



THIRD QUARTER REPORT

Financial Statements and MD&A

September 30, 2020

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Copper Mountain Mining Corporation

Condensed Consolidated Interim Financial Statements
For the Nine Months Ended September 30, 2020
(Unaudited)

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statements of Financial Position

(Unaudited in thousands of Canadian dollars)

	September 30, 2020 \$	December 31, 2019 \$
Assets		
Current assets		
Cash and cash equivalents	53,573	32,126
Accounts receivable and prepaid expenses (note 4)	32,159	27,947
Inventory (note 5)	31,172	35,299
	116,904	95,372
Reclamation bonds (note 9)	4,159	3,740
Deferred tax assets	18,274	28,088
Property, plant and equipment (note 6)	542,237	501,663
Low grade stockpile (note 5)	64,932	64,978
	746,506	693,841
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	38,905	41,366
Amounts payable to related parties (note 14c)	3,785	104,698
Current portion of long-term debt (note 8)	64,769	60,260
Current tax liability	1,079	1,186
	108,538	207,510
Provisions (note 9)	17,816	18,104
Due to related parties (note 14d)	151,803	-
Long-term debt (note 8)	161,661	188,123
Deferred tax liability	3,474	2,203
	443,292	415,940
Equity		
Attributable to shareholders of the Company:		
Share capital	267,399	266,663
Contributed surplus	19,494	18,623
Accumulated other comprehensive loss	(2,176)	(4,158)
Accumulated deficit	(55,057)	(70,516)
	229,660	210,612
Non-controlling interest	73,554	67,289
Total equity	303,214	277,901
	746,506	693,841

Approved on behalf of the Board of Directors

(signed) Bruce Aunger _____ Director

(signed) Gil Clausen _____ Director

Copper Mountain Mining Corporation

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

For the Three and Nine Months Ended September 30,

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue (note 11)	94,992	62,703	235,645	214,717
Cost of sales (note 12)	(52,973)	(64,131)	(178,316)	(191,233)
Gross profit (loss)	42,019	(1,428)	57,329	23,484
Other income and expenses				
General and administration (note 12)	(1,836)	(3,517)	(5,196)	(8,908)
Share based compensation (note 10)	(863)	(497)	(2,066)	(1,684)
Operating income (loss)	39,320	(5,442)	50,067	12,892
Finance and other income	517	135	622	389
Finance expense (note 13)	(3,741)	(3,454)	(11,173)	(11,695)
Unrealized loss on interest rate swap	(2)	(15)	(1,020)	(505)
Foreign exchange (loss) gain	6,938	(4,041)	(5,457)	8,733
Loss on sale of fixed asset	(102)	-	(102)	-
Income (loss) before tax	42,930	(12,817)	32,937	9,814
Current tax recovery (expense)	385	(190)	(128)	(1,166)
Deferred income tax (expense) recovery	(10,066)	2,412	(11,085)	1,113
Net income (loss)	33,249	(10,595)	21,724	9,761
Other comprehensive income (loss)				
Foreign currency translation adjustment	897	(1,432)	1,982	(4,139)
Total comprehensive income (loss)	34,146	(12,027)	23,706	5,622
Net income (loss) attributable to:				
Shareholders of the Company	24,420	(8,755)	15,459	4,848
Non-controlling interest	8,829	(1,840)	6,265	4,913
	33,249	(10,595)	21,724	9,761
Earnings (loss) per share:				
Basic	0.13	(0.05)	0.08	0.03
Diluted	0.13	(0.05)	0.08	0.03
Weighted average shares outstanding, basic (thousands)	191,544	190,344	191,403	188,925
Weighted average shares outstanding, diluted (thousands)	193,035	191,711	192,082	190,492
Shares outstanding at end of the period (thousands)	192,301	191,331	192,301	191,331

