



**COPPER MOUNTAIN**  
**MINING CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2009 AND 2008**  
**(UNAUDITED)**

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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 THREE AND SIX MONTHS ENDED JUNE 30, 2009**

August 14, 2009

**Management Discussion and Analysis**

**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 interim consolidated financial statements and the related notes contained therein for the six months ended June 30, 2009 and the Company's audited consolidated financial statements with the related notes contained therein for the year ended December 31, 2008. The Company's auditors have not reviewed these interim consolidated financial statements. 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, 2008. The Company's financial statements and the management's discussion and analysis 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 owned the Similco Mine. The Company is engaged in the business of mineral exploration and development in the province of British Columbia and has one project at this time, the Copper Mountain Project. The Copper Mountain Project involves the re-development of the Similco Mine, a past producer of approximately 1.7 billion pounds of copper. The Company's development plans for the Copper Mountain Project are based on the construction of a new 35,000 tonne per day concentrator to produce approximately 100 million pounds of copper per year, in a copper concentrate with gold and silver credits, by mid 2011.

In the six months ending, June 30, 2009, the Company has continued to focus on the development of the Copper Mountain Project. Negotiations of definitive agreements continued during the quarter with Mitsubishi Materials Corporation, and subsequent to the end of the quarter, the two Companies concluded in the signing of the definitive agreements. Under the terms of the definitive agreements Mitsubishi has now:

- 1) purchased a 25% interest in the Copper Mountain Project for \$28.75 million;
- 2) agreed to commercially reasonable efforts to arrange or provide a \$250 million 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.

During the six months ended June 30, 2009, the Company spent \$17.8 million on development activities on the Copper Mountain Project. These expenditures included progress payments on the sag mill and ball mills, detailed engineering and funding of the rough cut site geotechnical excavations for the concentrator, which was completed at the end of the quarter. Funding for these expenditures was provided via the \$28.75 million line of credit supplied by Mitsubishi Materials Corporation. The Company currently has approximately 16 employees engaged at the site on construction activities.

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 180 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 pit mines. The Company has made a development decision for the project and has the goal of restarting production by mid 2011. The property consists of 135 Crown granted mineral claims, 132 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 quarter, manufacturing of the sag mill and ball mills continued to progress and is on schedule. Detailed engineering and rough cut site excavations for the concentrator were completed by the end of the quarter. The office and warehouse complex has been refurbished and is now fully

functional with power, heat, water, telephones, internet, and sewerage. A total of \$17.8 million in project expenditures on the Copper Mountain Project were deferred during the six months ended, June 30, 2009. The Company currently has approximately 16 employees 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 274 full time positions.

#### 1.4 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<br>(Loss)         | Basic Income<br>(Loss) per<br>Share | Fully Diluted<br>Income (Loss)<br>Per Share |
|--------------------|---------|------------------------------|-------------------------------------|---|
| 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)                  | (\$0.02)                            | (\$0.01)                                    |
| June 30, 2008      | -       | (\$293,196) <sup>(1)</sup>   | (\$0.01)                            | (\$0.01)                                    |
| March 31, 2008     | -       | \$2,020,341 <sup>(2)</sup>   | \$0.09                              | \$0.08                                      |
| December 31, 2007  | -       | (\$1,111,872) <sup>(3)</sup> | (\$0.06)                            | (\$0.05)                                    |
| September 30, 2007 | -       | (\$234,870)                  | (\$0.01)                            | (\$0.01)                                    |

<sup>(1)</sup> After adjustment of financing costs that were capitalized.

