COPPER MOUNTAIN MINING CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended

March 31, 2014

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

MANAGEMENT'S DISCUSSION & ANALYSIS (“MD&A”) OF FINANCIAL CONDITION & THE RESULTS OF OPERATIONS FOR THE PERIOD ENDED MARCH 31, 2014

May 1, 2014

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 audited consolidated financial statements for the period ended March 31, 2014. The Company reports its financial statements in accordance with International Financial Reporting Standards (“IFRS”). The Company’s significant accounting policies are set out in Note 3 of audited consolidated financial statements for the year ended December 31, 2013. The Company’s financial statements and the MD&A are presented in Canadian dollars and are intended to provide a reasonable basis 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. Estimates regarding the anticipated timing, amount and cost of mining at the Copper Mountain mine are based on assumptions underlying mineral reserve and mineral resource estimates and the probability of realizing such estimates are set out in the Updated Feasibility Study on the Copper Mountain Mine. Capital and operating cost estimates are based on extensive research by the Company, recent estimates of construction and mining costs and other factors that are set out herein and in the Updated Feasibility Study. Production estimates are based 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; changes in project parameters as plans continue to be refined; failure of equipment or process to operate as anticipated; changes in labor costs and other costs and availability of equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavorable operating conditions and losses, detrimental events that interfere with transportation of concentrate or the smelters ability to accept concentrate, including declaration of Force Majeure events, insurrection or war; delays in obtaining governmental approvals or revocation of governmental approvals; title risks and Aboriginal land claims; delays or unavailability in financing or in the completion of development or construction activities; failure to comply with restrictions and covenants in senior loan agreements, actual results of current exploration activities; volatility in Company's publicly traded securities; and the factors discussed in the section entitled "Risk Factors" in the Company's annual information form and in the Company's continuous disclosure filings available under its profile on SEDAR at www.sedar.com. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources. This discussion uses the terms "measured resources" and "indicated resources". The Company advises investors that while those terms are recognized and required by Canadian regulations, the 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."**

Highlights

(CDN$ except for cash cost results)	Three months ended March 31, 2014 $	2013 $
Revenues	61,182,272	55,093,821
Cash flow from operations	12,444,204	(5,138,404)
Gross profit	1,096,076	8,064,408
Operating (loss) income	(1,938,146)	6,309,499
Adjusted earnings[1]	6,724,129	7,844,294
Net income (loss)	(15,619,792)	(2,271,910)
Earnings (loss) attributable to shareholders of the Company	(12,154,340)	(2,274,775)
Earnings (loss) per share[2]	(0.10)	(0.02)
Adjusted earnings (loss) per share[3]	0.07	0.08
EBITDA[4]	(5,240,729)	7,461,709
Adjusted EBITDA	17,103,192	17,577,913
Cash and cash equivalents	41,151,517	8,738,558
Working capital	31,541,865	10,078,877
Equity	273,740,178	255,103,182
Site cash costs per pound of copper produced (net of precious metal credits) (US$)	1.62	1.62
Total cash costs per pound of copper sold (net of precious metal credits) (US$)	2.08	2.18

First Quarter Results & Highlights (100%)

- Revenues for the quarter were $61.2 million, net of negative pricing adjustments of $9.8 million, from the sale of 19.8 million pounds of copper, 6,500 ounces of gold, and 98,700 ounces of silver.
- Cash flow from operations was $12.4 million for the first quarter of 2014 compared to negative $5.1 million for 2013.
- Total production for the 2014 first quarter at Copper Mountain mine was 19.1 million pounds of Copper, 5,400 ounces of gold, and 105,300 ounces of silver. This represents a 34% increase in copper, 2% increase in gold and 64% increase in silver production over the first quarter of 2013.
- Realized prices on metal sales for the 2014 first quarter was $3.19 per pound of copper, $1,293 per ounce of gold and $20.49 per ounce of silver.
- Site cash costs for the quarter was US$1.62 per pound of copper produced net of precious metal credits.
- Total cash costs for the quarter was US$2.08 per pound of copper sold net of precious metal credits and after all off-site charges.

[1]Adjusted earnings (loss) is a non-GAAP financial measure which removes unrealized gains/losses on interest rate swaps, pricing adjustments on concentrate metal sales and foreign currency gains/losses.
[2] Calculated based on weighted average number of shares outstanding under the basic method based on earnings attributable to shareholders.
[3] Calculated by dividing the total adjusted earnings by the weighted average number of shares outstanding under the basic method.
[4] Earnings before interest, taxes, depreciation and amortization .Refer to the Non-GAAP Performance measures section of this MD&A.

Overview

Copper Mountain Mining Corporation 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% of the Copper Mountain mine through a subsidiary.

The Company is a mid-tier copper-gold producing company that is fully focused on optimizing the Copper Mountain mine. Following the successful exploration programs of 2007 and 2008 the Company completed an updated Feasibility Study and committed to the development of the new mine. On April 1, 2010 the BC Government issued the approval that allowed for construction of the $438 million development to proceed.

The Feasibility Study development plan was based on combining the three existing pits into one larger super pit and constructing a new 35,000 tonnes per day (TPD) concentrator designed to produce approximately 100 million pounds of copper per year in a copper concentrate with gold and silver credits. Over the initial 17 year mine life the mine is planned to produce 1.48 billion pounds of copper, 4,490,400 ounces of silver and 452,000 ounces of gold.

Mechanical completion of the concentrator and associated facilities was achieved by the end of May 2011, and testing of the equipment was finished by the end of June 2011. Production of copper concentrate commenced during the third quarter of 2011.

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

Copper Mountain Mine

The Copper Mountain mine is situated 20 km south of Princeton, British Columbia and 300 km east of the port of Vancouver. The development was based on the 2008 Feasibility Study and consisted of the construction of a 35,000 TPD concentrator. Based on Feasibility Study reserves, the mine has a life of 17 years. The property consists of 135 Crown granted mineral claims, 156 located mineral claims, 14 mining leases, and 12 fee simple properties covering an area of 6,702.1 hectares or 67 square kilometers.

The mine is a conventional open pit, truck and shovel operation. Mining is divided into multiple development phases with sequential pushbacks in each of the pits. This development sequence is designed to maximize the discounted cash flow which is reflected in the planned pit phases. In order to maximize the head grade being delivered to the concentrator in the initial years the Company is processing ore greater than 0.20 % Cu, while ore that is less than 0.20 % Cu but greater than 0.1% Cu is being mined and stockpiled (low grade stockpile) for processing in later years.