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statements of Cash Flows

For the Three and Nine Months Ended September 30,

(Unaudited in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2020 \$	2019 \$	2020 \$	2019 \$
Cash flows from operating activities				
Net income (loss) for the period	33,249	(10,595)	21,724	9,761
Adjustments for:				
Depreciation	5,072	6,312	17,168	17,834
Loss on disposal of fixed assets	102	-	102	-
Unrealized foreign exchange (gain) loss	(6,077)	672	5,856	(8,916)
Unrealized loss on interest rate swap	2	15	1,020	505
Deferred income tax expense (recovery)	10,066	(2,412)	11,085	(1,113)
Finance expense	3,741	3,454	11,173	11,695
Share based compensation	863	497	2,066	1,684
	47,018	(2,057)	70,194	31,450
Net changes in working capital items (note 15)	(8,423)	2,425	426	15,443
Net cash from operating activities	38,595	368	70,620	46,893
Cash flows from investing activities				
Deferred stripping activities	(6,402)	(8,264)	(13,839)	(32,608)
Development of property, plant and equipment	(4,970)	(6,590)	(20,762)	(14,486)
Reclamation bonds	(4)	4,545	(419)	4,621
Net cash (used in) from investing activities	(11,376)	(10,309)	(35,020)	(42,473)
Cash flows from financing activities				
Proceeds on exercise of options and warrants	482	2,284	482	2,310
Advances from non-controlling interest	22,313	23,294	46,536	38,329
Payments made to non-controlling interest	-	-	-	(329)
Loan principal paid	(21,343)	(21,189)	(50,099)	(43,558)
Interest paid	(1,894)	(2,356)	(6,925)	(8,586)
Finance lease payments	(2,007)	(626)	(5,000)	(1,900)
Net cash used in financing activities	(2,449)	1,407	(15,006)	(13,734)
Effect of foreign exchange rate changes on cash and cash equivalents	(200)	646	853	(801)
Increase (Decrease) in cash and cash equivalents	24,570	(7,888)	21,447	(10,115)
Cash and cash equivalents - Beginning of period	29,003	43,896	32,126	46,123
Cash and cash equivalents - End of period	53,573	36,008	53,573	36,008
Supplementary cash flow disclosures (note 15)				

Copper Mountain Mining Corporation

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited in thousands of Canadian dollars, except for number of shares)

Attributable to equity owners of the company

	Number of Share	Amount \$	Contributed surplus \$	Accumulated other comprehensive loss	Deficit \$	Total \$	Non- controlling interest \$	Total equity \$
Balance January 1, 2019	188,170,359	263,822	17,378	(1,655)	(48,030)	231,515	71,741	303,256
Shares issued on exercise of options	166,802	67	-	-	-	67	-	67
Warrants exercised	2,993,892	2,245	-	-	-	2,245	-	2,245
Fair value of options exercised	-	34	(34)	-	-	-	-	-
Fair value of warrants exercised	-	495	(495)	-	-	-	-	-
Share based compensation	-	-	1,455	-	-	1,455	-	1,455
Payments to non-controlling interests	-	-	-	-	-	-	(329)	(329)
Income for the period	-	-	-	-	4,848	4,848	4,913	9,761
Foreign currency translation	-	-	-	(4,139)	-	(4,139)	-	(4,139)
Balance September 30, 2019	191,331,053	266,663	18,304	(5,794)	(43,182)	235,991	76,325	312,316
Balance January 1, 2020	191,331,053	266,663	18,623	(4,158)	(70,516)	210,612	67,289	277,901
Options exercised	970,000	482	-	-	-	482	-	482
Fair value of options exercised	-	254	(254)	-	-	-	-	-
Share based compensation	-	-	1,125	-	-	1,125	-	1,125
Income for the period	-	-	-	-	15,459	15,459	6,265	21,724
Foreign currency translation	-	-	-	1,982	-	1,982	-	1,982
Balance September 30, 2020	192,301,053	267,399	19,494	(2,176)	(55,057)	229,660	73,554	303,214

1 General information and liquidity

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

As at September 30, 2020, the Company had working capital (current assets less current liabilities) of \$8.4 million compared to working capital of negative \$112 million (inclusive of \$104.7 million of related party debt due to MMC which was classified as a current liability in 2019) at December 31, 2019. For the three months ended September 30, 2020 the Company recorded net income of \$33.2 million (2019 – loss of \$10.6 million), bringing the nine months earnings to \$21.7 million (2019 - \$9.8 million). Cash from operations during the nine months ended September 30, 2020 was \$70.6 million (2019 - \$46.9 million).