<sup>(2)</sup> After adjustment for change in tax rate used in calculation

<sup>(3)</sup> After adjustment for deferred costs during the period

#### 1.5 Results of Operations

##### For the Three Months Ended June 30, 2009

The Company recorded a loss of \$306,917 or \$0.01 per share for the three months ended June 30, 2009 as compared to a loss of \$354,727 for the three months ended June 30, 2008. General and administrative expenses were \$40,387 for the three months ended June 30, 2009 as compared to \$82,007 for the three months ended June 30, 2008. General and administration expenses for the three months ended June 30, 2009 consisted of \$18,071 of office rent, \$300 of filing fees, \$5,352 of office expenses, \$4,144 of telephone expenses, \$10,214 of printing and stationary, \$741 of subscriptions, \$61 of postage and courier, \$1,504 of computer and website maintenance. General and administration expenses for the three months ended June 30, 2008 consisted of \$12,920 of office rent, \$25,860 of filing fees, \$2,128 of office expenses, \$4,940 of telephone expenses, \$8,941 of printing and stationary, \$400 of computer and website maintenance, \$272 of subscriptions, \$3,546 of postage and courier and \$23,000 in donations. Professional fees, consisting mainly of accounting and legal fees were \$39,181 for the three month period ended June 30, 2009 as compared to \$38,866 for the three months ended June 30, 2008. Consulting fees were \$66,395 for the three months ended June 30, 2009 as compared to \$96,373 for the three months ended June 30, 2008. Advertising and promotion was \$19,590 for the three months ended June 30, 2009 as compared to \$62,922 for the three months ended June 30, 2008. The reduction in advertising during the quarter was a result of the Company reducing advertising public relations activities during the quarter and redirecting these dollars to other areas of investor relations. Wages and

salary expenses was relatively unchanged during the quarter, with \$53,776 being spent in this area for the three months ended June 30, 2009 as compared to \$59,771 for the three months ended June 30, 2008.

### **For the Six Months Ended June 30, 2009**

The Company recorded a loss of \$510,972 or \$0.02 per share for the six months ended June 30, 2009 as compared to income of \$1,890,722 for the six months ended June 30, 2008. General and administrative expenses were \$81,580 for the six months ended June 30, 2009. General and administration expenses for the six months ended June 30, 2009 consisted of \$35,321 of office rent, \$10,652 of filing fees, \$10,617 of office expenses, \$6,942 of telephone expenses, \$4,137 of printing and stationary, \$1,532 of subscriptions, \$503 of postage and courier, \$1,549 of computer and website maintenance, \$9,238 for brochures and multi media, and \$1,089 for maintenance of the web site. This compares to \$145,062 for the six months ended June 30, 2008. General and administration expenses for the six months ended June 30, 2008 consisted of \$25,877 of office rent, \$40,727 of filing fees, \$3,978 of office expenses, \$7,530 of telephone expenses, \$14,052 of printing and stationary, \$9,122 of subscriptions, \$5,124 for insurance, \$6,479 for brochures and multi media, \$5,066 of postage and courier, and \$4,107 of computer and website maintenance, and \$23,000 in donations. Professional fees, consisting mainly of accounting and legal fees were \$88,110 for the six months ended June 30, 2009 as compared to \$76,301 for the six months ended June 30, 2008. Consulting fees were \$110,963 for the six months ended June 30, 2009 as compared to \$145,201 for the six months ended June 30, 2008. Advertising and promotion was \$24,908 for the six months ended June 30, 2009 as compared to \$92,865 for the six months ended June 30, 2008. This reduction in advertising and promotion is a result of the Company reducing advertising and promotion activities in its sophomore year of being a public Company. Wages and salary expenses was relatively unchanged during the quarter, with \$104,053 being spent in this area for the six months ended June 30, 2009 as compared to \$116,851 for the six months ended June 30, 2008.

All of the expenditures relating to the acquisition, exploration, and development of the Copper Mountain Project have been deferred. A total of \$17.8 million in project expenditures on the Copper Mountain Project were deferred during the six months ended, June 30, 2009, as compared to \$8.4 million in exploration costs for the six months ended June 30, 2008.

### **1.6 Liquidity and Capital Resources**

As at June 30, 2009, the Company had a working capital deficiency of \$21.9 million (comprised of \$4.7 million of cash, \$0.2 million of receivables offset by \$1.4 million of accounts payable and \$25.3 million of short term mortgage and loan payables) compared with 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)

On November 28, 2008 the Company entered into a short term loan agreement with Mitsubishi Materials Corporation whereby Mitsubishi agreed to advance up to \$28,750,000 to assist in the initial development work on the Copper Mountain Project prior to Mitsubishi signing the definitive agreements and purchasing their 25% interest in the Copper Mountain Project. The loan bears an interest rate of 8% per year, calculated monthly and is due by November 30, 2009. As at June 30, 2009, the Company had drawn \$25.3 million against this facility. Subsequent to the end of the quarter, Mitsubishi Materials Corporation signed definitive agreements to purchase a 25% interest

in the Copper Mountain Project for \$28.75 million. Proceeds from this sale are to be used to retire the short term loan from Mitsubishi. In addition, Mitsubishi will be responsible for 25% of the project equity as provided under the terms of the definitive agreements. The Company holds excess cash in an interest bearing account or in a cashable Guaranteed Investment Certificate at the Bank of Montreal.

