COPPER MOUNTAIN
MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2009, AND 2008
(UNAUDITED)

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These financial statements have not been reviewed by the Company's auditor

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

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A") OF FINANCIAL CONDITION & THE RESULTS OF OPERATIONS FROM THE THREE MONTHS ENDED MARCH 31, 2009

May 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 such 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 three months ended March 31, 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 three months ending, March , 2009, the Company has continued to focus on the development of Copper Mountain. Negotiations of definitive agreements continued during the quarter with Mitsubishi Materials Corporation and are progressing based on the signed memorandum of understanding ("MOU") which has been extended to July 31, 2009. Under the terms of the MOU, Mitsubishi would:

1) purchase a 25% interest in the Copper Mountain Project for $28.75 million;
2) arrange for $250 million in project debt financing for the Copper Mountain Project;
3) provide for 25% of the required equity for the project; and,
4) Provide a life of mine concentrate off-take agreement.

During the three months ended March 31, 2009, the Company spent $9.1 million on the 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 site geotechnical excavations for the concentrator. 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.

1.21 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's goal is to restart 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 was progressing well and on schedule. Detailed engineering and site geotechnical excavations for the concentrator are progressing on schedule and below budget. The office and warehouse complex has been refurbished and is now fully functional with power, heat, water, telephones, internet, and sewerage. 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 257 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 (Loss)	Basic Income (Loss) per Share	Fully Diluted Income (Loss) Per Share
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)[(1)]	($0.01)	($0.01)
March 31, 2008	-	$2,020,341[(2)]	$0.09	$0.08
December 31, 2007	-	($1,111,872) [(3)]	($0.06)	($0.05)
September 30, 2007	-	($234,870)	($0.01)	($0.01)
June 30, 2007	-	$269,837[(3)]	$0.01	$0.01

(1) After adjustment of financing costs that were capitalized.
(2) After adjustment for change in tax rate used in calculation
(3) After adjustment for deferred costs during the period

1.5 Results of Operations

<u>For the Three Months Ended March 31, 2009</u>

The Company recorded a loss of $204,055 or $0.01 per share for the three months ended March 31, 2009 as compared to income of $2,020,341 for the three months ended March 31, 2008. General and Administrative expenses were $41,193 for the three months ended March 31, 2009 General and Administration expenses consist of $17,250 of office rent, $10,352 of filing fees, $5,265 of office expenses, $2,798 of telephone expenses, $1,764 of printing and stationary, $2,188 of subscriptions, $442 of postage and courier, $1,134 of computer and website maintenance. This compares to $63,055 for the three months ended March 31, 2008. General and administration expenses for the quarter ended March 31, 2008 consisted of $12,957 of office rent, $14,867 of filing fees, $1,850 of office expenses, $2,590 of telephone expenses, $7,996 of printing and stationary, $8,850 of subscriptions, $1,520 of postage and courier, and $3,707 of computer and website maintenance. Professional fees, consisting mainly of accounting and legal fees were $48,929 for the three month period ended March 31, 2009 as compared to $37,435 for the three months ended March 31, 2009. Travel expenses were $17,481 for the three months ended March 31, 2009 as compared to $25,241 for the three months ended March 31, 2008. Consulting fees and wages and salary expenses were $44,568 and $50,277 respectively for the three months ended March 31, 2009 as compared to $48,828 and $57,080 for the three months ended March 31, 2008.

All of the expenditures relating to the acquisition, exploration, and development of the Copper Mountain Project have been deferred. A total of $9,160,534 in project expenditures on the Copper Mountain Project were deferred during the three months ended, March 31, 2009, as compared to $2,906,111 in exploration costs for the three months ended March 31, 2008.

1.6 Liquidity and Capital Resources

As at March 31, 2009, the Company had a working capital deficiency of $13.1 million (comprised of $4.2 million of cash, $0.2 million of receivables offset by $1.7 million of accounts payable and $15.8 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. The loan bears an interest rate of 8% per year, calculated monthly and is due November 30, 2009. As at March 31, 2009 the Company had drawn $13.6 million against this facility. The Company expects that this loan from Mitsubishi Materials Corporation will be converted into a direct ownership interest in the Copper Mountain Project. Funds drawn down from the Mitsubishi line of credit are held either 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 March 31, 2009 and the year ended December 31, 2008, the Company had no material commitments for material capital expenditures as of March 31, 2009.