The Company has budgeted \$6.4 million in sustaining capital expenditures and \$12.7 million in development expenditures at the Copper Mountain Mine for the 2020 year, all of which is expected to be funded from cash on hand and cash flow generated during the year. As at September 30, 2020, the Company has no future material commitments for capital expenditures at the Copper Mountain Mine other than noted above.

In the next twelve months the Company has contractual obligations which are due in US dollars including senior credit facility and term loan payments of approximately US\$41.7 million, which the Company expects to be able to fund through cash on hand, cash flows from operations, or advances from MMC. However, the current commodity price and exchange rate environment can be volatile and accordingly could have an impact on the Company’s cash flows. The Company continues to review its near term operating plans and continues to take steps to reduce costs and maximize cash flow from operations, while still maintaining or increasing copper output levels. The Company remains vigilant for ongoing opportunities to reduce costs and improve net cash generation.

Management is required to exercise judgment in order to ensure that disclosures relating to liquidity and the Company’s ability to continue as a going concern are appropriate. To this end, the Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its short-term ongoing obligations and reviews its actual expenditures and forecast cash flows on a regular basis. Changes in production levels, copper and gold prices, foreign exchange rates and other factors all impact the Company’s liquidity position.

2 Basis of presentation

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and follow the same accounting policies and methods of application, except as explained in Note 3, as the Company's most recent annual audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These condensed consolidated interim financial statements were approved on October 29, 2020 by the Board of Directors.

b. Foreign currency translation

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

3 Significant Accounting Policies, Estimates and Judgements

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2019.

COVID-19 Estimation Uncertainty

In preparing our condensed consolidated interim financial statements, we make judgments in applying our accounting policies. In addition, we make assumptions about the future in deriving estimates used in preparing our condensed consolidated interim financial statements. As disclosed in our 2019 annual consolidated financial statements, sources of estimation uncertainty include estimates used to determine the recoverable amounts of long-lived assets, recoverable reserves and resources, the provision for income taxes and the related deferred tax assets and liabilities and the valuation of other assets and liabilities including inventory and decommissioning and restoration provisions.

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far reaching. To date there has been significant volatility in the stock, commodity and foreign exchange markets and the global movement of people and some goods has become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the commodities we produce and on global financial markets.

During the nine month period ended September 30, 2020, the Company has taken certain measures to reduce operating expenditures and activity levels at the Copper Mountain mine including the deferral of certain capital expenditures. These measures, combined with commodity market fluctuations resulting from

COVID-19, have impacted our financial results and may continue to have an impact on our results and liquidity for some time.

4 Accounts receivable and prepaid expenses

	September 30, 2020	December 31, 2019
	\$	\$
Amounts due from concentrate sales	13,386	16,504
Pricing adjustments	16,492	6,221
GST and other receivables	221	2,103
Prepaid expenses	2,060	3,119
	32,159	27,947

5 Inventory

	September 30, 2020	December 31, 2019
	\$	\$
Supplies	16,489	14,902
Ore stockpile	8,779	10,209
Crushed ore stockpile	509	3,137
Copper Concentrate	5,395	7,051
	31,172	35,299
Low grade stockpile ¹	64,932	64,978

Inventory expensed during the six months ended September 30, 2020 totaled \$169,201 (2019 – \$181,154).