The Company's ability to continue as a going concern is dependent upon management's ability to sufficiently fund the Project's development program, manage its foreign currency exposures, and develop the Project on time and on budget that allows it to generate positive cash flows from future operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

The Company will continue to require funds and as a result, 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. Management is of the opinion that sufficient working capital will be obtained from external financing sources to meet the Company's liabilities as they come due. Should this going concern assumption not be appropriate, values and classifications of assets and liabilities could change and those changes could be material. It is not possible to predict the outcome of those matters at this time.

## **1.7 Capital Resources**

Other than those obligations disclosed in the notes to its financial statements for the quarter ended June 30, 2009, and the year ended December 31, 2008, the Company had no material commitments for capital expenditures as of June 30, 2009.

The total costs of the Copper Mountain Project are estimated by Hatch Ltd. at \$437 million in the Hatch Feasibility Study released in September of 2008 including a contingency amount of \$35 million. Mitsubishi Materials Corporation have agreed to arrange a \$250 million project loan. The balance of the required funding will be made up of approximately \$80 million in equipment loans and approximately \$110 million in equity (excluding working capital requirements) to be funded equally by the partners according to their ownership interests. Copper Mountain is responsible for 75% or approximately \$82.5 million. Approximately \$38 million of the Company's equity requirement will have been satisfied upon the completion of Mitsubishi's purchase of 25% ownership of Similco, leaving an additional equity contribution of approximately \$44.5 million to be made by the Company. In the event that the Company is unable to raise the required additional equity, Mitsubishi has the option of contributing the required equity and dilute Copper Mountain's ownership in the Project. Copper Mountain has a one time option to claw back this dilution if it so elects. As at June 30, 2009, the Company had incurred approximately \$33 million in project expenditures, primarily related to securing long lead equipment items for the project, detailed engineering, site excavations for the concentrator, 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 certain common directors and officers. On February 13, 2009 the final outstanding balance of \$400,000 plus interest totaling \$41,803 was paid.

During the year period ended June 30, 2009, the Company paid three of its officers consulting, management and geological fees aggregating \$216,768 (2008-\$211,617).

## **1.10 Fourth Quarter**

Not applicable

## **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, 2008. 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 carrying values of the reclamation liability,
- 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**

Please refer to note 2 of the financial statements for the period ended June 30, 2009.

## **1.14 Financial Instruments and Other Instruments**

Please refer to note 2 of the audited financial statements for the year ended December 31, 2008.

## 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](http://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 as of June 30, 2009. 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](http://www.CuMtn.com)



**COPPER MOUNTAIN MINING CORPORATION**  
**CONSOLIDATED BALANCE SHEETS (Unaudited)**

|                            | June 30,<br>2009     | December 31,<br>2008 |
|----------------------------|----------------------|----------------------|
| <b>CURRENT ASSETS</b>      |                      |                      |
| Cash                       | \$ 4,705,077         | \$ 11,255,709        |
| Accounts Receivable        | 251,000              | 532,323              |
| Due From Related Party     | -                    | 438,187              |
|                            | <u>4,956,077</u>     | <u>\$12,226,219</u>  |
| Reclamation Bonding        | 3,446,000            | 2,089,000            |
| Fixed Assets (Note 3)      | 33,107,779           | 15,112,291           |
| Resource Property (Note 4) | 22,468,752           | 22,359,580           |
| <b>TOTAL ASSETS</b>        | <u>\$ 63,978,608</u> | <u>\$ 51,787,090</u> |

**LIABILITIES:**

|   |                      |                      |
|---|----------------------|----------------------|
| Accounts Payable                                  | \$ 1,399,668         | \$ 1,710,054         |
| Loan Payable (Note 5)                             | 25,283,757           | 12,010,796           |
| Current Portion of Capital Leases Obligations     | 176,831              | 101,315              |
| Short Term Loan Payable (Note 5)                  | -                    | 2,000,000            |
|   | <u>26,860,256</u>    | <u>15,822,165</u>    |
| Capital Lease Obligations (Note 6)                | 222,870              | -                    |
| Asset Retirement Obligation                       | 3,546,000            | 2,189,000            |
| Shareholders' Equity:                             |                      |                      |
| Share Capital (Note 7)                            | 31,806,566           | 31,806,566           |
| Contributed Surplus (Note 7)                      | 2,069,255            | 1,984,726            |
| Retained Earnings (Deficit)                       | (526,339)            | (15,367)             |
|   | <u>33,349,482</u>    | <u>33,775,925</u>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <u>\$ 63,978,608</u> | <u>\$ 51,787,090</u> |