The Company's mining equipment fleet consists of two Komatsu PC 8000 hydraulic shovels, a Hitachi EX 5500 hydraulic shovel, thirteen Komatsu 240 ton capacity haul trucks, six Euclid 260 ton haul trucks, a Komatsu WA 1200 loader, four Komatsu D375 dozers, and three Caterpillar 16G graders. Two additional 240 ton capacity haul trucks have been delivered to the mine and will be available for service early in the second quarter of 2014.

The following table sets out the major operating parameters for the mine for the three months ended March 31, 2014:

Mine Production Information	**Three months ended March 31,**	
Copper Mountain Mine (100% Basis)	**2014**	**2013**
Mine:		
Total tonnes mined (000's[5])	13,572	14,591
Ore tonnes mined (000's)	4,102	4,337
Waste tonnes (000's)	9,470	10,254
Stripping ratio	2.31	2.36
Mill:		
Tonnes milled (000's)	2,635	2,241
Feed Grade (Cu%)	0.39	0.35
Recovery (%)	83.57	82.69
Operating time (%)	90.50	85.90
Tonnes milled (TPD[6])	29,300	24,900
Production:		
Copper production (000's lbs)	19,100	14,243
Gold production (oz)	5,400	5,300
Silver production (oz)	105,300	64,200
Site cash costs per pound of copper produced (net of precious metal credits) (US$)	$1.62	$1.62
Total cash costs per pound of copper sold (net of precious metal credits) (US$)	$2.08	$2.18

Copper production for the first quarter of 2014 totaled 19.1 million pounds of copper, a 34% increase as compared to the first quarter of 2013, setting a new quarterly production record for the mine. The concentrate also included 5,400 ounces of gold and 105,300 ounces of silver. During the quarter the mill processed a total of 2.6 million tonnes of ore at an average grade of 0.394 % Copper.

SAG Mill throughput was improved during the quarter as a result of adding the third portable crusher late last year. Copper production during the quarter was in line with guidance, despite some unscheduled down time in March resulting from a ball mill transformer failure. Mill crews completed repairs in a timely manner and identified the root cause of the transformer failure. A permanent solution has been identified and will be implemented across all six mill transformers over the next four months. During the quarter the mill averaged 91% availability.

Mining activities continued to shift more towards Pit 3 during the quarter and mining in the Pit 2 area shifted more towards the southwest end of the Pit. During the quarter a total of 13.6 million tonnes of material was mined, including 4.1 million tonnes of ore and 9.5 million tonnes of waste. The projected life of mine strip ratio is 2 to 1 but higher in the early years. The mine moved an average of approximately 160,000 tonnes of material per day. The Komatsu haul fleet continues to have excellent mechanical availability.

[5] Excludes ore re-handle from stockpile
[6] Tonnes per day

During the period, the Company completed a total of three shipments containing approximately 19.7 million pounds of copper, 6,500 ounces of gold, and 98,600 ounces of silver which generated $61.2 million in revenue net of pricing adjustments, as compared to 15.0 million pounds of copper, 5,800 ounces of gold, and 69,200 ounces of silver which generated $55.1 million in revenue net of pricing adjustments during the same period last year. As a result of lower copper, gold and silver metal prices revenues were up $6.1 million compared to the same period last year. In addition negative pricing adjustments of $9.8 million were recorded during the first quarter of 2014. This compares to a negative pricing adjustment of $4.1 million in the prior year period.

During 2013 the Company conducted numerous plant scale tests of pre-crushing the SAG mill feed ore to increase mill tonnage. These tests confirmed that increased mill tonnage in the plus 35,000 tpd range was possible with minus 2 inch feed to the SAG mill. Engineering studies were completed in late 2013 and the economics of a permanent secondary crusher at a capital cost of $40 million proved to be very attractive. Financing arrangements and preliminary arrangements to proceed with the project were completed by year-end.

Construction of the new permanent secondary crusher facility is progressing well. All major equipment has been ordered and construction is on schedule for a mid-summer commissioning of the facilities.

In the short term three portable crushing plants are being operated to crush about 35% of the SAG mill feed to the minus 2 inch size range. This temporary crushing program is working successfully to assist the mill in achieving the projected 32,000 tpd processing rate until the permanent crusher is in operation.
The Company currently has 414 operating employees and 4 co-op students engaged at the mine site.

Exploration – Mine Site

So far in 2014 the Company has been fully focused on increasing production and funding for exploration has been deferred pending completion of the permanent secondary crusher.

Results of Operations

(CDN$)	Three months ended March 31, 2014 $	2013 $
Revenues	61,182,272	55,093,821
Cost of sales[7]	(60,086,196)	(47,029,413)
Gross profit (loss)	**1,096,076**	**8,064,408**
Other income and expenses		
General and administration	(1,627,662)	(1,696,867)
Share based compensation	(1,406,560)	(58,042)
Operating income (loss)	**(1,938,146)**	**6,309,499**
Pricing adjustments on concentrate and metal sales	9,864,933	4,146,749
Finance income	22,711	99,481
Finance expense	(2,058,711)	(2,099,319)
Current resource tax expense	(124,345)	(297,409)
Deferred income tax recovery (expense)	957,687	(314,707)
Adjusted earnings (loss)[8]	**6,724,129**	**7,844,294**
Pricing adjustments on concentrate and metal sales	(9,864,933)	(4,146,749)
Unrealized (loss) gain on interest rate swap	(931,894)	289,837
Unrealized (loss) on foreign exchange	(11,547,094)	(6,259,292)
Net income (loss) and comprehensive income (loss) for the period	**(15,619,792)**	**(2,271,910)**
Net income (loss) and comprehensive income (loss) attributable to:		
Shareholders of the company	(12,154,340)	(2,274,775)
Non-controlling interest	(3,465,452)	2,865
	(15,619,792)	**(2,271,910)**
Loss per share	**(0.10)**	**(0.02)**
Adjusted earnings per share	**0.07**	**0.08**

[7] Cost of sales consists of direct mining and milling costs (which include mine site employee compensation and benefits, mine site general and administrative costs, non-capitalized stripping costs, maintenance and repair costs, operating supplies and external services), depreciation and offsite transportation costs.
[8] Adjusted earnings (loss) is a non-GAAP financial measure which excludes unrealized gains/losses on derivative instruments, changes in fair value of financial instruments, foreign currency gains/losses, pricing adjustments related to metal sales and non-recurring transactions.