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

6 Property, plant and equipment

Cost	Plant and equipment \$	Exploration and evaluation asset \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2019	553,662	54,963	186,832	795,457
Additions	35,299	4,349	43,942	83,590
Restoration provision	-	-	11,198	11,198
Disposals	(4,594)	-	-	(4,594)
Currency translation adjustment	313	(2,666)	-	(2,353)
As at December 31, 2019	584,680	56,646	241,972	883,298
Additions	38,947	2,850	17,829	59,626
Disposals	(743)	-	-	(743)
Restoration provision	-	-	(1,104)	(1,104)
Currency translation adjustment	(406)	2,322	-	1,916
As at September 30, 2020	622,478	61,818	258,697	942,993

Accumulated depreciation	Plant and equipment	Exploration and evaluation asset \$	Mineral properties and mine development costs \$	Total \$
As at January 1, 2019	(247,786)	-	(99,434)	(347,220)
Disposals	1,827	-	-	1,827
Depreciation charge	(27,200)	-	(9,042)	(36,242)
As at December 31, 2019	(273,159)	-	(108,476)	(381,635)
Depreciation charge	(15,987)	-	(3,134)	(19,121)
As at September 30, 2020	(289,146)	-	(111,610)	(400,756)

Net book value

As at December 31, 2019	311,521	56,646	133,496	501,663
As at September 30, 2020	333,332	61,818	147,087	542,237

Property, plant and equipment includes right of use assets of \$51,079 with a net book value of \$47,517 at September 30, 2020.

7 Accounts payable and accrued liabilities

	September 30, 2020	December 31, 2019
	\$	\$
Trade accounts payable	19,460	24,575
Accrued liabilities	18,132	15,476
Current portion of interest rate swap liability (note 8(b))	1,111	1,214
Deferred Share Units liability	202	60
Restricted Share Units liability	-	41
	38,905	41,366

8 Long-term debt

	September 30, 2020	December 31, 2019
	\$	\$
Senior credit facility (b) in US\$	73,245	77,318
Term loan (c) in US\$	46,711	78,359
Total US\$ long term debt in US\$	119,956	155,677
Total US\$ long term debt in CA\$	160,009	202,193
Subordinated loan (a)	14,490	14,127
Leases (d)	51,931	32,063
Total	226,430	248,383
Less: current portion	(64,769)	(60,260)
	161,661	188,123

a) Subordinated loan

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

b) Senior credit facility

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

The maximum amount available under the SCF was US\$162 million which was fully drawn in 2011. The SCF carries a variable interest rate of LIBOR plus 2% and matures on June 15, 2023. The SCF is repayable in twenty four semi-annual instalments which commenced December 15, 2011, with 40% of the principal balance due in the final two years before maturity. The instalments are payable on a fixed schedule, subject to mandatory prepayment based on cash flows relating to the Copper Mountain Mine. As at September 30, 2020 the Company has repaid a total of US\$87.5 million in principal and paid US\$31.1 million in interest on the SCF.

Under the terms of the SCF, the Company was required to maintain certain balances up to a total of US \$12 million in the debt service reserve account (“DSRA”) and the capex reserve account (“CXRA”) by June 30, 2012. Since this date, the Company and MMC have jointly guaranteed up to June 30, 2021 the amounts owing to the DSRA and the CXRA, as a result no funds were required to be placed on deposit in either of the accounts.

As at September 30, 2020 the SCF has a principal amount outstanding of \$99,402 (US\$74.5 million). The outstanding amount of \$97,702 is net of issue costs of \$1,700.

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

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

Minimum annual payments from September 30,	US\$ ‘000
2020	9,720
2021	32,400
2022	32,400
	<u>74,520</u>

Under the terms of the SCF, the Company was required to complete an interest rate swap on 70% of the principal amount of the facility. The Company swapped a LIBOR variable rate interest payment stream for a 3.565% fixed rate interest payment stream on US\$55 million of the principal. The interest rate swaps mature on December 15, 2020.