Nature of operations and going concern (Note 1)  
Subsequent event (Note 11)

**Approved by:**

"John Graf"

John Graf

Director

"Jim O'Rourke"

Jim O'Rourke

Director

The accompanying notes are an integral part of this financial statement

**COPPER MOUNTAIN MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS COMPREHENSIVE**  
**INCOME AND DEFICIT (Unaudited)**

|  | Three months<br>ended<br>June 30,<br>2009 | Three months<br>ended<br>June 30,<br>2008 | Six months<br>ended<br>June 30,<br>2009 | Six months<br>ended<br>June 30,<br>2008 |
|--|---|---|---|---|
| <b>EXPENSES</b>  |   |   |   |   |
| Amortization   | \$ 4,455                                  | \$ 3,362                                  | \$ 8,337                                | \$ 6,673                                |
| Advertising & Promotion  | 19,590                                    | 62,922                                    | 24,908                                  | 92,865                                  |
| Bank Charges & Interest  | 2,035                                     | 7,637                                     | 4,722                                   | 14,564                                  |
| Consulting Fees  | 66,395                                    | 96,373                                    | 110,963                                 | 145,201                                 |
| General and Administration   | 40,387                                    | 82,007                                    | 81,580                                  | 145,062                                 |
| Meals and Entertainment  | 4,311                                     | 2,735                                     | 9,705                                   | 9,970                                   |
| Professional Fees  | 39,181                                    | 38,866                                    | 88,110                                  | 76,301                                  |
| Shareholder Communications   | 37,304                                    | 37,284                                    | 54,888                                  | 53,228                                  |
| Stock based Compensation   | 84,529                                    | 50,522                                    | 84,529                                  | 50,522                                  |
| Transfer Agent   | 2,174                                     | 3,631                                     | 4,312                                   | 7,285                                   |
| Travel Expenses  | 1,762                                     | 9,358                                     | 19,243                                  | 34,599                                  |
| Wages and Salaries   | 53,776                                    | 59,771                                    | 104,053                                 | 116,851                                 |
| Loss before other items  | <b>(355,899)</b>                          | <b>(454,468)</b>                          | <b>(595,350)</b>                        | <b>(753,121)</b>                        |
| <b>OTHER ITEMS</b>   |   |   |   |   |
| Future Income Tax Recovery   | -   | -   | -                                       | 2,461,758                               |
| Interest and Other Income  | 48,982                                    | 99,741                                    | 84,378                                  | 182,085                                 |
| Total Other Items  | 48,982                                    | 99,741                                    | 84,378                                  | 2,643,843                               |
| <b>INCOME (LOSS) AND<br/>COMPREHENSIVE INCOME</b>                            |   |   |   |   |
| <b>(LOSS) FOR THE PERIOD</b>   | <b>(306,917)</b>                          | <b>(354,727)</b>                          | <b>(510,972)</b>                        | <b>1,890,722</b>                        |
| <b>RETAINED EARNINGS (DEFICIT),<br/>BEGINNING OF THE PERIOD</b>              |   |   |   |   |
|  | (219,422)                                 | 1,171,296                                 | (15,367)                                | (1,074,153)                             |
| <b>RETAINED EARNINGS (DEFICIT),<br/>END OF THE PERIOD</b>                    |   |   |   |   |
|  | \$ (526,339)                              | \$ 816,569                                | \$ (526,339)                            | \$ 816,569                              |
| <b>INCOME (LOSS) PER SHARE,<br/>BASIC</b>                                    |   |   |   |   |
|  | \$ (0.01)                                 | \$ (0.01)                                 | \$ (0.02)                               | \$ 0.09                                 |
| <b>INCOME (LOSS) PER SHARE,<br/>DILUTED</b>                                  |   |   |   |   |
|  | \$ (0.01)                                 | \$ (0.01)                                 | \$ (0.02)                               | \$ 0.07                                 |
| <b>WEIGHTED AVERAGE NUMBER<br/>OF COMMON SHARES<br/>OUTSTANDING, BASIC</b>   |   |   |   |   |
|  | 31,625,002                                | 21,871,261                                | 31,625,002                              | 21,865,700                              |
| <b>WEIGHTED AVERAGE NUMBER<br/>OF COMMON SHARES<br/>OUTSTANDING, DILUTED</b> |   |   |   |   |
|  | 32,393,763                                | 25,277,798                                | 32,393,763                              | 25,277,798                              |