For the Three Months Ended March 31, 2014

The Copper Mountain mine produced 19.1 million pounds of copper during the three months ended March 31, 2014 compared to 14.2 million pounds of copper in the prior year. The mine shipped and sold a total of 19.8 million pounds of copper, 6,500 ounces of gold, and 98,700 ounces of silver during the three months ended March 31, 2014; compared to a total of 15.0 million pounds of copper, 5,800 ounces of gold and 69,200 ounces of silver during the three months ended March 31, 2013. Site cash costs were US$1.62 per pound of copper produced, net of precious metal credits, and total cash costs were US$2.08 per pound sold, net of precious metal credits, for the three months ended March 31, 2014; compared to site cash costs of US$1.62 per pound of copper produced and total cash costs of US$2.18 per pound of copper sold, net of precious metal credits for the three months ended March 31, 2013.

During the period the Company recognized revenues of $61.2 million, net of pricing adjustments and treatment charges based on an average provisional copper price of US$3.19 per pound; compared to revenues of $55.1 million net of pricing adjustments and an average copper price of US$3.56 per pound for the period ended March 31, 2013. This increase in revenue is a result of improved copper production, despite lower metal prices as compared to the same period as last year. Mining operations for the three month period ended March 31, 2014 resulted in a gross profit of $1.1 million as compared to a gross profit of $8.1 million for the period ended March 31, 2013. The Company reported a net loss attributable to the shareholders of the Company of $12.2 million or $0.10 per share for the three months ended March 31, 2014, compared to a net loss of $2.3 million or $0.02 per share for the three months ended March 31, 2013. The net loss for the quarter was partly attributable to a non-cash unrealized foreign exchange loss of $11.5 million related to the Company's debt that is denominated in U.S. dollars. This compares to an unrealized foreign exchange loss of $6.3 million for the three month period ended March 31, 2013.

Cost of sales represent direct mining and milling costs (which include operating, non-capitalized waste stripping costs, maintenance and repair costs, mine site general and administrative costs, operating supplies and external services), employee compensation and benefits, depreciation and transportation costs. The cost of sales for the three month period ended March 31, 2014, was $60.1 million compared to $47.0 million for the three month period ended March 31, 2013. The increase in costs during the quarter is a result of the short term temporary crushing measures that have been implemented to assist with mill throughput while the secondary crusher is being constructed.

General and administration expenses for the three months ended March 31, 2014, were $1.6 million compared to $1.7 million for the three months ended March 31, 2013. Non-cash share based compensation reflected an expense of $1.4 million for the three months ended March 31, 2014, compared to an expense of $0.06 million for the three month period ended March 31, 2013.The increase is due to the issue of stock options and DSU units in the first quarter of 2014 and an increase in the DSU liability due to the higher share price of the Company.

Other items recorded include finance income of $0.02 million, finance expense of $2.1 million and a current resource tax expense of $0.1 million and current and deferred income tax recovery of $1.0 million for the three months ended March 31, 2014, compared to finance income of $0.1 million, finance expense of $2.1 million, and a current resource tax expense of $0.3 million and current and deferred income tax expense of $0.3 million for the three months ended March 31, 2013. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees.

Summary of Quarterly Results

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

Quarter	Revenue[9] $	Net Income (Loss) $	Profit (Loss) Attributable to Shareholders $	Cash flow from operations $	Income (Loss) per Share Basic $	Income (Loss) per Share Diluted $
March 31, 2014	61,182,272	(15,619,792)	(12,154,340)	12,444,204	(0.10)	(0.10)
December 31, 2013	64,714,231	(4,145,430)	(2,803,695)	12,834,364	(0.03)	(0.03)
September 30, 2013	67,615,718	15,086,632	11,228,008	15,450,111	0.11	0.11
June 30, 2013	45,698,504	(12,083,649)	(14,766,979)	8,304,456	(0.15)	(0.15)
March 31, 2013	55,093,821	(2,271,910)	(2,274,775)	(4,737,604)	(0.02)	(0.02)
December 31, 2012 (restated)	50,086,260	2,138,226	2,020,058	44,540,666	0.02	0.02
September 30, 2012 (restated)	47,646,402	9,837,744	7,021,854	8,998,606	0.07	0.07
June 30, 2012 (restated)	60,721,215	(2,169,540)	(2,079,811)	29,066,494	(0.02)	(0.02)

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

Liquidity

As at March 31, 2014, the Company had working capital of $31.5 million compared with working capital of $42.6 million at December 31, 2013.

The Company holds its excess cash in interest bearing accounts or in cashable Guaranteed Investment Certificates at major Canadian or United States banks.

As at March 31, 2014 the Company had a total of $8.2 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.

[9] Net of treatment and refining charges and price adjustments

As at March 31, 2014, the Company had the following consolidated contractual obligations:

	Payment Due By Period				
Contractual Obligation (CDN$)	**Total**	**Less than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Long term debt	321,213,677	8,723,925	63,427,125	83,540,168	165,564,012
Lease obligations	15,227,447	7,718,366	7,670,740	47,626	-
Decommissioning & restoration provision	8,575,650	-	-	-	8,575,650
Accounts payable	14,195,871	14,195,871	-	-	-

Cash to meet the Company's future cash commitments will come from existing cash on hand, plus cash flow from operations and from the Company's partner in the mine who has agreed to fund $10 million as their share of the $40 million secondary crusher capital cost.

Other than $40 million in capital expenditures for the construction of the secondary crusher, the Company had no material commitments for capital expenditures as of March 31, 2014.

Capital Resources

As at March 31, 2014, the Company had $41.1 million in cash and cash equivalents on hand and is expecting an additional $10 million from the Company's partner in the mine who has agreed to fund their share of the $40 million secondary crusher.