As at September 30, 2020 the swap had an unrealized fair value of \$1,111 (2019 - \$1,214). This derivative liability is included in accounts payable and accrued liabilities.

The Company is subject to certain debt covenants on the senior credit facility. As at September 30, 2020 the Company is in compliance with all covenants.

c) Term loan

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

The maximum amount available under the Term Loan was US\$160 million which was fully drawn in 2011. The Term Loan carries a variable interest rate of LIBOR plus 0.551% and matures on February 15, 2022. As at September 30, 2020 the Term Loan has a principal amount outstanding of \$64,027 (US\$48 million). The outstanding amount of \$62,307 is net of issue costs of \$1,720. The Term Loan is guaranteed by MMC in exchange for a fee of 0.2% per annum.

The Term Loan is unsecured and repayable in increasing instalments every six months commencing February 2013. As at September 30, 2020 the Company has repaid a total of US\$112 million in principal and US\$18.7 million in interest on the Term Loan.

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

Minimum annual payments from September 30,	US\$
2020	<u>32,000</u>
2021	<u>16,000</u>
	<u>48,000</u>

The Company is subject to certain debt covenants on the term loan. As at September 30, 2020 the Company is in compliance with all covenants.

d) Leases

Gross finance lease liability and minimum lease payments	September 30, 2020	December 31, 2019
	\$	\$
Within one year	<u>13,378</u>	<u>7,589</u>
Between two and four years	<u>47,872</u>	<u>28,984</u>
	61,250	36,573
Future interest	<u>(9,319)</u>	<u>(4,510)</u>
Finance lease liability	<u>51,931</u>	<u>32,063</u>

Foreign exchange gains or losses is primarily related to the Company's project debt which is denominated in US dollars. The variance in foreign exchange for the period is related directly to the non-cash foreign exchange adjustment of the Company's US dollar debt to a US dollar Canadian dollar exchange rate of \$1.33 for Q3 2020 as compared to 1.30 at the end of Q4 2019.

9 Provisions

	Decommissioning and restoration provision	Share-based payment obligations	Total
	\$	\$	\$
Balance, January 1, 2020	17,708	497	18,205
Share-based payment expense	-	944	944
Changes in estimated costs and timing	(1,114)	-	(1,114)
Unwinding of discount on restoration provision	(17)	-	(17)
Balance, September 30, 2020	16,577	1,441	18,018
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 7)</i>	-	(202)	(202)
Total provision – Non-current	16,577	1,239	17,816
Balance, January 1, 2019	6,546	421	6,967
Share-based payment expense	-	317	317
Changes in estimated costs and timing	11,198	-	11,198
Unwinding of discount on restoration provision	(36)	-	(36)
Payments during the period	-	(241)	(241)
Balance, December 31, 2019	17,708	497	18,205
<i>Less: Current portion of share-based payment obligations included within accounts payable (Note 8)</i>	-	(101)	(101)
Total provision – Non-current	17,708	396	18,104

The Company has a liability for remediation of current and past disturbances associated with mining activities at the Copper Mountain property. At September 30, 2020 the Company used an inflation rate of 0.80% (2019 – 1.90%) and a discount rate of 1.11% (2019 – 1.53%) in calculating the estimated obligation. The decommissioning obligations will be accreted as a finance expense over the life of the mine. The liability for retirement and remediation on an undiscounted basis is \$16,577 (2019 - \$17,486). The expected timing of payment of the cash flows will occur in various stages to 2040.

The Company has on deposit \$3,516 (2019- \$4,131) with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain mine site. The Company receives interest on these bonds. The Company has also issued a surety bond of \$17,467 (2019 - \$17,467) for total reclamation security of \$20,983.