The accompanying notes are an integral part of this financial statement

**COPPER MOUNTAIN MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

|  | Three months<br>ended<br>June 30,<br>2009 | Three months<br>ended<br>June 30,<br>2008 | Six months<br>ended<br>June 30,<br>2009 | Six months<br>ended<br>June 30,<br>2008 |
|--|---|---|---|---|
| <b>CASH PROVIDED BY (USED IN):</b>         |   |   |   |   |
| <b>OPERATING ACTIVITIES</b>                |   |   |   |   |
| Net income (loss) for the period           | \$ (306,917)                              | \$ (354,727)                              | \$ (510,972)                            | \$ 1,890,722                            |
| Net changes in working capital items:      |   |   |   |   |
| Accounts receivable                        | (21,599)                                  | (143,448)                                 | 281,323                                 | (50,796)                                |
| Prepaid expenses                           | -   | 50,875                                    | -                                       | 100,875                                 |
| Accounts payable                           | (2,374,347)                               | 2,175,127                                 | (1,649,752)                             | 1,925,884                               |
| Due from related party                     | -   | (10,370)                                  | 438,187                                 | (17,120)                                |
| Non-cash expenses:                         |   |   |   |   |
| Amortization                               | 4,455                                     | 3,362                                     | 8,337                                   | 6,673                                   |
| Future income tax recovery                 | -   | -   | -                                       | (2,461,758)                             |
| Stock-based compensation                   | 84,529                                    | 50,522                                    | 84,529                                  | 50,522                                  |
|  | (2,613,879)                               | 1,739,256                                 | (1,348,348)                             | 1,389,200                               |
| <b>INVESTING ACTIVITIES</b>                |   |   |   |   |
| Purchase of property, plant and equipment  | (190,166)                                 | (135,701)                                 | (446,013)                               | (139,119)                               |
| Mineral property costs                     | (5,898,656)                               | (5,944,957)                               | (15,306,297)                            | (8,110,487)                             |
|  | (6,088,822)                               | (6,080,658)                               | (15,752,310)                            | (8,249,606)                             |
| <b>FINANCING ACTIVITIES</b>                |   |   |   |   |
| Capital lease obligations                  | (52,258)                                  | -   | (82,614)                                | -                                       |
| Issue of share capital, net of issue costs | -   | 18,821,164                                | -                                       | 18,849,762                              |
| Long term debt                             | -   | (22,360)                                  | -                                       | (45,975)                                |
| Short term loan payable                    | 11,247,640                                | -   | 12,632,640                              | -                                       |
| Short term mortgage payable                | (2,000,000)                               | -   | (2,000,000)                             | -                                       |
|  | 9,195,382                                 | 18,798,804                                | 10,550,026                              | 18,803,787                              |
| <b>CHANGE IN CASH</b>                      | 492,681                                   | 14,457,402                                | (6,550,632)                             | 11,943,381                              |
| <b>CASH, BEGINNING OF PERIOD</b>           | 4,212,396                                 | 3,618,324                                 | 11,255,709                              | 6,132,345                               |
| <b>CASH, END OF PERIOD</b>                 | \$ 4,705,077                              | \$ 18,075,726                             | \$ 4,705,077                            | \$ 18,075,726                           |

The accompanying notes are an integral part of this financial statement

**COPPER MOUNTAIN MINING CORPORATION**  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

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*.

These consolidated financial statements have been prepared on a going concern basis, which assumes the ongoing ability of the Company to realize its assets and discharge its liabilities in the normal course of business. The Company's status as a going concern is dependent upon its ability to generate future profitable operations and to receive continued financial support from its lenders and shareholders.

For the six months ended June 30, 2009, the Company reported a net loss of \$510,972 and an accumulated deficit of \$526,339 at that date. In addition to its ongoing working capital requirements, the Company must secure sufficient funding for existing and future commitments for the development of the Copper Mountain Project.