The Company is in the process of proceeding with the development of the Copper Mountain Project, subject to the Company finalizing its financing arrangements as well as obtaining the required operating permit amendments for the Project. Total capital was estimated by Hatch Ltd. to be $437 million in the Hatch Feasibility Study released in September of 2008, including a contingency amount of $35 million. The capital will be funded by way of project debt and equity. Under the term of the MOU signed with Mitsubishi Materials Corporation and upon finalization of definitive agreements, Mitsubishi is responsible for providing $250 million in project debt, while the Company is responsible for arranging approximately $77 million in mobile equipment financing, with the balance being funded by equity by each partners in their respective ownership percentages. As at March 31, 2009, the Company had incurred approximately $22.2 million in project expenditures, primarily related to securing long lead equipment items for the project, detailed engineering, site geotechnical 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 March 31, 2009, the Company paid three of its officers consulting, management and geological fees aggregating $74,221 (2008-$109,350).

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 March 31, 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.

Risks and Uncertainties

The Company's success depends on a number of factors, some of which are beyond the control of the Company. Typical risk factors include copper, gold and silver price 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 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 March 31, 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

COPPER MOUNTAIN MINING CORPORATION
CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2009	(Audited) December 31, 2008
CURRENT ASSETS		
Cash	$4,212,396	$11,255,709
Accounts Receivable	229,401	532,323
Due from related party	-	438,187
	$4,441,797	12,226,219
Reclamation Bonding	2,089,000	2,089,000
Fixed Assets (Note 3)	1,328,737	990,158
Resource Property (Note 4)	45,642,247	36,481,713
TOTAL ASSETS	$53,501,781	$51,787,090
LIABILITIES:		
Accounts Payable	$ 1,651,334	$ 1,710,054
Loan payable	13,637,618	12,010,796
Current portion of capital lease obligations	198,971	101,315
Short-term loan payable (Note 5)	2,000,000	2,000,000
	17,487,923	15,822,165
Capital lease obligations (Note 6)	252,988	-
Accrued site reclamation cost	2,189,000	2,189,000
Shareholder's Equity:		
Share Capital (Note 7)	31,806,566	31,806,566
Contributed surplus	1,984,726	1,984,726
Retained earnings (deficit)	(219,422)	(15,367)
	33,571,870	33,775,925
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$53,501,781	$51,787,090

Approved by:

"James O'Rourke"	**Director**	**"John Tapics"**	**Director**
James O'Rourke		**John Tapics**	**Director**

See notes to financial statements

COPPER MOUNTAIN MINING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	(Unaudited) Three-months ended March 31, 2009	(Unaudited) Three-months ended March 31, 2008
EXPENSES		
Amortization	$ 3,882	$ 3,311
Advertising & Promotion	5,318	29,943
Bank Charges & Interest	2,687	6,927
Consulting Fees	44,568	48,828
Meals and Entertainment	5,394	7,235
General and Administration	41,193	63,055
Professional Fees	48,929	37,435
Shareholder Communications	17,584	15,944
Transfer Agent	2,138	3,654
Travel Expenses	17,481	25,241
Wages and Salaries	50,277	57,080
(Loss) before other items	**(239,451)**	**(298,653)**
OTHER ITEMS:		
Future income tax recovery	-	2,461,758
Interest and other income	35,396	82,344
Total other items	35,596	2,544,102
INCOME (LOSS) FOR THE PERIOD	**(204,055)**	**2,245,449**
(DEFICIT), BEGINNING OF THE PERIOD	(15,367)	(1,074,153)
RETAINED EARNINGS, END OF THE PERIOD	$ (219,422)	$ 1,171,296
INCOME PER SHARE, BASIC AND DILUTED	$(0.01)	$0.10
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**31,625,002**	**21,767,576**

See notes to financial statements

COPPER MOUNTAIN MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited) Three-months ended March 31, 2009	(Unaudited) Three-months ended March 31, 2008
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Income (Loss) for the period	$ (204,055)	$ 2,245,449
Net changes in working capital items:		
Accounts receivable	302,922	92,652
Prepaid expenses	-	50,000
Accounts payable	724,595	(249,243)
Due from related party	438,187	(6,750)
Current portion of capital leases	97,656	(23,717)
Non-cash expenses:		
Amortization	3,882	3,311
Future income tax recovery	-	(2,461,758)
Stock-based compensation	-	-
	1,363,187	(350,056)
INVESTING ACTIVITIES		
Purchase of reclamation bonding	-	-
Purchase of property, plant and equipment	(255,847)	(3,418)
Mineral property costs	(9,788,641)	(2,165,530)
	(10,044,488)	(2,168,948)
FINANCING ACTIVITIES		
Issuance of share capital	-	28,598
Capital lease obligations	252,988	(23,615)
Short-term loan	1,385,000	-
	1,637,988	4,983
CHANGE IN CASH	(7,043,313)	(2,514,021)
CASH – BEGINNING OF PERIOD	11,255,709	6,132,345
CASH - END OF PERIOD	$ 4,212,396	$ 3,618,324

