

We have audited the consolidated balance sheet of Copper Mountain Mining Corporation as at December 31, 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated February 27, 2009.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, BC
March 23, 2010

FORM 51-102F1
COPPER MOUNTAIN MINING CORPORATION
(The “Company”)

**MANAGEMENT'S DISCUSSION & ANALYSIS (“MD&A”) OF FINANCIAL CONDITION
& THE RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2009**

March 23, 2010

Introduction

Management's discussion and analysis (“MD&A”) focuses on significant factors that affected Copper Mountain Mining Corporation's performance and factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's audited consolidated financial statements with the related notes contained therein for the year ended December 31, 2009. The Company reports its financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The Company's significant accounting policies are set out in Note 2 of the consolidated financial statements for the year ended December 31, 2009. The Company's financial statements and the management's discussion and analysis are presented in Canadian dollars and are intended to provide a reasonable base for the investor to evaluate the Company's development and financial situation.

Forward-Looking Statements

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. 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 market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, government policy decisions, market or business conditions. 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.

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 U.S. 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**

Cautionary Note Investors Concerning Estimates of Inferred Resources

This discussion uses the term “inferred resources”. The Company advises investors that while this term is recognized and required by Canadian regulations, the US Securities and Exchange Commission does not recognize it. Inferred resources have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of economic studies, except in rare cases. **Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.**

1.2 Overview

The Company was incorporated under the provisions of the British Columbia *Company Act* on April 20, 2006, as Copper Mountain Mining Corporation. On December 22, 2006, the Company acquired all of the issued and outstanding common shares of Similco Mines Ltd. ("Similco"), a private company also incorporated under the provisions of the British Columbia *Company Act*, which owns the Similco Mine. On August 19, 2009, Mitsubishi Materials Corporation ("MMC") acquired a 25% non-controlling interest in Similco.

The Company has one project at this time, the Copper Mountain Project located three hours from Vancouver, British Columbia near Princeton, BC. The Copper Mountain Project involves the development of an open pit mine and the construction of a new 35,000 tonne per day copper concentrator that will produce approximately 105 million pounds of copper per year, in a copper concentrate with gold and silver credits. The Copper Mountain Project is currently under construction and preproduction mining activities are scheduled to start in July of 2010, while the completion of the mill construction is expected in May 2011, which will allow for full production by June 2011.

In the year ending December 31, 2009, the Company continued to focus on the development of the Copper Mountain Project. Definitive agreements between the Company and MMC were completed during the year and on August 19, 2009, MMC and the Company closed the transaction whereby MMC purchased a 25% interest in the Copper Mountain Project. Under the terms of the definitive agreements MMC has now:

- 1) purchased a 25% interest in the Copper Mountain Project for \$28.75 million;
- 2) agreed to use commercially reasonable efforts to arrange or provide the project loan for the Copper Mountain Project;
- 3) agreed to provide for 25% of the required equity for the project; and,
- 4) entered into a life of mine concentrate off-take agreement.

As of December 31, 2009, the Company had spent \$65 million and committed to an additional \$213 million out of a planned \$438 million for development activities on the Copper Mountain Project. These expenditures included progress payments on the sag mill and ball mills, detailed engineering, bulk earth works for the rough cut of the mill site excavations that were completed by the Company's employees, as well as concrete foundation work for the concentrator. In late summer 2009 the Company named Gisborne Industrial Construction Ltd. as the general contractor for the project, while Hatch Ltd. was awarded the detailed engineering contract work, and Merit International Consultants Inc. were awarded the construction management contract. Subsequent to the end of the year, mill foundation concrete work was virtually complete and the Company was preparing for the installation of steel. The project is on time and on budget to meet the development schedule that provides for the mill building being fully enclosed by mid 2010 to allow for equipment installations to proceed to meet the planned mid 2011 production start.

The Company trades on the Toronto Stock Exchange under the trading symbol CUM.

1.2.1 Copper Mountain Project

The Copper Mountain Project is situated 15 km south of Princeton, British Columbia and 300 km east of the port of Vancouver. Prior to 1996, the mine operated as an open pit copper mine. The

Company has conducted an extensive exploration drill program on the property over the last two years that confirmed the continuity of mineralization between the existing open pits. The Company has made a development decision for the project and is on track for full production in June 2011. The development consists of the construction of a 35,000 tonne per day concentrator and is expected to produce on average 105 million pounds of copper per year in the first 12 years. Based on present reserves, the mine has a life of 17 years. The property consists of 135 Crown granted mineral claims, 176 located mineral claims, 14 mining leases, and 12 fee simple properties covering an area of 6,702.1 hectares or 67 square kilometers.

During the year ended December 31, 2009, manufacturing of the sag mill and ball mills continued to progress and is on schedule. Site excavation for the concentrator were completed and mill foundation work started early in the fourth quarter. The current schedule calls for concrete to continue to be poured through to the end of the first quarter 2010 to complete the building foundations in preparation for the erection of the building steel in the second quarter of 2010. The office and warehouse complex has been refurbished and is being used by mine and construction personnel. The Company currently has approximately 16 employees and 150 contractors engaged at the site on construction activities. It is estimated that the project will provide employment for 200 construction workers at its peak and the ongoing operations will create 258 full time positions. A total of \$50.4 million in project expenditures on the Copper Mountain Project was capitalized during the year ended December 31, 2009, bringing the total project expenditures to \$60.3 million. Of this, \$20.6 million was spent on instalment payments for the sag and ball mills, \$10.2 million was spent on engineering, \$17.7 million on mill site preparation and construction activities and other deposits on key equipment items. The balance of \$1.9 million was for various support activities on site.

1.3 Selected Annual Information

The following table represents selected annual financial information derived from the Company's financial statements and should be read in conjunction with the consolidated financial statements.

	Dec 31 2009	Dec 31 2008	Dec 31 2007
Gross revenue	Nil	Nil	Nil
Net income (loss)	\$(1,267,747)	\$1,058,786	\$(837,560)
Basic and diluted loss per share	\$(0.03)	\$0.04	\$(0.05)
Total assets	\$141,500,165	\$51,787,090	\$18,944,071
Long term debt	\$168,754	Nil	\$101,315
Cash dividends per share	Nil	Nil	Nil

The decrease in income during the current year from the prior year is a result of a future income tax recovery of \$2.2 million being recognized in 2008 that related to the flow-through shares issued, no such future income tax recovery was incurred in 2009. In addition, during the year ended 2007 the Company recognized \$1.1 million in stock based compensation during the year.