In recognition of these circumstances, the Company has secured funding in the amount of \$28.75 million by way of a line of credit from its potential future partner in the development of the Copper Mountain Project, which enables the Company to continue to fund site development activities for the Project. This arrangement, while significant, is not sufficient in itself to enable the Company to fund all aspects of its obligations to develop the Copper Mountain Project and, accordingly, management is pursuing other financing alternatives to fund the Company's share of development costs for the Project so it can continue as a going concern. Management plans to secure the necessary financing through a combination of the issue of new equity or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful. (see also note 11)

The Company's ability to continue as a going concern is dependent upon management's ability to sufficiently fund the Project's development program, manage its foreign currency exposures, and develop the Project on time and on budget allowing it to generate positive cash flows from future operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

Management is of the opinion that sufficient working capital will be obtained from external financing sources to meet the Company's liabilities as they come due. Should this going concern assumption not be appropriate, values and classifications of assets and liabilities could change and those changes could be material. It is not possible to predict the outcome of those matters at this time.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Consolidation**

These consolidated financial statements include the accounts of the company and its wholly owned subsidiary, Similco. All significant intercompany transactions have been eliminated.

**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.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Earnings per Share**

Earnings (loss) per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings (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. Basic and diluted loss per share are the same, as the effect of the exercise of outstanding options and warrants would be anti-dilutive.

**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.

**Mineral 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 which 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. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

**Property, Plant and Equipment**

Equipment and building are recorded at a cost and amortized over their estimated useful economic lives on the straight-line basis. The estimated economic lives are 5 years for automobiles, equipment and furniture and 25 years for buildings.

**Financial Instruments**

The Company has classified its cash as held-for-trading. The Company has classified its accounts payable and short term loan payable as other financial liabilities. All financial instruments are to be 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 to be measured at amortized cost using the effective interest method of amortization. Financial assets classified as available-for-sale are to be measured at fair value with unrealized gains and losses being recognized in other comprehensive income.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

*Credit Risk*

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

*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 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.

**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**

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 temporary differences are expected to be settled. 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. Such an allowance has been applied to all potential income tax assets of the Company.

**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 calculated using the Black-Scholes model, generally at the date of grant for employee options or the amendment date, and is amortized to expense over the vesting period, 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 the possibility of impairment in the net carrying value of its long lived assets when events or circumstances indicate impairment may have occurred. 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 elated undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted cash flows.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Asset Retirement Obligations**

The Company follows the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on the same basis as the underlying asset. Asset retirement obligations are adjusted to reflect the passage of time (accretion) calculated by applying the discount factor implicit in the initial fair value measurement to the beginning-of-period carrying amount of the obligation. 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.

**Leases**

Assets financed by leasing agreements which 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.

**Comparative Figures**

Certain comparative information has been reclassified to conform to the current year's presentation.

**New Accounting Standards**

**Goodwill and Intangible Assets** – This section was issued in February 2008 and replaced CICA 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.

**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.

**New Accounting Standards Not Yet Adopted: International Financial Reporting Standards ("IFRS")**

In February 2008, the Canadian Accounting Standards Board announced that, in 2011, publicly listed companies will be required to use International Financial Reporting Standards ("IFRS"). The changeover date for the Company is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently in the process of developing an IFRS conversion plan and evaluating the impact of the transition to IFRS.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**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 which optimizes the cost of capital at acceptable risk.

There were no changes to the Company's approach to capital management during the six months ended June 30, 2009. The Company is not subject to externally imposed capital requirements.

**3. PROPERTY, PLANT AND EQUIPMENT**

|                          | June 30, 2009        |                             |                      | December 31, 2008    |                             |                      |
|--------------------------|----------------------|-----------------------------|----------------------|----------------------|-----------------------------|----------------------|
|                          | Cost                 | Accumulated<br>Amortization | Net Book<br>Value    | Cost                 | Accumulated<br>Amortization | Net Book<br>Value    |
| Automobiles              | \$ 118,800           | \$ (35,515)                 | \$ 83,285            | \$ 118,801           | \$ (23,635)                 | \$ 95,166            |
| Building & Equipment     | 144,825              | (39,720)                    | 105,105              | 107,867              | (30,264)                    | 77,603               |
| Computer Equipment       | 96,197               | (49,966)                    | 46,231               | 96,197               | (40,347)                    | 55,850               |
| Mining equipment         | 1,479,062            | (468,789)                   | 1,010,273            | 1,070,007            | (320,882)                   | 749,125              |
| Copper Mtn Project Costs | 31,852,334           | -                           | 31,852,334           | 14,122,133           | (320,882)                   | 13,495,022           |
| Other equipment          | 18,632               | (8,081)                     | 10,551               | 18,632               | (6,218)                     | 12,414               |
|                          | <u>\$ 33,709,850</u> | <u>\$ (602,071)</u>         | <u>\$ 33,107,779</u> | <u>\$ 15,533,637</u> | <u>\$ (421,346)</u>         | <u>\$ 15,112,291</u> |