10 Share based compensation

a. Stock options

The Company has a stock option plan whereby it can grant up to 17.9 million stock options exercisable for a period of up to ten years from the grant date. As at September 30, 2020, the Company had 12,886,579 options outstanding as follows:

	Number of shares	Weighted average exercise price \$
Outstanding, December 31, 2018	11,308,469	1.21
Granted	2,263,185	1.02
Exercised	(166,802)	0.39
Expired	(2,850,000)	1.92
Forfeited	(263,789)	1.18
Outstanding, December 31, 2019	10,291,063	0.98
Granted	3,620,516	0.58
Exercised	(970,000)	0.50
Forfeited	(55,000)	0.72
Outstanding, September 30, 2020	12,886,579	0.88

Date of stock option grant	Number of options	Exercise price \$	Expiry date
Jan. 26, 2016	1,185,000	0.39	Jan. 26, 2021
June 30, 2016	66,667	0.50	June 30, 2021
Jan. 13, 2017	1,490,000	1.18	Jan. 13, 2021
Apr. 24, 2017	35,000	0.93	Apr. 24, 2022
February 22, 2018	1,835,000	1.28	Feb. 22, 2023
April 26, 2018	100,000	1.37	Apr. 26, 2023
June 1, 2018	1,000,000	1.07	June 1, 2023
June 7, 2018	100,000	1.26	June 7, 2023
June 20, 2018	100,000	1.26	June 20, 2023
July 5, 2018	80,000	1.16	July 5, 2023
August 13, 2018	750,000	1.14	Aug 13, 2023
November 2, 2018	325,000	1.00	Nov. 2, 2023
March 22, 2019	2,149,396	1.02	Mar. 22, 2024
August 2, 2019	50,000	0.76	August 2, 2024
February 25, 2020	3,620,516	0.58	Feb. 25, 2025
	12,886,579		

As at September 30, 2020 the following options were both outstanding and exercisable:

Date of stock option grant	Number of options	Exercise price \$	Expiry date
Jan. 26, 2016	1,185,000	0.39	Jan. 26, 2021
June 30, 2016	66,667	0.50	June 30, 2021
Jan. 13, 2017	1,490,000	1.18	Jan. 13, 2021
Apr. 24, 2017	35,000	0.93	Apr. 24, 2022
Feb. 22, 2018	1,376,250	1.28	Feb. 22, 2023
April 26, 2018	75,000	1.37	Apr. 26, 2023
June 1, 2018	666,667	1.07	June 1, 2023
June 7, 2018	75,000	1.26	June 7, 2023
June 20, 2018	75,000	1.26	June 20, 2023
July 5, 2018	53,333	1.16	July 5, 2023
Aug. 13, 2018	500,000	1.14	Aug. 13, 2023
Nov. 2, 2018	108,333	1.00	Nov. 2, 2023
Mar. 22, 2019	1,074,698	1.02	Mar. 22, 2024
Aug. 2, 2019	25,000	0.76	Aug. 2, 2024
Feb. 25, 2020	905,129	0.58	Feb. 25, 2025
	7,711,077		

During the period ended September 30, 2020, the total fair value of stock options vesting was \$1,125 (2019 - \$1,456) with a weighted average grant-date fair value of \$0.46 (2019 - \$0.52) per option. The fair values of the stock options granted were estimated on the grant date using the Black-Scholes option pricing model. Volatility was determined using a historical daily volatility over the expected life of the options.

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

	September 30, 2020	September 30, 2019
Risk free interest rate	1.19%	1.48%
Expected dividend yield	Nil	Nil
Expected share price volatility	63.6%	65.3%
Expected forfeiture rate	3.3%	3.3%
Expected life	5.0 years	5.0 years

a. Deferred Share Unit and Restricted Share Unit Plans

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

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

	DSUs	RSUs	PSUs
Outstanding, January 1, 2019	3,374,166	247,500	-
Granted	282,352	937,021	937,021
Forfeited	(247,683)	-	-
Expired	(2,800,000)	-	-
Settled	(62,819)	(207,500)	-
Outstanding, December 31, 2019	546,016	977,021	937,021
Granted	372,414	1,612,753	1,612,753
Settled	(163,514)	(40,000)	-
Expired	(117,256)	-	-
Outstanding, September 30, 2020	637,660	2,549,774	2,549,774

During the period ended September 30, 2020, the Company recorded share-based compensation of \$986 (2019 - \$226) related to DSUs, RSUs and PSUs.