Off-Balance Sheet Arrangements

None

Transactions with Related Parties

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 period ended March 31, 2014 the Company sold copper concentrates to MMC with revenues totalling $61,182,272, including pricing adjustments (2013 – 55,093,821).
- During the period ended March 31, 2014 the Company accrued interest on the subordinated loan with MMC totalling $115,200 (2013 - $115,200)
- Key management includes the company's directors and officers. Compensation awarded to key management includes:

	Three months ended March 31,	
	2014	**2013**
	$	**$**
Salaries and short-term employee benefits	351,847	857,336
Share-based payments	1,218,339	(145,199)
	1,570,186	**712,137**

Proposed Transactions

None

Critical Accounting Estimates

The Company's significant accounting policies are presented in note 3 of the audited consolidated financial statements for the period ended December 31, 2013. The preparation of consolidated financial statements in accordance with International Financial Reporting Standard "IFRS" 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,
- current and deferred income and resource taxes
- the assumptions used in determining the decommissioning and restoration provision

Actual amounts could differ from the estimates used and, accordingly, affect the results of operations.

Change in Accounting Policies, Including Initial Adoption

No changes to accounting policies have been made for the period ended March 31, 2014. The same accounting policies and methods of application have been applied as the Company's most recent annual audited consolidated financial statements.

New Accounting Standards Adopted

IFRIC 21 – Levies

IFRIC 21 provides guidance on the accounting for a liability to pay a levy, if that liability is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Levies are imposed by governments in accordance with legislation and do not include income taxes or fines or other penalties imposed for breaches of legislation. The interpretation was issued to address diversity in practice when the liability to pay a levy is recognized.

The adoption of IFRIC 21 did not have an effect on the financial results or disclosures.

Financial Instruments and Other Instruments

Please refer to note 3(d) of the audited financial statements for the period ended December 31, 2013.

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 by, 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 following tables below provide a reconciliation of these non-GAAP measures to the most directly comparable IFRS measure.

Cash costs per pound

Cash costs of sales include all costs absorbed into concentrate inventory, as well as precious metal credits, treatment & refining costs and transportation costs, less non-cash items such as depreciation. Total cash cost per pound sold is calculated by dividing the aggregate of the applicable costs by copper pounds sold. Site cash costs of production include all costs absorbed into inventory less non-cash items such as depreciation and non-site charges such as trucking charges capitalized to concentrate inventory. Site cash costs per pound produced are 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.

Total Cash Cost of Sales Per Pound of Copper Sold		**Three months ended March 31,**
	2014	**2013**
Cost of Sales	**60,086,196**	**47,029,413**
Add: Treatment & refining charges	5,861,200	4,099,111
Less: non-cash items:		
Depreciation	(9,176,405)	(7,121,665)
Cash costs of sales	**56,770,991**	**44,006,859**
Average foreign exchange rate (CDN$ to US$)	0.9003	0.9915
Cash costs of sales (US$)	**51,112,804**	**43,632,801**
Less: Precious metal credits (US$):	(9,947,527)	(10,922,372)
Net cash costs of sales (US$)	**41,165,277**	**32,710,429**
Total pounds of copper sold	**19,800,000**	**15,000,000**
Total ounces of gold sold	6,500	5,800
Total ounces of silver sold	98,700	69,200
Cash Cost per pound of copper sold net of precious metal credits (US$)	**$2.08**	**$2.18**

Site Cash Cost Per Pound of Copper Produced	**Three months ended March 31, 2014**	**2013**
Cash Cost of Sales	56,770,991	44,006,859
Net change in concentrate inventory	(599,747)	(2,316,023)
	56,171,244	**41,690,836**
Less: Off-site related costs		
Treatment & refining charges	(5,861,200)	(4,099,111)
Transportation costs	(3,366,243)	(2,341,040)
Trucking charges	(1,466,531)	(983,120)
Total Site Cash Costs of Production	**45,477,270**	**34,267,565**
Average foreign exchange rate (CDN$ to US$)	0.9003	0.9915
Total Site Cash Costs of Production (US$)	**40,944,693**	**33,976,291**
Less precious metal credits (US$)	(9,947,527)	(10,922,372)
	30,997,166	**23,053,919**
Total pounds of copper produced	**19,100,000**	**14,243,000**
Total ounces of gold produced	5,400	5,300
Total ounces of silver produced	105,300	64,200
Site cash costs per pound net precious metal credits (US$)	**$1.62**	**$1.62**

Cash Margin

Cash margin represents the average realized copper price per pound sold less total cash cost per pound sold.

	Three months ended March 31, 2014	**2013**
Average realized copper price for the period (US$ per pound)	$3.19	$3.56
Less:		
Total cash cost of sales net of precious metal credits(US$ per pound sold)	$2.08	$2.18
Cash margin (US$ per pound)	**$1.11**	**$1.38**

Adjusted Earnings (Loss)

Adjusted earnings (loss) removes the effects of the following transactions from operating income as reported under IFRS:

- Unrealized gains/losses on derivative instruments;
- Changes in fair value of financial instruments;
- Foreign currency translation 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.

EBITDA and Adjusted EBITDA

EBITDA represents earnings before interest, income taxes and depreciation. Adjusted EBITDA includes further adjustments for non-recurring items and items not indicative to the future operating performance of the Company. The Company believes EBITDA and adjusted EBITDA are appropriate supplemental measure of debt service capacity and performance of its operations.

Adjusted EBITDA is calculated by removing the following income statement items:

- Unrealized loss/gain on interest rate swaps;
- Foreign exchange loss/gain;
- Pricing adjustments on concentrate and metal sales

EBITDA and Adjusted EBITDA	Three months ended March 31, 2014	2013
Net income (loss)	(15,619,792)	(2,271,910)
Add (Deduct):		
Finance income	(22,711)	(99,481)
Finance expense	2,058,711	2,099,319
Depreciation	9,176,405	7,121,665
Current resource tax (recovery) expense	(957,687)	297,409
Deferred income tax expense	124,345	314,707
EBITDA	**(5,240,729)**	**7,461,709**
Add (Deduct):		
Pricing adjustments on concentrate and metal sales	9,864,933	4,146,749
Unrealized loss (gain) on interest rate swaps	931,894	(289,837)
Unrealized foreign exchange loss	11,547,094	6,259,292
Adjusted EBITDA	**17,103,192**	**17,577,913**

Other MD&A Requirements

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

The following details the share capital structure as at May 1, 2014 the date of this MD&A.