Included in cash and cash equivalents at March 31, 2009 is $3,444,000 (2008 - $3,575,000) in guaranteed income certificates and $768,396 (2008 - $43,324) held in a bank account.
Supplemental disclosure with respect to cash flows (Note 10)

See notes to financial statements

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 three months ended March 31, 2009, the Company reported a net loss of $204,055 and an accumulated deficit of $219,422 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 exercise of existing warrants for the purchase of common shares and the issue of new equity or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful.

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.

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 Mines Ltd ("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.

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 is 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 also classified its accounts 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.

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, 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 related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted cash flows.

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

The Canadian Accounting Standards Board ("AcSB") published a strategic plan that outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date 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.

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 three months ended March 31, 2009. The Company is not subject to externally imposed capital requirements.

3. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Automobiles	118,800	(29,576)	89,224	118,801	$ (23,635):	$95,166
Buildings & Equipment	127,395	(34,631)	92,764	107,867	(30,264)	77,603
Computer equipment	96,197	(45,157)	51,040	96,197	(40,347)	55,850
Mining equipment	1,479,062	(394,836)	1,084,226	1,070,007	(320,882)	749,125
Other equipment	18,632	(7,149)	11,483	18,632	(6,218)	12,414
	$1,840,086	$ (511,349)	$1,328,737	$1,411,504	$ (451,346)	$ 990,158

4. RESOURCE PROPERTY

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

	March 31, 2009	**December 31, 2008**
Property acquisition costs	$1,111,526	$1,111,526
Property holding costs	1,918,456	1,509,761
	3,029,982	2,621,287
Property expenditures		
Amortization	265,256	263,510
Assays	630,495	609,417
Consulting	107,493	107,493
Core cutting	288,793	288,232
Drilling	14,049,362	14,049,362
Feasibility study	2,713,142	2,713,142
Geological consulting	918,532	887,159
Miscellaneous	320,173	319,432
Salaries	493,538	493,339
Scoping study	121,424	121,424
Surveying	366,532	366,532
Travel	147,166	146,362
	20,421,906	20,365,404
Copper Mountain Project Costs		
Tailings Management Facility	5,200,000	5,200,000
Ball Mills and Sag Mill	9,543,941	4,622,621
Engineering and Construction management	3,561,450	1,297,403
Site work deferred	2,910,924	1,432,185
Construction facilities	730,044	698,813
Power line	244,000	244,000
	22,190,359	13,495,022
Total Copper Mountain Project Costs	$45,642,247	$36,481,713

4. RESOURCE PROPERTY *(continued)*

Effective September 30, 2008, the Company and Mitsubishi signed a Memorandum of Understanding ("MOU"). Under the terms of the MOU, subject to several conditions, including approval of the board of directors of Mitsubishi, Mitsubishi will purchase a 25 percent equity interest in the Copper Mountain Project for $28.75 million, arrange a $250 million project loan, pay their proportionate share of project equity, and contract to purchase all the copper concentrate (approximately 150,000 dry metric tonnes per annum for the first 10 years) from the mine.

The Company has accrued site reclamation costs of $2,189,000 and has placed $2,089,000 on deposit with the BC government in support of such reclamation liabilities.

5. SHORT TERM LOANS

a) On November 28, 2008 the Company entered into a short term loan agreement with Mitsubishi whereby Mitsubishi 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 earlier of: November 30, 2009, or the date that is 120 days after the expiration of the Memorandum of Understanding, or the date on which any third party other than Mitsubishi or any affiliate becomes a shareholder of Similco Mines Ltd. As at March 31, 2009 the Company had drawn an additional $1,385,000 against this facility. As at March 31, 2009 total interest accrued is $308,178.

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 has paid a total of $3,200,000 towards the purchase and the balance of $2,000,000 is secured by a mortgage that is due 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, and if the Company has not: (1) made a production decision by December 31, 2011; (2) made the $2,000,000 payment on or before June 30, 2009 or (3) incurred more than $20 million of expenditures (excluding expenditures on mobile equipment) in the development of the Project site on or before December 31, 2014, the vendor can repurchase the lands from the Company for $1.