The progressive increase in total assets over the years is a result of the Company deferring all of the costs associated with the advancement of the Copper Mountain Project. In order to move the Copper Mountain Project forward, the Company issued approximately \$88 million in share capital over the years, and sold 25% of the Copper Mountain Project to MMC in 2009 for \$28.75 million.

As a result of the Company determining that the Company's subsidiary, Similco Mines Ltd is a variable interest entity, 100% of the assets of Similco are consolidated. As at March 23, 2010 the Company had 77,628,877 common shares outstanding.

1.4 Results of Operations

For the Three Months Ended December 31, 2009

The Company recorded a loss of \$349,509 or \$0.01 per share for the three months ended December 31, 2009, compared to a loss of \$502,802 for the three months ended December 31, 2008, as shown in the table below:

	Three months ended December 31, 2009	Three months ended December 31, 2008
EXPENSES		
Amortization	\$ 3,448	\$ 3,394
Advertising and promotion	8,942	12,108
Bank charges and interest	4,030	21,921
Consulting fees	39,143	41,036
General and administration	62,012	44,749
Investment shows	5,994	13,341
Meals and entertainment	3,540	3,125
Professional fees	17,095	16,570
Shareholder communications	4,514	5,780
Stock-based compensation	116,296	51,856
Transfer agent	3,281	4,219
Travel expenses	7,518	50,508
Wages and salaries	168,543	94,526
Loss before other items	(444,356)	(363,133)
OTHER ITEMS		
Future income tax recovery	-	(225,108)
Interest and other income	108,270	85,439
Non-controlling interest (note 3)	(13,423)	-
Total other items	94,847	(139,669)
INCOME (LOSS) FOR THE PERIOD	(349,509)	(502,802)

General and administration expenses were \$62,012 for the three months ended December 31, 2009 as compared to \$44,749 for the three months ended December 31, 2008. This increase is a result of the Company securing a new office location late in the year that would allow for the planned company growth. Stock-based compensation was \$116,296 for the three months ended December 31, 2009, compared to \$51,856 for the three months ended December 31, 2008, and is directly attributable to the number of options issued during the period. Travel expenses were \$7,518 for the

three months ended December 31, 2009 as compared to \$50,508 for the three months ended December 31, 2008. The decrease in travel expenses is a result of the Company not attending a European investment show this year that the Company attended last year. Wages and salaries were \$168,543 for the three months ended December 31, 2009 as compared to \$94,526 for the three months ended December 31, 2008. The increase in wages and salaries this year is a result of additional staff that were hired at the head office level to deal with corporate matters.

Other items include interest income which was \$108,270 for the three months ended December 31, 2009, compared to \$85,439 for the three months ended December 31, 2008. This increase is a result of the Company holding larger amounts of cash on hand during the 2009 quarter due to the financing in the fall of 2009. The Company also recorded a non-controlling interest of \$13,423 which represents MMC's share of the operating income of Similco for the quarter. (See also note 4 to the audited financial statements for the year ended December 31, 2009)

For the Year Ended December 31, 2009

The Company recorded a loss of \$1,267,747 or \$0.03 per share for the year ended December 31, 2009 as compared to income of \$1,058,786 for the year ended December 31, 2008 as shown in the table below:

	Year ended December 31, 2009	Year ended December 31, 2008
EXPENSES		
Amortization	\$ 17,025	\$ 13,460
Advertising & promotion	58,880	39,984
Bank charges & interest	10,570	43,413
Consulting fees	159,426	173,045
General and administration	192,636	230,861
Investment show	23,976	75,568
Meals and entertainment	18,617	16,785
Professional fees	79,623	82,499
Shareholder communications	80,892	42,742
Stock-based compensation	285,354	270,620
Transfer agent	11,538	15,111
Travel expenses	47,668	111,381
Wages and salaries	451,980	378,044
Loss before other items	(1,438,185)	(1,493,513)
OTHER ITEMS:		
Future income tax recovery	-	2,236,650
Interest and other income	199,517	315,649
Non-controlling interest (note 4)	(29,079)	-
Total other items	170,438	2,552,299
INCOME (LOSS) FOR THE PERIOD	(1,267,747)	1,058,786

Investor relations expenses (made up of Advertising and promotion, Investment show and Shareholder communication expenses) totalled \$163,748 for the year ended December 31, 2009, compared to \$313,587 in 2008. The decrease in 2009 is the result of the Company reducing investor relations show activities in the Company's second year of listing on a public exchange. General and administrative expenses were \$192,636 for the year ended December 31, 2009, compared to \$230,861 for the year ended December 31, 2008. The decrease in 2009 is primarily a result of the Company incurring listing fees charges in 2008 as a result of graduating to the TSX exchange. Stock-based compensation was \$285,354 for the year ended December 31, 2009, compared to \$270,620 for the year ended December 31, 2008, and is directly attributable to the issuing of options during the period. Travel expenses were \$47,668 for the year ended December 31, 2009 as compared to \$111,381 for the year ended December 31, 2008. The decrease in travel expenses is a result of the Company not attending as many investment shows this year as compared to last year. Wages and salaries were \$451,980 for the year ended December 31, 2009 as compared to \$378,044 for the three months ended December 31, 2008. The increase in wages and salaries this year is a result of additional staff that were hired at the head office level to deal with corporate matters.

The Company earned interest income of \$199,517 for the year ended December 31, 2009, compared to \$315,649 for the year ended December 31, 2008. The reduction in interest income is as a result of the Company holding on average smaller amounts of cash on hand during the year ended December 31, 2009, as funding for the development of the Copper Mountain Project was received in instalments from MMC and the Company's equity issue of \$52 million occurred late in the third quarter and early in the fourth quarter. For the first time the Company has recorded a non-controlling interest of \$29,079 which represents MMC's share of the operating loss of Similco since MMC's acquisition of its interest in Similco. (See also note 4 to the audited financial statements for the year ended December 31, 2009)

All of the expenditures relating to the acquisition, exploration, and development of the Copper Mountain Project have been deferred. A total of \$50.4 million in project expenditures on the Copper Mountain Project was deferred during the year ended, December 31, 2009, compared to \$20.2 million in exploration and feasibility expenses for the year ended December 31, 2008.