	Expiry Date	Exercise Price	Number	Number
Common shares	-	-	-	116,319,427
Share purchase options	May 6, 2004	0.60	2,526,000	
	Jan. 14 to Aug. 12 , 2015	2.26 to 2.55	1,520,000	
	Feb. 10 to Dec 12, 2016	4.59 to 7.12	555,000	
	April 5, 2017	4.52	850,000	
	February 20, 2019	1.92	3,300,000	
			8,751,000	
Fully diluted shares outstanding				**125,070,427**

Internal Controls Over Financial Reporting and Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. Our internal control system over financial reporting is designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of published financial statements. Internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Our internal control system over disclosure controls and procedures is designed to provide reasonable assurance that material information relating to the Company is made known to management and disclosed to others and information required to be disclosed by the Company in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial reporting and disclosure. Other than changes related to our conversion to IFRS, there have been no changes in our internal control over financial reporting and disclosure controls and procedures during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

The Company’s management, at the direction of our chief executive officer and chief financial officer, have evaluated the effectiveness of the design and operation of the internal controls over financial reporting and disclosure controls and procedures as of the end of the period covered by this report, and have concluded that they were effective at a reasonable assurance level.

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 develop the Copper Mountain mine. These risks and uncertainties are managed by experienced managers, advisors and consultants, by maintaining adequate liquidity, and by cost control initiatives.

Copper Mountain Mining Corporation

Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2014
(Unaudited)

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statement of Financial Position
Canadian dollars
(Unaudited)

	March 31, 2014 $	December 31, 2013 $
Assets		
Current assets		
Cash and cash equivalents	41,151,517	42,281,137
Accounts receivable and prepaid expenses (note 4)	13,149,336	17,953,700
Inventory (note 5)	27,510,891	26,789,416
	81,811,744	87,024,253
Reclamation bonds (note 9a)	8,216,500	8,216,500
Deferred tax asset	2,058,074	1,933,729
Property, plant and equipment (note 6)	532,093,285	531,890,214
Low grade stockpile (note 5)	38,456,695	34,016,705
	662,636,298	**663,081,401**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	33,266,809	27,281,406
Current portion of long-term debt (note 8)	16,880,072	16,464,598
Current tax liability	122,998	628,653
	50,269,879	44,374,657
Decommissioning and restoration provision (note 9b)	6,543,508	6,245,963
Interest rate swap liability (note 8)	7,009,562	6,364,019
Long-term debt (note 8)	319,561,052	311,241,671
Deferred tax liability	5,521,119	6,354,461
	388,896,120	374,580,771
Equity		
Attributable to shareholders of the Company:		
Share capital (note 10)	186,208,461	186,291,105
Contributed surplus	10,604,961	9,662,977
Retained earnings	3,137,689	15,292,029
	199,951,111	211,246,111
Non-controlling interest	73,789,067	77,254,519
Total equity	273,740,178	288,500,630
	662,636,298	**663,081,401**

Approved on behalf of the Board of Directors

(signed) Jim O'Rourke Director (signed) Bruce Aunger Director

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

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
For the Three Months Ended March 31,
Canadian dollars
(Unaudited)

	2014 $	2013 $
Revenue (note 12)	61,182,272	55,093,821
Cost of sales (note 13)	(60,086,196)	(47,029,413)
Gross profit	1,096,076	8,064,408
Other income and expenses		
General and administration (note 13)	(1,627,662)	(1,696,867)
Share based compensation (note 11)	(1,406,560)	(58,042)
Operating income	(1,938,146)	6,309,499
Finance income	22,711	99,481
Finance expense (note 14)	(2,058,711)	(2,099,319)
Unrealized (loss) gain on interest rate swap	(931,894)	289,837
Foreign exchange loss	(11,547,094)	(6,259,292)
Loss before tax	(16,453,134)	(1,659,794)
Current resource tax expense	(124,345)	(297,409)
Deferred income and resource tax expense	957,687	(314,707)
Net income (loss) and comprehensive income (loss)	**(15,619,792)**	**(2,271,910)**
Net income (loss) and comprehensive income (loss) attributable to:		
Shareholders of the Company	(12,154,340)	(2,274,775)
Non-controlling interest	(3,465,452)	2,865
	(15,619,792)	**(2,271,910)**
Earnings (loss) per share:		
Basic	$(0.10)	$(0.02)
Diluted	$(0.10)	$(0.02)
Weighted average shares outstanding, basic	116,319,427	98,616,236
Shares outstanding at end of the year	116,319,427	98,619,427

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

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
For the Three Months Ended March 31,
Canadian dollars
(Unaudited)

	2014 $	2013 $
Cash flows from operating activities		
Net loss for the year	(15,619,792)	(2,271,910)
Adjustments for:		
Depreciation	9,176,405	7,121,665
Unrealized foreign exchange loss	11,612,570	6,422,325
Unrealized loss (gain) on interest rate swap	931,894	(289,837)
Deferred income and resource tax recovery	(957,687)	314,707
Finance expense	2,058,711	1,266,505
Share based compensation	1,406,560	58,042
	8,608,661	12,621,497
Net changes in working capital items (note 16)	3,835,543	(17,759,901)
Net cash from (used in) operating activities	12,444,204	(5,138,404)
Cash flows from investing activities		
Reclamation bonding	-	(616,000)
Restricted cash	-	(127,405)
Deferred stripping activities	(2,580,909)	(3,131,286)
Development of property, plant and equipment	(6,846,118)	(3,226,429)
Net cash (used) in investing activities	(9,427,027)	(7,101,120)
Cash flows from financing activities		
Issue of common shares	-	115,350
Share issue costs	(82,644)	-
Advances from non-controlling interest	648,716	400,800
Term loan principal paid	(1,761,920)	(1,650,240)
Interest paid	(1,229,983)	(1,027,566)
Finance lease payments	(1,748,382)	(1,177,599)
Net cash from (used in) financing activities	(4,174,213)	(3,339,255)
Effect of foreign exchange rate changes on cash and cash equivalents	27,416	16,547
Increase (Decrease) in cash	(1,129,620)	(15,562,232)
Cash and cash equivalents - Beginning of year	42,281,137	24,300,790
Cash and cash equivalents - End of year	**41,151,517**	**8,738,558**

Supplementary cash flow disclosures (note 16)

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

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statements of Changes in Equity
Canadian dollars
(Unaudited)