**4. RESOURCE PROPERTY**

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

|                                   | June 30,<br>2009    | December 31,<br>2008 |
|-----------------------------------|---------------------|----------------------|
| Property acquisition costs        | \$ 1,111,526        | \$ 1,111,526         |
| Property holding costs            | 882,650             | 882,650              |
| Property exploration expenditures |                     |                      |
| Amortization                      | 266,942             | 263,510              |
| Assays                            | 630,495             | 609,417              |
| Consulting                        | 107,493             | 107,493              |
| Core cutting                      | 288,795             | 288,232              |
| Drilling                          | 14,059,693          | 14,049,362           |
| Feasibility study                 | 2,713,142           | 2,713,142            |
| Geological consulting             | 950,002             | 887,159              |
| Miscellaneous                     | 320,749             | 319,432              |
| Salaries                          | 499,573             | 493,339              |
| Scoping study                     | 121,424             | 121,424              |
| Surveying                         | 366,532             | 366,532              |
| Travel                            | 149,736             | 146,362              |
| Total Resource Property Costs     | <u>\$22,468,752</u> | <u>\$22,359,580</u>  |



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**4. RESOURCE PROPERTY** *(continued)*

During 2008, the Company announced that it had signed a Memorandum of Understanding (“MOU”) with Mitsubishi Materials Corporation (“MMC”) Under the terms of the MOU, subject to several conditions, including approval of the Board of Directors of Mitsubishi, Mitsubishi agreed to: purchase a 25 percent equity interest in the Copper Mountain Project for \$28.75 million, agreed to use commercially reasonable efforts to arrange or provide a \$250 million project loan, and contract to purchase all the copper concentrate (approximately 150,000 dry metric tonnes per annum for the first 10 years) from the mine. During the period, the MOU was extended to July 31, 2009. (See also note 11)

During the quarter, the Company increased asset retirement obligation costs by \$1.35 million to \$3.5 million and has on deposit \$3.4 million with the BC government in support of these reclamation liabilities.

**5. 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 to assist in the initial development work on the Copper Mountain Project. The loan bears an interest rate of 8% per year, calculated monthly, and is due to be repaid on the earliest of: November 30, 2009, the date that is 120 days after the expiration of the Memorandum of Understanding, or the date on which any third party other than MMC or any affiliate becomes a shareholder of Similco Mines Ltd. As at June 30, 2009 the Company had drawn a total of \$24,577,079 against this facility and had accrued interest expense of \$706,678.
- (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 a total of \$3,200,000 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 \$5.2 million has been capitalized as a development cost of the Copper Mountain project. The vendor can continue to operate a biosolids waste management business on the lands until the Company requires the lands.

**6. CAPITAL LEASE OBLIGATIONS**

Included in property, plant and equipment are mining equipment that the Company acquired pursuant to three and four year capital lease agreements. Capital lease obligations as detailed below are secured over the equipment and are repayable in monthly instalments. Interest is charged at rates fixed at the time the lease was taken out. Future minimum lease payments are as follows:

|  |            |
|--|------------|
| 2009                                       | \$ 177,096 |
| 2010                                       | 126,494    |
| 2011                                       | 96,375     |
| 2012                                       | -          |
| Total minimum lease payments               | 399,965    |
| Less: interest portion                     | 265        |
| Present value of capital lease obligations | 399,701    |
| Current portion                            | (176,831)  |
| Non-current portion                        | \$ 222,870 |

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**7. CAPITAL STOCK**

(a) Authorized  
 Unlimited common shares without par value

(b) Issued:

|                             | Common<br>Shares | Amount        | Contributed<br>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 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           |
| Non cash item:              |                  |               |                        |
| Stock based compensation    | -                | -             | 84,529                 |
| Issued at June 30, 2009     | 31,625,002       | \$ 31,806,566 | \$ 2,069,255           |