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	$ 188,564
2010	126,494
2011	126,494
2012	11,696
Total minimum lease payments	453,248
Less: interest portion	1,289
Present value of capital lease obligations	451,959
Current portion	(198,971)
Non-current portion	$ 252,988

7. CAPITAL STOCK

(a) Authorized
Unlimited Common shares without par value

(b) Issued:

	Common Shares	Amount	Contributed Surplus
Issued at December 31, 2007	21,752,910	$ 15,492,498	$ 1,512,340
Shares issued for cash:			
Public equity placement	9,523,808	19,999,997	-
Options exercised	12,450	12,450	-
Warrants exercised	335,834	493,437	-
Share issue costs	-	(1,821,151)	-
Non-cash items:			
Options exercised	-	4,835	(4,835)
Stock-based compensation	-	-	338,371
Flow-through renounced	-	(2,236,650)	-
Broker warrants granted	-	(157,310)	157,310
Broker warrants exercised		18,460	(18,460)
Issued at December 31, 2008 and March 31, 2009	31,625,002	$ 31,806,566	$ 1,984,726

(c) Stock Options

The Company has a stock option plan whereby it can issue up to 4,000,000 stock options exercisable for a period up to five years from the grant date. The Company has issued 3,801,300 options exercisable at prices ranging from $1.00 to $2.30 per share, under the plan:

	March 31, 2009		**December 31, 2008**	
Stock options outstanding	**Number of shares**	**Weighted average exercise price**	**Number of shares**	**Weighted average exercise price**
Beginning of period	3,801,300	$1.29	2,623,750	$ 1.17
Granted during period	-	-	1,190,000	1.50
Expired in period	(100,000)	2.15	-	-
Exercised during period	-	-	(12,450)	1.00
End of period	3,701,300	$1.27	3,801,300	$ 1.29

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 4.50%, an expected life of 5 years; an expected volatility of 30% to 40%, and no expectation for the payments of dividends.

7. CAPITAL STOCK (Continued)

Date of Stock Option Grant	Number of options*	Exercise Price	Expiry Date
August 1, 2008	940,000	$1.40	August 1, 2013
March 14, 2008	150,000	$2.15	March 14, 2013
September 24, 2007	120,000	$2.00	September 24, 2012
September 4, 2007	150,000	$2.30	September 4, 2008
July 25, 2007	35,000	$2.30	July 25, 2012
June 29, 2007	75,000	$2.00	June 29, 2007
March 15-April 27, 2007	2,231,300	$1.00	June 29, 2012
Total	3,701,300	$1.29	

*Net of options exercised

(d) Warrants

As at March 31, 2009, 4,761,904 warrants are outstanding entitling the holders to acquire shares of the Company as follows:

Date of Warrant Grant	Number of warrants	Exercise Price	Expiry Date
June 30, 2007	4,761,904	$2.50	June 30, 2009
Total	4,761,904		

Warrants outstanding	March 31, 2009		December 31, 2008	
	Number of warrants	Weighted average exercise price Cdn.	Number of warrants	Weighted average exercise price Cdn.
Beginning of year	5,011,904	$ 2.43	2,714,500	$ 1.66
Granted	-	-	4,761,904	2.50
Expired	(250,000)	$1.10	(2,201,500)	1.74
Exercised	-	-	(263,000)	1.52
End of year	4,761,904	$2.50	5,011,904	$ 2.43

Broker Warrants outstanding	March 31, 2009		December 31, 2008	
	Number of warrants	Weighted average exercise price (Cdn.)	Number of warrants	Weighted average exercise price (Cdn.)
Beginning of year	675,476	$ 2.28	655,582	$ 1.57
Granted	-	-	571,428	2.50
Expired	(104,048)	$1.10	(478,700)	1.71
Exercised	-	-	(72,834)	1.54
End of year	571,428	$ 2.50	675,476	$ 2.28

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 March 31, 2009, the Company paid three of its officers consulting, management and geological fees aggregating $74,221.(2008-$109,350)

- 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 paid. 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 March 31, 2009, Cdn $9.1 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 at anytime subject to a refund of any receipt of sales proceeds less 10% to the Company if the order is sold.

10. SUPPLEMENTARY CASH FLOW DISCLOSURES

- During the period ended March 31, 2009, the Company deferred $86,614 of amortization costs on vehicles and mining equipment (2008 – $134,420).

- As at March 31, 2009, there was $783,315 in accounts payable that related to mineral property costs (2008 – $297,247).

11. SUBSEQUENT EVENT

On April 28, 2009 the Company received a third advance on the Mitsubishi Materials loan totalling $7,292,000. The total advanced to the Company is $20,621,948.