Attributable to equity owners of the company

	Number of Share	Amount $	Contributed surplus $	Retained earnings (deficit) $	Total $	Non-controlling interest $	Total equity $
Balance January 1, 2013	98,570,927	157,942,209	9,469,280	18,537,080	185,948,569	71,107,933	257,056,502
Options exercised	48,500	115,350	-	-	115,350	-	115,350
Fair value of options exercised	-	52,992	(52,992)	-	-	-	-
Share based compensation	-	-	203,240	-	203,240	-	203,240
Loss for the period	-	-	-	(2,274,775)	(2,274,775)	2,865	(2,271,910)
Balance March 31, 2013	**98,619,427**	**158,110,551**	**9,619,528**	**16,262,305**	**183,992,384**	**71,110,798**	**255,103,182**
Shares issued for cash	17,700,000	30,090,000	-	-	30,090,000	-	30,090,000
Share issue costs	-	(1,909,446)	-	-	(1,909,446)	-	(1,909,446)
Options exercised	-	-	-	-	-	-	-
Fair value of options exercised	-	-	-	-	-	-	-
Share based compensation	-	-	43,449	-	43,449	-	43,449
Contributions made by Non-controlling interest	-	-	-	-	-	6,315,892	6,315,892
Loss for the year	-	-	-	(970,276)	(970,276)	(172,171)	(1,142,447)
Balance December 31, 2013	**116,319,427**	**186,291,105**	**9,662,977**	**15,292,029**	**211,246,111**	**77,254,519**	**288,500,630**
Share issue costs	-	(82,644)	-	-	(82,644)	-	(82,644)
Share based compensation	-	-	941,984	-	941,984	-	941,984
Loss for the year	-	-	-	(12,154,340)	(12,154,340)	(3,465,452)	(15,619,792)
Balance March 31, 2014	**116,319,427**	**186,208,461**	**10,604,961**	**3,137,689**	**199,951,111**	**73,789,067**	**273,740,178**

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

1 General Information

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

2 Basis of presentation

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These condensed consolidated financial statements were approved for issue on May 1, 2014 by the Board of Directors.

b. Foreign currency translation

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

c. Use of judgement

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

3 Adoption of New and Amended IFRS Pronouncements

The accounting policy adopted in preparation of these condensed consolidated financial statements has been prepared on the basis of all IFRS and ammendments effective at March 31, 2014.

The standard IFRIC 21, *Levies* was adopted on January 1, 2014 with retrospective application. The adoption of this standard did not affect the Company's financial results.

4 Accounts receivable and prepaid expenses

	March 31, 2014 $	December 31, 2013 $
Amounts due from concentrate sales	16,329,123	10,616,515
Pricing adjustments	(7,410,596)	1,764,819
Other receivables	2,589,468	3,816,752
Prepaid expenses	1,641,341	1,755,614
	13,149,336	**17,953,700**

5 Inventory

	March 31, 2014 $	December 31, 2013 $
Supplies	14,423,343	13,392,100
Ore stockpile	4,766,374	4,426,292
Crushed ore stockpile	1,145,352	882,704
Copper Concentrate	7,175,822	8,088,320
	27,510,891	**26,789,416**
Low grade stockpile[1]	**38,456,695**	**34,016,705**

Inventory expensed during the three months ended March 31, 2014 totaled $56,719,954 (2013 – $44,688,373).

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

6 Property, plant and equipment

Cost	Plant and equipment $	Exploration and evaluation asset $	Mineral properties and mine development costs $	Total $
As at January 1, 2013	457,001,977	5,875,525	124,126,597	587,004,099
Additions	7,119,349	215,727	18,747,052	26,082,128
Restoration provision	-	-	(849,051)	(849,051)
As at December 31, 2013	464,121,326	6,091,252	142,024,598	612,237,176
Additions	6,846,118	50,000	3,041,630	9,937,748
Restoration provision	-	-	255,459	255,459
As at March 31, 2014	**470,967,444**	**6,141,252**	**145,321,687**	**622,430,383**

Accumulated depreciation	Plant and equipment	Exploration and evaluation asset $	Mineral properties and mine development costs $	Total $
As at January 1, 2013	(38,368,910)	-	(7,027,335)	(45,396,245)
Depreciation charge	(25,331,949)	-	(9,618,768)	(34,950,717)
As at December 31, 2013	**(63,700,859)**	-	**(16,646,103)**	**(80,346,962)**
Depreciation charge	(7,207,847)	-	(2,782,289)	(9,990,136)
As at March 31, 2014	**(70,908,706)**	-	**(19,428,392)**	**(90,337,098)**

Net book value				
As at December 31, 2013	400,420,467	6,091,252	125,378,495	531,890,214
As at March 31, 2014	**400,058,738**	**6,141,252**	**125,893,295**	**532,093,285**

7 Accounts payable and accrued liabilities

	March 31, 2014 $	December 31, 2013 $
Trade accounts payable	14,195,871	10,604,349
Accrued liabilities	13,777,832	13,524,069
Amount due to related party	3,907,547	2,779,963
Current portion of interest rate swap liability (note 8(b))	824,654	276,696
Deferred Share Units liability	560,905	96,329
	33,266,809	**27,281,406**

8 Long-term debt

	March 31, 2014 $	December 31, 2013 $
Subordinated loan (a)	10,838,741	10,697,846
Senior credit facility (b)	145,364,166	139,719,103
Term loan (c)	165,010,770	160,292,181
Total long term debt	321,213,677	310,709,130
Leases (d)	15,227,447	16,997,139
	336,441,124	327,706,269
Less: current portion	(16,880,072)	(16,464,598)
	319,561,052	**311,241,671**

a) Subordinated loan

In April 2010, the Company entered into a loan agreement with a subsidiary of MMC for $9,600,000. 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.

The outstanding amount of $10,838,741 is net of issue and transaction costs of $596,779 which are amortized over the life of the loan.

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$162,000,000 and this was fully drawn during the 2011 year. 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 the cash flows relating to the project. As at March 31, 2014 cumulative principle payments totalled US$25,920,000.

Under the terms of the SCF, the Company is required to maintain certain debt service reserve balances which will fluctuate each year. As at March 31, 2014 the Company held a balance of $2,212,748 (2013 – $NIL) cash and cash equivalents.

As at March 31, 2014 the SCF has a principal amount outstanding of $150,436,440 (US$136,080,000). The outstanding amount of $145,364,166 is net of issue costs of $5,072,274 which are amortized over the life of the loan.

The SCF is collateralized by all the assets of the Copper Mountain mine and is insured by Nippon Export and Investment Insurance. In addition, the Company and MMC have guaranteed the SCF until project completion is achieved.