1.5 Summary of Quarterly Results

The following table is selected quarterly financial information derived from the Company's financial statements and should be read in conjunction with the consolidated quarterly financial statements.

Quarter	Revenue	Net Income (Loss)	Basic Income (Loss) per Share	Fully Diluted Income (Loss) Per Share
December 31, 2009	-	(\$349,508)	(\$0.01)	(\$0.01)
September 30, 2009	-	(\$407,267)	(\$0.01)	(\$0.01)
June 30, 2009	-	(\$306,917)	(\$0.01)	(\$0.01)
March 31, 2009	-	(\$204,055)	(\$0.01)	(\$0.01)
December 31, 2008	-	(\$277,693)	(\$0.01)	(\$0.01)
September 30, 2008	-	(\$390,666)	(\$0.01)	(\$0.01)
June 30, 2008	-	(\$293,196) ⁽¹⁾	(\$0.01)	(\$0.01)
March 31, 2008	-	\$2,020,341 ⁽²⁾	\$0.09	\$0.08

⁽¹⁾ After adjustment of financing costs that were capitalized at year end.

⁽²⁾ After adjustment for change in tax rate used in calculation at year end.

1.6 Liquidity and Capital Resources

As at December 31, 2009, the Company had working capital of \$38.7 million (comprised of \$50.4 million of cash, \$0.9 million of receivables and prepaid expenses, partly offset by \$12.6 million of accounts payable and \$0.1 million of capital lease obligations, compared with a working capital deficiency of \$3.5 million at December 31, 2008, (comprised of \$11.3 million of cash, \$1.0 million of receivables, prepaid expenses and amounts due from a related party offset by \$1.7 million of accounts payable and \$14.1 million of short term mortgage and loan payables).

During the year ended December 31, 2009 the Company closed all agreements with respect to MMC purchasing a 25% ownership interest in the Copper Mountain Project for \$28.75 million. These proceeds were used to retire the short term loan from MMC received late in 2008. In addition, MMC will be responsible for 25% of the project equity as provided under the terms of the definitive agreements and is in the process of arranging the project loan with a Japanese banking syndicate. The Company holds excess cash in an interest bearing account or in cashable Guaranteed Investment Certificates at a major Canadian chartered bank.

During the quarter the Company closed a \$52 million equity offering to institutional and retail investors. The offering consisted of 43.5 million common shares at a price of Cdn \$1.15 per share, resulting in Cdn \$50,025,000 in gross proceeds to the Company. The Company also granted the underwriters a 5% over-allotment option, which was exercised by the underwriters early in the fourth quarter, which raised an additional \$2.5 million. Net proceeds from the financing will be used to further the development of the Copper Mountain Project, to fund exploration on the Company's property, to fund general and administrative expenses, and for working capital.

With this equity now raised, and the project debt financing well advanced, the Company is currently forecasting that it will not require additional money to fund its share of the capital requirements of the Copper Mountain Project, There are provisions in the shareholder's agreement with MMC for a cash call 90 days prior to production start of up to \$20 million and the Company will be responsible for its share of this requirement. In the event that additional money is required, the Company will have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time. The Company's ability to recover its investment in the Copper Mountain Project is dependent upon management's ability to sufficiently fund the Project's development program and develop the Project on time and on budget. The Company has capital commitments of \$213 million. In the event that sufficient financing cannot be secured, project cancellation fees would be owing in connection with these commitments. In recognition of these circumstances, and in accordance with the terms of the Agreements signed, MMC has agreed to use commercially reasonable efforts to arrange or provide a \$250 million project loan for the development of the Copper Mountain Project. Negotiations in respect to the project loan are ongoing, however there can be no assurance such negotiations will be successful.

As at December 31, 2009, the Company had incurred \$65 million and committed to an additional \$213 million in expenditures out of a planned \$438 million for the development of the Copper Mountain Project. These expenditures relate to securing major pieces of equipment and construction commitments. Major pieces of equipment purchased include the two ball mills and one sag mill for the Copper Mountain mill and the purchase of the mining fleet. The ball mills and sag mill have an estimated cost of US \$39 million. At December 31, 2009, Cdn \$25.2 million had been paid towards the purchase of the ball mills and sag mill. The Company's exposure to this commitment is limited to amounts incurred to date, plus 20%, if the order is cancelled, subject to a

refund to the Company of any proceeds of sale realized by the manufacturer, less 10%, if the equipment is sold.

As at December 31, 2009 the company had the following contractual obligations:

Contractual Obligation	Payment Due By Period				
	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Capital lease obligations	168,754	120,375	120,375	48,379	-
Purchase obligations	213,000,000	159,750,000	53,250,000	-	-

1.7 Capital Resources

Other than those obligations disclosed in the notes to its financial statements for the year ended December 31, 2009, and the year ended December 31, 2008, the Company had no material commitments for capital expenditures as of December 31, 2009.

Total costs of the Copper Mountain Project, are estimated at \$438 million (including a contingency amount of \$25 million). MMC have agreed to use commercially reasonable efforts to arrange a \$250 million project loan. The balance of the required funding of approximately \$80 million was to be made up of equipment loans, however, the Company and MMC have now decided to combine the equipment loans into the project loan for a combined project loan of approximately \$330 million. The Company expects the financial closing of the project loan to occur in the first half of 2010. Approximately \$110 million in equity (excluding working capital requirements) is to be funded by the partners according to their ownership interests. Copper Mountain is responsible for 75% or approximately \$82.5 million. Approximately \$28 million of the Company's equity requirement has been satisfied with the completion of Mitsubishi's purchase of 25% ownership of Similco, \$10.95 million from and the Company's prior expenditures on the project, and the balance of the Company equity requirements comes from the recently completed equity financing. As at December 31, 2009, the Company had incurred approximately \$60.3 million in project expenditures, primarily related to securing long lead equipment items for the project, detailed engineering, the purchase of small construction equipment, site excavations for the concentrator, initial foundation work and rehabilitation of the office and warehouse complex.