During the period ended September 30, 2020, the total fair value of DSUs, RSUs and PSUs granted was \$2,087 (2019 - \$1,912) and had a weighted average grant date fair value of \$0.58 (2019 - \$1.02) per unit.

11 Revenue

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Copper concentrate	78,272	54,498	195,852	190,917
Gold metal sales	18,856	12,002	49,207	37,113
Silver metal sales	2,699	1,401	6,308	3,336
Treatment and refining charges	(4,835)	(5,198)	(15,722)	(16,649)
	94,992	62,703	235,645	214,717

Revenue for the nine months ended September 30, 2020 included a mark-to-market and final adjustments from provisional pricing on concentrate sales of \$15,991 (2019 – \$3,350).

Revenues recognized in the reporting period include the following mark-to-market provisional pricing changes on concentrate sales not yet finalized at the period end.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Copper in concentrate	7,564	(2,009)	6,428	172
Gold in concentrate	3,100	870	5,822	1,808
Silver in concentrate	673	202	986	35
	11,337	(937)	13,236	2,015

12 Expenses by nature

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Cost of sales				
Direct mining and milling costs	35,205	43,336	119,745	129,348
Employee compensation and benefits	10,223	11,208	32,313	34,008
Depreciation	5,072	6,295	17,143	17,798
Transportation costs	2,473	3,292	9,115	10,079
	52,973	64,131	178,316	191,233
General and administration				
Corporate employee compensation and benefits	825	542	1,910	3,405
Corporate administrative and office expenses	1,011	2,975	3,286	5,503
	1,836	3,517	5,196	8,908
	54,809	67,648	183,512	200,141

The Company received \$6.1 million in Canada Emergency Wage Subsidy during the nine months ended September 30, 2020 (2019 - \$nil). This has been applied as a reduction against employee compensation and benefits in cost of sales, \$5.9 million, and general and administration, \$0.2 million.

13 Finance expense

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Interest on loans	3,367	3,065	10,056	10,474
Amortization of financing fees	324	349	1,000	1,051
Loan guarantee fee	38	59	134	190
Unwinding of discount on restoration provision	12	(19)	(17)	(20)
	3,741	3,454	11,173	11,695

14 Related party transactions

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

- a. During the nine months ended September 30, 2020 the Company sold copper concentrates to MMC with revenues totalling \$235,645 (2019 – \$214,717) including pricing adjustments.
- b. During the nine months ended September 30, 2020 the Company accrued interest on the subordinated loan with MMC totalling \$357 (2019 - \$357).
- c. As at September 30, 2020 the Company accrued to MMC a guarantee fee related to the Term Loan of \$130 (2019 - \$190). The cumulative guarantee fee accrued at September 30, 2020 is \$3,785 (December 31, 2019 - \$3,887).
- d. The Company has received aggregate funding advances from MMC totalling \$144,521 (as at December 31, 2019 - \$96,817). These advances bear interest at rates of 2.88% to 4.80% with total interest during the nine months ended September 30, 2020 of \$2,719 (2019 - \$1,718). The cumulative funding advances and interest as at September 30, 2020 totalled \$155,588 (December 31, 2019 - \$100,811). In February 2020, the Company signed an agreement with MMC to extend the maturity of the advances and interest which were recorded as a current liability as at December 31, 2019 to June 30, 2023.
- e. Compensation of key management:

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries and short-term employee benefits	616	639	1,868	2,054
Share based compensation	689	487	1,761	1,465
	1,305	1,126	3,629	3,519