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

Annual repayments from March 31,	**US$**
2014	5,670,000
2015	1,620,000
2016	8,910,000
2017 – 2023	119,880,000
	136,080,000

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 has swapped a LIBOR variable rate interest payment stream for a 3.565% fixed rate interest payment stream on US$95,256,000 of the principal. The interest rate swaps mature on December 15, 2020.

As at March 31, 2014 the swap had an unrealized fair value loss of $7,834,217 (2013 - $6,640,715). The current portion of $824,654 is included in accounts payable and accrued liabilities.

The Company is subject to certain debt covenants on the SCF. As at March 31, 2014 the Company is in compliance with all covenants.

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 is US$160,000,000. The Term Loan carries a variable interest rate of LIBOR plus 0.551% and matures on February 15, 2022. As at March 31, 2014 the Term Loan has a principal amount outstanding of $169,804,800 (US$153,600,000). The outstanding amount of $165,010,770 is net of issue costs of $4,794,030 which are amortized over the life of the loan. The Term Loan is guaranteed by MMC in exchange for a fee of 0.2% per annum.

The Term Loan is unsecured and repayable in increasing instalments every six months and commenced February 2013, with the majority of the loan falling due in the last six instalments. As at March 31, 2014 the cumulative principal payments totalled US $6,400,000.

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

Annual repayments from March 31,	**US$**
2014	3,200,000
2015	6,400,000
2016	9,600,000
2017 - 2022	134,400,000
	153,600,000

The Company is subject to certain debt covenants. As at March 31, 2014 the Company is in compliance with all covenants.

d) Leases

Gross finance lease liability and minimum lease payments	**March 31, 2014** $	**December 31, 2013** $
Within one year	7,718,366	7,750,485
Between two and four years	8,563,345	10,451,564
	16,281,711	18,202,049
Future interest	(1,054,265)	(1,204,910)
Present value of finance lease liability	**15,227,447**	**16,997,139**

The present value of the finance lease liability is repayable as follows:

Finance lease liability and minimum lease payments, net of interest	**March 31, 2014** $	**December 31, 2013** $
Within one year	7,061,844	7,030,509
Between two and four years	8,165,603	9,966,630
Total over one year	**15,227,447**	**16,997,139**

9 Decommissioning and restoration provision

a. Reclamation bonds

The Company has on deposit $8,216,500 with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain mine site. The Company receives interest on these bonds.

b. Decommissioning and restoration provision

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

	March 31, 2014 $	December 31, 2013 $
Opening balance	6,245,963	6,997,883
Changes in estimated costs and timing	255,459	(849,051)
Unwinding of discount on restoration provision	33,086	97,131
End of year	**6,534,508**	**6,245,963**

The Company used an inflation rate of 1.10% (2013 – 0.90%) and a discount rate of 2.96% (2013 – 3.04%) in calculating the estimated obligation. The liability for retirement and remediation on an undiscounted basis is $8,575,650. The expected timing of payment of the cash flows commences in 2028.

10 Share capital

Authorized - Unlimited number of common shares without par value.

11 Share based compensation

a. Stock options

The Company has a stock option plan whereby it can grant up to 7,500,000 stock options exercisable for a period of up to ten years from the grant date. As at March 31, 2014 the Company had 8,751,000 options issued and outstanding. The Company will request shareholder approval on an increase of the plan at the Company's next annual general meeting.

The continuity of stock options issued and outstanding is as follows:

Options	**Options outstanding**	**Weighted average exercised price $**
Outstanding, December 31, 2012	5,674,500	2.32
Exercised	(48,500)	2.38
Expired	(25,000)	2.26
Outstanding, December 31, 2013	5,601,000	2.32
Granted	3,300,000	1.92
Expired	(150,000)	2.35
March 31, 2014	**8,751,000**	**2.17**

As at March 31, 2014 the following options were outstanding:

Date of stock option grant	Number of options	Exercise price $	Weighted average exercise price $	Expiry date
May 6, 2009	2,526,000	0.60	0.60	May 6, 2014
Jan. 14 to Aug. 12 , 2010	1,520,000	2.26 to 2.55	2.40	Jan. 14 to Aug. 12 , 2015
Feb. 10 to Dec 12, 2011	555,000	4.59 to 7.12	6.52	Feb. 10 to Dec 12, 2016
April 5, 2012	850,000	4.52	4.52	April 5, 2017
Feb. 20, 2014	3,300,000	1.92	1.92	Feb. 20, 2019
	8,751,000		**2.17**	

As at March 31, 2014 the following options were both outstanding and exercisable:

Date of stock option grant	Number of options	Exercise price $	Weighted average exercise price $	Expiry date
May 6, 2009	2,526,000	0.60	0.60	May 6, 2014
Jan. 14 to Aug. 12 , 2010	1,520,000	2.26 to 2.55	2.40	Jan. 14 to Aug. 12 , 2015
Feb. 10 to Dec 12, 2011	555,000	4.59 to 7.12	6.52	Feb. 10 to Dec 12, 2016
April 5, 2012	850,000	4.52	4.52	April 5, 2017
Feb. 20, 2014	825,000	1.92	1.92	Feb. 20, 2019
	6,276,000		**2.27**	

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and consultants. During the three months ended March 31, 2014, the Company recorded a share-based compensation expense of $941,984 (2013 - $145,198) related to stock options.

During the three months ended March 31, 2014, the total fair value of stock options granted was $3,173,744 (2013 – Nil) and had a weighted average grant-date fair value of $0.96 (2013 – Nil) per option. The fair values of the stock options granted were estimated on the respective grant date using the Black-Scholes option pricing model. Volatility was determined using 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:

	March 31, 2014
Risk free interest rate	1.57%
Expected dividend yield	Nil
Expected share price volatility	57.61%
Expected forfeiture rate	3.26%
Expected life	4.90 years

b. Deferred Share Unit Plans

Deferred Share Unit Plan for Non-Employee Directors ("DSU-D")

The Company established a deferred share unit ("DSU") plan that allows directors to receive director fees in the form of deferred share units. Directors can elect to receive common shares or cash upon exercise of the DSU. Certain DSUs may only be exercised when the holder ceases to be a director. Vesting terms of the DSUs are established by the directors at the time the DSUs are granted.