1.8 Off-Balance Sheet Arrangements

None

1.9 Transactions with Related Parties

During 2008, the Company advanced \$600,000 to Compliance Energy Corporation ("Compliance") as a demand loan secured by the equivalent value of common shares of the Company owned by Compliance, with the loan bearing an interest rate of prime plus 1%. Compliance is a public

company, listed on the TSX Venture Exchange and related by common directors and officers. On February 13, 2009 the final outstanding balance of \$400,000 plus interest totaling \$41,803 was repaid.

During the year period ended December 31, 2009, the Company paid three of its officers consulting, management and geological fees aggregating \$436,749 (2008-\$418,420).

1.10 Fourth Quarter

During the fourth quarter, the Company continued to advance the Copper Mountain Project. As this project is in the construction phase, all costs associated with the project are capitalized. There were no year end adjustments to the Company's statements that effected previous quarterly statements in a material way.

1.11 Proposed Transactions

None

1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in note 2 of the audited consolidated financial statements for the year ended December 31, 2009. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the consolidated financial statements. These estimates include:

- mineral resources and reserves,
- the carrying value of mineral properties,
- the carrying value of property, plant and equipment,
- rates of amortization of property, plant and equipment,
- the valuation allowances for future income taxes
- the assumptions used in determining the reclamation obligation, and
- the valuation of stock-based compensation expense.

Actual amounts could differ from the estimates used and, accordingly, affect the results of operations once the mine is back in production.

1.13 Change in Accounting Policies, Including Initial Adoption

Effective January 1, 2011, Canadian publicly listed entities will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), instead of current Canadian GAAP. This mandate is first applicable to interim reporting periods in 2011 and includes the requirement to present comparative financial information for the 2010 year, also based on IFRS. Accordingly, although we will first report our result under IFRS in 2011, the underlying conversion will be based on an effective transition date of January 1, 2010.

In mid 2009, management began reviewing IFRS material as a first step in developing an IFRS conversion plan for the transition from Canadian GAAP to IFRS. Management has initially identified four phases to a potential conversion: scoping and planning, detailed assessment, implementation and post implementation.

The scoping and planning phase involves establishing a project team and organizational structure, including oversight of the process by the audit committee; this phase also entails an initial assessment of the key areas where IFRS transition may have a significant impact and present significant challenges. This scoping and planning phase has just begun and this work will continue throughout the remainder of the first quarter of 2010. The second phase, detailed assessment, involves in-depth technical analysis that will result in understanding potential impacts, decisions on accounting policy choices and the drafting of accounting policies and preparing a detailed transition plan, as well as identifying any potential IT system requirements. This phase is expected to be complete in the second quarter of 2010. During the implementation phase, management will identify and carry out the implementation requirements to effect management's accounting choices, develop sample financial statements, implement business and internal control requirements, calculate the opening balance sheet at January 1, 2010 and other transitional reconciliations and disclosure requirements. The implementation phase of the conversion will continue through 2010 and is expected to be completed by the end of the third quarter of 2010. The last phase of post implementation will involve continuous monitoring through 2011 of changes in IFRS throughout the implementation process.

New Accounting Standards Adopted

Goodwill and Intangible Assets – This section was issued in February 2008 and replaced CICA Handbook Section 3062, “Goodwill and Intangible Assets,” and Section 3450, “Research and Development”. This new standard became effective for fiscal year beginning January 1, 2009 and provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard had no effect on the consolidated financial statements.

Credit Risk and Fair Value of Financial Assets and Liabilities – In January 2009, the CICA issued EIC – 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The adoption of this standard did not have an impact on the valuation of financial assets or liabilities of the Company.

Mining Exploration Costs – In March 2009, the CICA issued EIC–174, “Mining Exploration Costs”, which provides guidance on the accounting and the impairment review of exploration costs. The Company immediately adopted this EIC with no impact on its consolidated financial statements.

New Accounting Standards Not Yet Adopted

Section 1582 – Business Combinations, Section 1601 - Consolidations and Section 1602 – Non-controlling Interests – These sections were issued in January 2009 and are harmonized with International Financial Reporting Standards. Section 1582 specifies a number of changes, including: an expanded definition of a business combination, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These new standards are effective for 2011. Early adoption is permitted.

1.14 Financial Instruments and Other Instruments

Please refer to note 2 of the audited financial statements for the year ended December 31, 2009.

1.15 Other MD&A Requirements

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

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, land claims, permitting and taxation costs which could impact the ability of the Company to develop the Copper Mountain Project. These risks and uncertainties are managed in part, by experienced managers, advisors and consultants, maintaining adequate liquidity, and by cost control initiatives.

Disclosure Controls

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to permit timely discussions regarding public disclosures. Management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures and the internal controls over financial reporting. There has been no material change in the Company's Internal Control Framework ("ICFR") during the year ended on December 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*, are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation are recorded, processed and reported within the time period specified in those rules.

The Company's internet web site is www.CuMtn.com

COPPER MOUNTAIN MINING CORPORATION
Consolidated Balance Sheet
As at December 31,

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 50,428,303	\$ 11,255,709
Accounts receivable	908,358	531,903
Prepaid expenses	24,320	420
Due from related party (notes 11)	-	438,187
	51,360,981	12,226,219
Long term assets		
Reclamation bonds (note 9)	3,539,000	2,089,000
Deferred financing costs	860,362	-
Property, plant, and equipment (note 5)	60,328,857	9,912,291
Resource property (note 6)	25,410,965	27,559,580
	\$ 141,500,165	\$ 51,787,090
LIABILITIES		
Current liabilities		
Accounts payable	\$ 12,644,698	\$ 1,710,054
Short term mortgage payable (note 7)	-	2,000,000
Short term loan payable (note 7)	-	12,010,796
Current portion of capital lease obligation (note 8)	120,375	101,315
	12,765,073	15,822,165
Long term liabilities		
Asset retirement obligation (note 9)	1,245,500	2,189,000
Capital lease obligation (note 8)	168,754	-
Non-controlling interest (note 4)	44,929,079	-
	59,108,406	18,011,165
SHAREHOLDERS' EQUITY		
Share capital (note 10)	81,421,380	31,806,566
Contributed surplus	2,253,493	1,984,726
Deficit	(1,283,114)	(15,367)
	82,391,759	33,775,925
	\$ 141,500,165	\$ 51,787,090

Nature of operations (note 1)
Commitments (note 12)