(c) Stock Options

The Company has a stock option plan whereby it can issue up to 5,500,000 stock options exercisable for a period up to five years from the grant date. The Company has issued 3,701,300 options exercisable at prices ranging from \$0.60 to \$2.30 per share, under the plan:

|                                  | <u>June 30, 2009</u> |                                       | <u>December 31, 2008</u> |                                       |
|----------------------------------|----------------------|---------------------------------------|--------------------------|---------------------------------------|
|                                  | Number of<br>shares  | Weighted<br>average<br>exercise price | Number of<br>shares      | Weighted<br>average exercise<br>price |
| <b>Stock options outstanding</b> |                      |                                       |                          |                                       |
| Beginning of period              | 3,801,300            | \$1.29                                | 2,623,750                | \$1.17                                |
| Granted during period            | 3,331,300            | \$0.60                                | 1,190,000                | \$1.50                                |
| Expired in period                | (3,431,300)          | \$1.27                                | -                        | -                                     |
| Exercised during period          | -                    | -                                     | (12,450)                 | \$1.00                                |
| End of period                    | 3,701,300            | \$0.73                                | 3,801,300                | \$1.29                                |

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**7. CAPITAL STOCK (Continued)**

The fair value of options granted are estimated on the date of grant using the Black-Scholes Option Pricing Model using the following assumptions: a risk free interest rate of 1.00%, an expected life of 5 years, an expected volatility of 50% and no expectation for the payments of dividends.

| <b>Date of Stock Option Grant</b> | <b>Number of options*</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|-----------------------------------|---------------------------|-----------------------|--------------------|
| May 6, 2009                       | 3,331,300                 | \$0.60                | May 6, 2014        |
| September 24, 2007                | 120,000                   | \$2.00                | September 24, 2012 |
| September 4, 2007                 | 150,000                   | \$2.30                | September 4, 2012  |
| April 27, 2007                    | 100,000                   | \$1.00                | June 29, 2012      |
| <b>Total</b>                      | <b>3,701,300</b>          |                       |                    |

\*Net of options exercised

(d) Warrants

As at June 30, 2009, no warrants remain outstanding to acquire shares of the Company as follows:

| <b>Warrants outstanding</b> | <b>June 30, 2009</b>      |   | <b>December 31, 2008</b>  |   |
|-----------------------------|---------------------------|---|---------------------------|---|
|                             | <b>Number of warrants</b> | <b>Weighted average exercise price Cdn.</b> | <b>Number of warrants</b> | <b>Weighted average exercise price Cdn.</b> |
| Beginning of period         | 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 period               | -                         | -   | 5,011,904                 | \$ 2.43                                     |

| <b>Broker Warrants outstanding</b> | <b>June 30, 2009</b>      |   | <b>December 31, 2008</b>  |   |
|------------------------------------|---------------------------|---|---------------------------|---|
|                                    | <b>Number of warrants</b> | <b>Weighted average exercise price (Cdn.)</b> | <b>Number of warrants</b> | <b>Weighted average exercise price (Cdn.)</b> |
| Beginning of period                | 675,476                   | \$ 2.28                                       | 655,582                   | \$ 1.57                                       |
| Granted                            | -                         | -   | 571,428                   | 2.50  |
| Expired                            | (675,476)                 | \$2.28  | (478,700)                 | 1.71  |
| Exercised                          | -                         | -   | (72,834)                  | 1.54  |
| End of period                      | -                         | -   | 675,476                   | \$ 2.28                                       |

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**8. 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. The balances payable are non-interest bearing and have no fixed terms for repayment.

- During the period ended June 30, 2009, the Company paid three of its officers consulting, management and geological fees aggregating \$216,768 (2008-\$211,617).
- 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 certain common directors and officers.

**9. COMMITMENTS**

During 2008, the Company agreed to purchase two ball mills and one sag mill for the development of the Copper Mountain Project. The ball mills and sag mill have an estimated cost of US \$39 million. At June 30, 2009, Cdn \$14.4 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.

**10. SUPPLEMENTARY CASH FLOW DISCLOSURES**

- During the six months ended June 30, 2009, the Company deferred \$172,880 (2008 - \$123,655) of amortization costs on vehicles and mining equipment.
- Also during the six months ended June 30, 2009 the Company paid \$1,025 in interest costs on leased mining equipment and vehicles
- As at June 30, 2009, there was \$780,500 in accounts payable that related to mineral properties.

**11. SUBSEQUENT EVENT**

Subsequent to the end of the quarter, the Company and Mitsubishi Materials Corporation signed definitive agreements as contemplated in the memorandum of understanding as disclosed in Note 4 to these financial statements.