Deferred Share Unit Program for Employees and Directors ("DSU-E")

The Company established a deferred share unit program that allows executive officers, directors and consultants to receive incentive compensation in the form of deferred share units. The participant can elect to receive common shares upon exercise of the DSU by paying the exercise price or they can elect to receive cash equal to the difference between the exercise price and the market price of the Company's common shares at the time of exercise of the DSU. Vesting terms of the DSUs are established by the directors at the time the DSUs are granted.

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

Units	**DSU-D**	**Weighted average exercise price $**	**DSU-E**	**Weighted average exercise price $**
Outstanding, December 31, 2012	57,339	-	329,646	3.70
Granted	-	-	950,000	1.88
Outstanding, January 1, 2014	57,339	-	1,279,646	2.65
Granted	-	-	3,150,000	1.92
Outstanding, March 31, 2014	**57,339**	-	**4,429,646**	**2.13**

As at March 31, 2014 the following deferred share units were outstanding:

Date of DSU grant	**Number of Units**	**Exercise price $**	**Weighted average exercise price $**	**Expiry date**
DSU-D – September 17, 2010	27,027	-	-	September 17, 2020
DSU-E – September 17, 2010	329,646	3.70	3.70	September 17, 2020
DSU-D – August 12, 2011	9,571	-	-	August 12, 2021
DSU-D – April 5, 2012	20,741	-	-	April 5, 2022
DSU-E – April 13, 2013	950,000	1.88	1.88	April 13, 2018
DSU-E – February 20, 2014	3,150,000	1.92	1.92	February 20, 2019
	4,486,985		**2.02**	

As at March 31, 2014 the following deferred share units were both outstanding and exercisable:

Date of DSU grant	Number of Units	Exercise price $	Weighted average exercise price $	Expiry date
DSU-D – September 17, 2010	27,027	-	-	September 17, 2020
DSU-E – September 17, 2010	329,646	3.70	3.70	September 17, 2020
DSU-D – August 12, 2011	9,571	-	-	August 12, 2021
DSU-D – April 5, 2012	20,741	-	-	April 5, 2022
DSU-E – April 13, 2013	950,000	1.88	1.88	April 13, 2018
DSU-E – February 20, 2014	787,500	1.92	1.92	February 20, 2019
	2,124,485		**2.13**	

The Liability for deferred share units issued and outstanding is as follows:

Liability	DSU-D $	DSU-E $
December 31, 2013	**96,330**	**-**
DSU based compensation expense	26,950	437,625
March 31, 2014	**123,280**	**437,625**

During the three months ended March 31, 2014, the Company recorded share-based compensation expense of $464,575 (2013 – recovery $145,198) related to deferred share units.

During the three months ended March 31, 2014 the total fair value of deferred share units granted was $6,048,000 (2013 - $1,786,000) and had a weighted average grant-date fair value of $1.92 (2013 - $1.88) per unit.

12 Revenue

	2014 $	2013 $
Copper in concentrate	65,937,844	52,235,211
Gold in concentrate	8,953,260	9,214,643
Silver in concentrate	2,017,301	1,889,827
Treatment and refining charges	(5,861,200)	(4,099,111)
Pricing adjustments on unsettled concentrate and metal sales	(9,065,461)	(3,204,687)
Concentrate and metal sales settled in the year	(799,472)	(942,062)
	61,182,272	**55,093,821**

13 Expenses by nature

	2014 $	2013 $
Direct mining and milling costs	32,557,474	25,971,939
Employee compensation and benefits	14,986,075	11,594,769
Depreciation	9,176,405	7,121,665
Transportation costs	3,366,242	2,341,040
Cost of sales	**60,086,196**	**47,029,413**
General and administration:		
Corporate employee compensation and benefits	607,279	770,301
Corporate administrative and office expenses	1,020,383	926,566
	1,627,662	1,696,867
	61,713,858	**48,726,280**

14 Finance expense

	2014 $	2013 $
Interest on loans	1,484,472	2,016,072
Amortization of financing fees	244,161	59,925
Loan guarantee fee	296,992	-
Unwinding of discount on restoration provision	33,086	23,322
	2,058,711	**2,099,319**

15 Related party transactions

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

a. During the three months ended March 31, 2014 the Company sold copper concentrates to MMC with revenues totalling $61,182,272 (2013 – $55,093,821) including pricing adjustments.

b. During the three months ended March 31, 2014 the Company accrued interest on the subordinated loan with MMC totalling $115,200 (2013 - $115,200) and accrued a guarantee fee to MMC of $296,992 (2013 - $NIL)

c. Compensation of key management:

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

	2014 **$**	**2013** **$**
Salaries and short-term employee benefits	351,847	857,336
Share based compensation	1,218,339	(145,199)
	1,570,186	**712,137**

16 Supplementary cash flow disclosures

a. As at March 31, 2014, cash and cash equivalents consists of guaranteed investment certificates of $21,500,000 (2013 – $27,000,000) and $19,651,516 in cash (2013 - $15,281,134) held in bank accounts.

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

	2014 **$**	**2013** **$**
Change in accounts receivable and prepaid expenses	5,995,634	(8,345,362)
Change in inventory	(4,859,784)	(4,386,474)
Change in mineral tax liability	(505,655)	297,409
Change in accounts payable and accrued liabilities	3,205,348	(5,025,474)
	3,835,543	**(17,759,901)**

17 Financial instruments

The following table shows the carrying values of assets and liabilities by category at March 31, 2014 and December 31, 2013.

	2014 **$**	**2013** **$**
Financial assets		
Loans and receivables		
Cash and cash equivalents	41,151,517	42,281,137
Restricted cash	-	-
Reclamation bonds	8,216,500	8,216,500
Amounts due from concentrate sales (note 4)	16,329,123	10,616,515
Fair value through profit and loss		
Pricing adjustments (notes 4)	(7,410,596)	1,764,819
Financial liabilities		
Amortized cost		

Accounts payable (note 7)	14,195,871	10,604,349
Long-term debt (note 8)	319,561,052	311,241,671
Fair value through profit and loss		
Interest rate swap liability (note 8b)	7,834,217	6,640,715

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 March 31, 2014:

	Level 1 $	Level 2 $	Level 3 $	Total fair value $
Financial assets				
Pricing adjustments (note 4 and 12)	-	(7,410,596)	-	(7,410,596)
Financial liabilities				
Interest rate swap liability (note 8b)	-	7,834,217	-	7,834,217

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.