Approved on behalf of the Board of Directors:

"John Graf" Director
John Graf

"Jim O'Rourke" Director
Jim O'Rourke Director

COPPER MOUNTAIN MINING CORPORATION
Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the years ended December 31

	2009	2008
EXPENSES		
Amortization	\$ 17,025	\$ 13,460
Advertising and promotion	58,880	39,984
Bank charges and interest	10,570	43,413
Consulting fees	159,426	173,045
General and administration	192,636	230,861
Investment shows	23,976	75,568
Meals and entertainment	18,617	16,785
Professional fees	79,623	82,499
Shareholder communications	80,892	42,742
Stock-based compensation (note 10b)	285,354	270,620
Transfer agent	11,538	15,111
Travel expenses	47,668	111,381
Wages and salaries	451,980	378,044
Loss before other items	(1,438,185)	(1,493,513)
OTHER ITEMS:		
Interest and other income	199,517	315,649
Net loss before tax and non-controlling interest	(1,238,668)	(1,177,864)
Future income tax recovery (note 14)	-	2,236,650
Non-Controlling interest (note 4)	(29,079)	-
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	(1,267,747)	1,058,786
DEFICIT – BEGINNING OF YEAR	(15,367)	(1,074,153)
DEFICIT – END OF YEAR	\$ (1,283,114)	\$ (15,367)
(Loss) Income per share, basic and diluted	\$ (0.03)	\$ 0.04
Weighted average number of common shares outstanding	45,104,988	26,783,106

COPPER MOUNTAIN MINING CORPORATION
Consolidated Statements of Cash Flows
For the years ended December 31

	2009	2008
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net (loss) income for the year	\$ (1,267,747)	\$ 1,058,786
Non-cash expenses:		
Amortization	17,025	13,460
Future income tax recovery	-	(2,236,650)
Other non-cash items	(7,500)	-
Non-controlling interest	29,079	-
Stock-based compensation	285,354	270,620
Net changes in working capital items:		
Accounts receivable	(376,035)	(265,037)
Prepaid expenses	(24,320)	200,455
Accounts payable	(1,463,424)	(27,308)
	(2,807,568)	(985,674)
INVESTING ACTIVITIES		
Reclamation bonding	(100,000)	(42,500)
Other assets	(860,362)	-
Purchase of property, plant and equipment	(38,310,938)	(7,233,242)
Resource property costs	(137,385)	(19,090,627)
	(39,408,685)	(26,366,369)
FINANCING ACTIVITIES		
Issue of share capital, net of issue costs	49,873,642	18,684,733
Proceeds from non-controlling interest	44,900,000	-
Due from related party	438,187	200,000
Short term mortgage payable	(2,000,000)	2,000,000
Short term loan	(12,010,796)	11,944,438
Capital lease obligations	187,814	(353,764)
	81,388,847	32,475,407
CHANGE IN CASH	39,172,594	5,123,364
CASH – BEGINNING OF YEAR	11,255,709	6,132,345
CASH– END OF YEAR	\$ 50,428,303	\$ 11,255,709

Supplemental disclosure with respect to cash flows (note 13)

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

The Company was incorporated under the provisions of the British Columbia *Business Corporations Act* on April 20, 2006 and is a mining exploration and development company. On December 22, 2006, the Company acquired all of the issued common shares of Similco Mines Ltd. (“Similco”), a private company incorporated under a predecessor Act to the British Columbia *Business Corporations Act*. On August 19, 2009, Mitsubishi Materials Corporation (“MMC”) acquired a 25% interest in Similco for \$28.750 million. (See also note 3).

For the year ended December 31, 2009, the Company reported a net loss of \$1,267,747 and an accumulated deficit of \$1,283,114 at that date. In addition to its working capital requirements, the Company must secure sufficient funding for existing and future commitments for developing the Copper Mountain Project. The Company's ability to recover its investment in the Copper Mountain Project is dependent upon management's ability to sufficiently fund the Project's development program and develop the Project on time and on budget. The Company has capital commitments of \$213 million. In the event that sufficient financing cannot be secured, project cancellation fees would be owing in connection with these commitments. In recognition of these circumstances, and in accordance with the terms of the Agreements signed, MMC has agreed to use commercially reasonable efforts to arrange or provide a \$250 million project loan for the development of the Copper Mountain Project. Negotiations in respect to the project loan are ongoing, however there can be no assurance such negotiations will be successful. (see also note 3)

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include the accounts of the company and Similco. The Company accounts for variable interest entities (“VIE”) in accordance with Canadian Institute of Chartered Accountants (“CICA”) Accounting guideline 15, “Consolidation of Variable Interest Entities” (“AcG 15”). AcG 15 prescribes the application of consolidation principles for entities that meet the definition of a VIE. An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary.

All significant intercompany transactions have been eliminated (see also note 4)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

Income (loss) per Share

Income (loss) per share is calculated using the weighted average number of shares outstanding during the year. Diluted income (loss) per share is calculated using the treasury stock method whereby all “in the money” options and warrants are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the year.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid investments with maturities of three months or less when purchased or which are readily convertible into known amounts of cash. Interest earned is recognized immediately in operations.

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Resource Properties

The Company records its interests in mineral properties and all direct expenditures incurred on them at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production or charged to operations in the year of abandonment or sale. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties that have reached the production stage will have a gain or loss calculated based on the portion of the property sold.

The recorded cost of mineral exploration interests is based on cash paid, the value of any common share consideration issued and exploration costs incurred. Preproduction stripping costs will be deferred and capitalized to resource property and once in production, these costs will be amortized on a unit of production basis.

Property, Plant and Equipment

Equipment and building are recorded at cost and amortized over their estimated useful economic lives on the straight-line basis. The estimated economic lives are 5 years for licensed vehicles, equipment and office equipment and 25 years for buildings. Construction costs, including capitalized interest for the Copper Mountain Project, are being capitalized. Mining mobile equipment will be depreciated starting with the commencement of preproduction mining activities, while the mill will be depreciated starting immediately after the commencement of commercial production.

Financial Instruments

The Company has classified its cash and cash equivalents as held-for-trading. Accounts receivable have been classified as loans and receivables. The Company has classified its accounts payable, due to related party, short term loan and mortgage payable as other financial liabilities. All financial instruments are measured at fair value on initial recognition except for those arising from certain related party transactions. Measurement in subsequent periods is made based on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Financial assets and financial liabilities classified as held-for-trading are to be measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized in other comprehensive income.

Flow-Through Shares

The Company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the expenditure of the proceeds. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), and share capital is reduced. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

Income Taxes

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

The Company accounts for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

temporary differences are expected to reverse. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized.

Stock-based Compensation

The Company measures and records compensation expense in connection with stock options granted using the fair value method. The fair value of stock options is measured using the Black-Scholes model, at the date of grant for employee options or at the date of a subsequent amendment. Stock-based compensation expense is recorded over the vesting period of the options, with the offsetting entry made to contributed surplus. If the stock options are exercised, the proceeds are added to share capital, and the applicable amounts of contributed surplus are transferred to share capital.

Impairment of Long-lived Assets

The Company assesses impairment in the net carrying value of its long-lived assets when events or circumstances indicate the carrying value may not be recoverable. Management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, proven and probable reserves and other mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted cash flows.

Asset Retirement Obligations

The Company recognizes a liability for legal obligations relating to retirement of property, plant, and equipment, arising from the acquisition, construction, development, or normal operation of those assets. This asset retirement obligation is initially recognized at fair value in the period incurred and when a reasonable estimate of fair value can be made. The associated asset retirement costs are added to the carrying value of the asset, and amortized into income on the same basis as the underlying asset. Asset retirement obligations are accreted to full value over time. The value of asset retirement obligations is evaluated on an annual basis or as new information becomes available on expected amounts and timing of cash flows required to discharge the liability. These changes are recorded in the period in which they are identified and when costs can be quantified reasonably.

Comparative Figures

Certain reclassifications of prior year balances have been made to conform to the current year presentation. These reclassifications have had no impact on previously reported total current assets, total assets and working capital position, and do not affect previously reported cash flows from investing and financing activities.

Leases

Assets financed by leasing agreements that give rights approximating ownership (finance leases) are capitalized at fair value. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the interest element is charged to the income statement. Annual payments under other lease arrangements, known as operating leases, are charged to the income statement on a straight-line basis.

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Accounting Standards Adopted

Goodwill and Intangible Assets – This section was issued in February 2008 and replaced CICA Handbook Section 3062, “Goodwill and Other Intangible Assets,” and Section 3450, “Research and Development Costs”. This new standard became effective for fiscal years beginning January 1, 2009 and provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard had no effect on the consolidated financial statements.

Credit Risk and Fair Value of Financial Assets and Liabilities – In January 2009, the CICA issued EIC – 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The guidance requires that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The adoption of this standard did not have an impact on the valuation of financial assets or liabilities of the Company.

Mining Exploration Costs – In March 2009, the CICA issued EIC–174, “Mining Exploration Costs”, which provides guidance on the accounting and the impairment review of exploration costs. The Company immediately adopted this EIC with no impact on its consolidated financial statements.

New Accounting Standards Not Yet Adopted

Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling Interests – These sections were issued in January 2009 and are harmonized with International Financial Reporting Standards. Section 1582 specifies a number of changes, including: an expanded definition of a business combination, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These new standards are effective for 2011. Early adoption is permitted.

3. FINANCIAL INSTRUMENTS

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions.

Interest Rate Risk

The Company has no significant interest costs (income) and therefore has no significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet obligations, it will

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

consider securing additional equity funding, or will engage in negotiations to extend terms with debtors. The Company manages liquidity by continuously monitoring and forecasting cash flows. (see also note 1)

4. NON-CONTROLLING INTEREST

On August 19, 2009, the Company and MMC signed a Shareholders' Agreement and a Share Purchase Agreement ("Agreements") whereby MMC invested \$28.75 million in Similco to earn a 25% interest in the Copper Mountain Project. Under the terms of the Agreements, MMC agreed to use commercially reasonable efforts to arrange or provide a \$250 million project loan, and contract to purchase all the copper concentrate from the mine. Under the terms of the Agreements the Board of Directors of Similco will be composed initially of three members representing the Company and two members representing MMC. All substantive decisions related to the development and operation of the Copper Mountain Project require unanimous board approval.

The Company determined that Similco is a VIE and consequently uses the principles of AcG 15 "Consolidation of Variable Interest Entities" to determine the accounting for its ownership interest. Management concluded that the Company is the primary beneficiary, and therefore, consolidates Similco with a non-controlling interest representing the MMC ownership interest in the Copper Mountain Project.

The expenditures on the Copper Mountain Project have been recorded in property, plant and equipment and resource property costs (see also note 5 and 6).

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Licensed vehicles	\$ 278,561	\$ (55,381)	\$ 223,180	\$ 118,801	\$ (23,635)	\$ 95,166
Buildings	50,000	(7,920)	42,080	50,000	(5,920)	44,080
Computer equipment	96,197	(59,586)	36,611	96,197	(40,347)	55,850
Mining equipment	1,689,392	(635,778)	1,053,614	1,070,007	(320,882)	749,125
Project costs	58,842,588	-	58,842,588	8,922,133	-	8,922,133
Office equipment	151,189	(43,611)	107,578	57,867	(24,344)	33,523
Other equipment	33,913	(10,707)	23,206	18,632	(6,218)	12,414
	<u>\$ 61,141,840</u>	<u>\$ (812,983)</u>	<u>\$ 60,328,857</u>	<u>\$ 10,333,637</u>	<u>\$ (421,346)</u>	<u>\$ 9,912,291</u>

Project costs consist of the deferred construction in progress costs and equipment costs of the Copper Mountain Project. Included in project costs at December 31, 2009 are the following:

	December 31, 2009	December 31, 2008
Engineering and construction management	\$ 11,430,946	\$ 1,297,403
Mobile mining equipment	3,413,810	-
Mill concentrator equipment	26,373,694	4,622,621
Mill concentrator site work	10,601,498	-
Power line and infrastructure	599,587	244,000
Construction facilities	1,659,410	698,813
Other deferred project expenditures	4,763,643	2,704,347

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

\$ 58,842,588	\$ 8,922,133
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Interest capitalized and included in project costs totals \$1,008,938 for the year ended December 31, 2009 (2008 - \$nil).

6. RESOURCE PROPERTY

Copper Mountain Project, Princeton, British Columbia

The details of the carrying amount of the Company's resource property costs are as follows:

	December 31, 2009	December 31, 2008
Property acquisition costs	\$ 4,024,849	\$ 6,295,581
Property holding costs	882,650	882,650
Exploration and feasibility study expenses	20,503,466	20,381,349
Total resource property costs	<u>\$ 25,410,965</u>	<u>\$ 27,559,580</u>

During the year the Company estimated the net present value of the reclamation obligations and reduced the reclamation obligation. The offsetting entry of the reduced reclamation obligation was a reduction in property acquisition costs. (See also note 9)

7. LOANS PAYABLE

- a) On November 28, 2008, the Company entered into a short term loan agreement with MMC whereby MMC agreed to advance up to \$28,750,000 (outstanding as at December 31, 2008 - \$12,010,796) to assist in the initial development work on the Copper Mountain Project. The loan carried an interest rate of 8% per year, calculated monthly. During 2009, the Company repaid MMC the full balance outstanding of \$27,029,047 plus accrued interest of \$1,008,938 that has been deferred under property, plant and equipment.
- b) During 2008, the Company entered into a purchase agreement to purchase 100% of the lands known as the Smelter Tailings Area which is located within the Company's Copper Mountain Property, inclusive of a reclamation bond in the amount of \$1,350,000 for \$5,200,000. Under the terms of the agreement the Company paid \$3,200,000 in cash towards the purchase and the balance of \$2,000,000 was secured by a mortgage that was paid on June 30, 2009. The full value of the property of \$5,200,000 has been capitalized. The vendor can continue to operate a biosolids waste management business on the lands until the Company requires the lands.

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

8. CAPITAL LEASE OBLIGATION

Included in property, plant and equipment is mining equipment that the Company acquired pursuant to a four year interest free capital lease agreement. Capital lease obligations as detailed below are secured by the equipment and are repayable in monthly instalments. Future minimum lease payments are as follows:

2010	\$ 120,375
2011	120,375
2012	48,379
Total minimum lease payments	289,129
Less: interest portion	-
Present value of capital lease obligations	289,129
Current portion	(120,375)
Non-current portion	\$ 168,754

9. ASSET RETIREMENT OBLIGATIONS

a) Reclamation Bonds

The Company has on deposit \$3.5 million with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain Site.

b) Asset Retirement Obligations

The Company has a liability for remediation of current and past disturbances associated with mining activities at the Copper Mountain property. Asset retirement obligations are as follows:

	December 31, 2009	December 31, 2008
Balance of obligations at the beginning of the year	\$ 2,189,000	\$ 2,189,000
Obligations acquired during the year	1,450,000	-
Changes in valuations of obligations	(2,393,500)	-
Balance of obligations at the end of the year	\$ 1,245,500	\$ 2,189,000

During the year the Company estimated the net present value of the reclamation obligations and reduced the reclamation obligation by \$2,393,500. The Company used an inflation rate of 2% and a discount rate of 8% in calculating the estimated obligations. This reduction in reclamation obligations for past activities will be accreted as an expense over the life of the mine.

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

10. SHARE CAPITAL

(a) Authorized – unlimited number of common shares without par value

Issued:

	Common Shares	Amount	Contributed Surplus
Issued at December 31, 2007	21,752,910	\$ 15,492,498	\$ 1,512,340
Shares issued for cash:			
Public equity placement	9,523,808	19,999,997	-
Options exercised	12,450	12,450	-
Warrants exercised	335,834	493,437	-
Share issue costs	-	(1,821,151)	-
Non-cash items:			
Options exercised	-	4,835	(4,835)
Stock-based compensation	-	-	338,371
Flow-through shares renounced	-	(2,236,650)	-
Broker warrants granted	-	(157,310)	157,310
Broker warrants exercised	-	18,460	(18,460)
Issued at December 31, 2008	31,625,002	\$ 31,806,566	\$ 1,984,726
Shares issued for cash:			
Public equity placement	45,675,000	52,526,250	-
Options exercised	42,000	25,200	-
Warrants exercised	228,375	262,630	-
Share issue costs	-	(3,215,853)	-
Non-cash items:			
Options exercised	-	16,587	(16,587)
Stock-based compensation	-	-	285,354
Broker warrants granted	-	-	-
Broker warrants exercised	-	-	-
Issued at December 31, 2009	77,570,377	\$ 81,421,380	\$ 2,253,493

On September 23, 2009 the Company completed a \$50,025,000 equity financing consisting of 43.5 million common shares at a price of \$1.15 per share. The Company granted the underwriters an over-allotment option to purchase a further 5% of the common shares sold pursuant to the offering. On October 1, 2009, the underwriters exercised the over-allotment option and purchased an additional 2,175,000 common shares of the Company at a price of \$1.15 per share for additional proceeds of \$2,501,250.

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

10. SHARE CAPITAL *(Continued)*

(b) Stock Options

Stock options outstanding	December 31, 2009		December 31, 2008	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning of year	3,801,300	\$ 1.29	2,623,750	\$ 1.17
Granted	3,538,800	0.61	1,190,000	1.50
Expired	(3,363,800)	1.27	-	-
Forfeited	(287,500)	2.20	-	-
Exercised	(42,000)	0.60	(12,450)	1.00
End of year	<u>3,646,800</u>	<u>\$ 0.65</u>	<u>3,801,300</u>	<u>\$ 1.29</u>

The Company has a stock option plan whereby it can issue up to 5,500,000 stock options exercisable for a period of up to five years from the grant date. As at December 31, 2009, the Company has issued 3,684,300 options exercisable at prices ranging from \$0.60 to \$1.40 per share, under the plan:

Date of Stock Option Grant	Number of Options	Exercise Price	Expiry Date
April 21, 2009	120,000	\$1.30	April 21, 2014
April 27, 2007	100,000	\$1.00	June 29, 2012
May 6, 2009	3,201,800	\$0.60	May 6, 2014
July 14, 2009	175,000	\$0.80	July 14, 2014
August 1, 2008	50,000	\$1.40	August 1, 2013
	<u>3,646,800</u>		

As at December 31, 2009, there were 2,728,850 options that were fully vested and exercisable.

The fair value of the stock options granted is estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions: a risk free interest rate of 0.25%, expected life of 4.33 years, an expected volatility of 30.0 to 50.0%, and no expectation for dividend payments.

	December 31, 2009	December 31, 2008
Weighted average fair value of options granted	\$ 0.27	\$ 0.57
Weighted average remaining life of options outstanding	4.33 years	3.67 years

(c) Warrants

As at December 31, 2009, warrants outstanding entitling the holders to acquire shares of the Company were as follows:

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

10. SHARE CAPITAL *(Continued)*

Warrants outstanding	December 31, 2009		December 31, 2008	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Beginning of year	5,011,904	\$ 2.43	2,714,500	\$ 1.66
Granted	-	-	4,761,904	2.50
Expired	(5,011,904)	2.43	(2,201,500)	1.74
Exercised	-	-	(263,000)	1.52
End of year	-	\$ -	5,011,904	\$ 2.43

(d) **Broker Warrants**

In conjunction with financing activities, the Company has granted warrants to brokers for financing fees as follows:

Broker Warrants outstanding	December 31, 2009		December 31, 2008	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Beginning of year	675,476	\$ 2.28	655,582	\$ 1.57
Granted	2,283,750	1.15	571,428	2.50
Expired	(675,476)	2.28	(478,700)	1.71
Exercised	(228,375)	1.15	(72,834)	1.54
End of year	2,055,375	\$ 1.15	675,476	\$ 2.28

As at December 31, 2009, 2,055,375 broker warrants are outstanding entitling the holders to acquire shares of the Company as follows:

Date of Broker Warrant Grant	Number of warrants	Exercise Price	Expiry Date
September 23, 2009	1,957,500	\$1.15	March 23, 2011
October 1, 2009	97,875	\$1.15	March 23, 2011
Total	2,055,375		

Capital Risk Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return on investment to shareholders and to the extent possible, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk. There were no changes to the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

COPPER MOUNTAIN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

11. RELATED PARTY TRANSACTIONS

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

- During the year ended December 31, 2009, the Company paid three of its officers consulting, management and geological fees aggregating \$436,749 (2008 - \$418,420).
- During 2008, the Company advanced \$600,000 to Compliance Energy Corporation ("Compliance") as a demand loan secured by the equivalent value of common shares of the Company owned by Compliance, with the loan bearing an interest rate of prime plus 1%. On February 13, 2009 the final outstanding balance of \$400,000 plus interest totalling \$41,803 was repaid. Compliance is a public company, listed on the TSX Venture Exchange and related by common directors and officers.

12. COMMITMENTS

As at December 31, 2009, the Company had incurred \$65 million and committed to an additional \$213 million in expenditures out of a planned \$438 million for the development of the Copper Mountain Project. These expenditures relate to securing major pieces of equipment and construction commitments. Major pieces of equipment purchased include the two ball mills and one sag mill for the Copper Mountain mill and the purchase of the mining fleet. The ball mills and sag mill have an estimated cost of US \$39 million. At December 31, 2009, \$25.2 million had been paid towards the purchase of the ball mills and sag mill. The Company's exposure to this commitment is limited to amounts incurred to date, plus 20%, if the order is cancelled, subject to a refund to the Company of any proceeds of sale realized by the manufacturer, less 10%, if the equipment is sold.

The mining fleet has an estimated cost of \$70 million and the Company has placed on deposit \$1.4 million, with the balance being due at the time of commissioning of the mobile equipment. The Company's exposure to this commitment is limited to costs of the work completed plus a forfeiture of the deposit amount.

13. SUPPLEMENTARY CASH FLOW DISCLOSURES

- During the year ended December 31, 2009, the Company deferred \$339,864 (2008 - \$123,655) of amortization costs on vehicles and mining equipment.
- During the year ended December 31, 2009, the Company deferred \$1,008,938 (2008 - \$nil) of interest costs to property, plant and equipment.
- During the year ended December 31, 2009 the Company paid \$1,025 in interest costs on leased mining equipment and vehicles.
- As at December 31, 2009, there was \$11,362,147 in accounts payable that related to the development of the Copper Mountain Project.
- Included in cash and cash equivalents at December 31, 2009 is \$42,520,066 (2008 - \$11,020,000) in guaranteed income certificates and \$7,908,237 (2008 - \$235,709) held in a bank account.

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14. INCOME TAXES

- (a) The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Net (loss) income before income tax	\$ (1,267,747)	\$ (1,177,864)
Effective statutory tax rate	30.00%	31.00%
Income tax (recovery) expense at statutory tax rate	<u>(380,324)</u>	<u>(365,138)</u>
Tax effect of non-deductible expenditures		
Non-deductible and non-taxable items	88,399	86,494
Non-taxable items	(882,131)	(564,557)
Change in enacted rates and other	(71,496)	3,428,221
Change in valuation allowance	1,245,552	(4,821,670)
	<u>\$ -</u>	<u>\$ (2,236,650)</u>

Future income tax assets reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future income tax assets at December 31, 2009 and December 31, 2008 are as follows:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Future income tax assets		
Non capital loss carry-forwards	\$ 1,577,000	\$ 1,108,900
Property, plant and equipment expenditures	2,642,239	2,406,230
Share issue costs	1,003,162	608,354
Mineral property expenditures	4,231,445	3,827,045
Asset Retirement Obligation	311,375	569,140
	<u>9,765,221</u>	<u>8,519,669</u>
Valuation allowance	(9,765,221)	(8,519,669)
	<u>\$ -</u>	<u>\$ -</u>

- (b) The Company has non capital losses of approximately \$6,308,000 expiring in stages to 2029 as follows:

<u>Expiry Date</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
31-Dec-10	\$ 10,000	\$ 10,000
31-Dec-11	-	-
31-Dec-12	98,000	98,000
22-Dec-16	67,000	67,000
31-Dec-16	1,471,000	1,471,000
31-Dec-27	989,000	989,000
31-Dec-28	1,630,000	1,630,000
31-Dec-29	2,043,000	-
	<u>\$ 6,308,000</u>	<u>\$ 4,265,000</u>

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14. INCOME TAXES *(continued)*

(c) As at December 31, 2009 the company had the following tax pools which are included in the computation of the future income taxes shown above:

	December 31, 2009
CDE Pools	\$ 8,352,288
CEE Pools	\$ 5,572,954
Earned Depletion Base	\$ 26,557,151