15 Supplementary cash flow disclosures

- a. As at September 30, 2020, cash and cash equivalents consist of guaranteed investment certificates of \$81 (2019 – \$4,592) and \$53,492 in cash (2019 - \$31,416) held in bank accounts.
- b. A reconciliation of net changes in working capital items is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Change in accounts receivable and prepaid expenses	911	(3,177)	(4,191)	2,399
Change in inventory	(1,655)	4,971	4,322	18,883
Change in tax liability	(382)	109	(107)	868
Change in accounts payable and accrued liabilities	(7,297)	522	402	(6,707)
	(8,423)	2,425	426	15,443

16 Financial instruments

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

Fair Value hierarchy

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

The levels in the hierarchy are:

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

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at September 30, 2020:

	Level 1	Level 2	Level 3	Total fair value
	\$	\$	\$	\$
Financial assets				
Pricing adjustments (note 7 and 11)	-	15,991	-	15,991
Financial liabilities				
Interest rate swap liability (note 7)	-	1,111	-	1,111

Financial risks factors

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

Liquidity risk

	2020	2019
	\$	\$
Cash and cash equivalents	53,573	32,126
Working capital (deficit)	8,366	(112,138)

The primary reason for the decrease in the working capital deficiency relates to the extension of the maturity date of the advances and interest due to MMC to June 30, 2023. The amounts owed to MMC were recorded in current liabilities as at December 31, 2019.

Maturity analysis of financial liabilities as at September 30, 2020 is as follows:

	Total	< 1 year	2-3 years	4-5 years	Thereafter
	\$	\$	\$	\$	\$
Long-term debt	174,499	54,345	120,154	-	-
Due to MMC	155,588	3,785	151,803	-	-
Capital lease	51,931	11,308	15,973	13,241	11,409
Decommissioning & restoration provision	17,816	-	-	-	17,816
Trade accounts payable	19,460	19,460	-	-	-
	419,294	88,898	287,930	13,241	29,225



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
COPPER MOUNTAIN MINING CORPORATION
FOR THE QUARTER ENDED
SEPTEMBER 30, 2020**

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of Copper Mountain Mining Corporation and its subsidiaries ("Copper Mountain" or the "Company"). This MD&A should be read in conjunction with Copper Mountain's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as applicable to interim financial reporting. This MD&A contains forward-looking statements that are subject to risks and uncertainties, as discussed in the cautionary note contained in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements. All figures in this MD&A are expressed in thousands of **Canadian dollars** except for share, per share, per pound and per ounce amounts, unless otherwise specified. References to "US\$" are to United States dollars. This MD&A has been prepared as at October 29, 2020.

About Copper Mountain

Copper Mountain is a Canadian mining company focused on the development and production of base and precious metals assets. The Company, through its subsidiaries, owns 75% of the Copper Mountain Mine located in southern BC. The Copper Mountain Mine produces about 100 million pounds of copper equivalent per year with a large resource that remains open laterally and at depth. Copper Mountain also has the development-stage Eva Copper Project in Queensland, Australia and an extensive 244,300 hectare highly prospective land package, also in the Mount Isa area of Queensland, Australia. Copper Mountain trades on the Toronto Stock Exchange under the symbol "CMMC" and Australian Stock Exchange under the symbol "C6C". For further information on Copper Mountain, reference should be made to its public filings (including its most recently filed AIF) which are available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.cumtn.com.

Cautionary Statement on Forward-Looking Information

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

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

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

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OVERVIEW

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

The Copper Mountain Mine is situated 20 km south of Princeton, British Columbia and 300 km east of the port of Vancouver. Production of copper concentrate from the Copper Mountain Mine commenced in 2011. The property consists of 138 Crown granted mineral claims, 145 located mineral claims, 14 mining leases, and 12 fee simple properties covering an area of 6,702 hectares or 67 square kilometres.

The mine is a conventional open pit, truck and shovel operation. The mill is a conventional SAG mill, ball mill and flotation design producing clean copper concentrate. The mill throughput is approximately 14.6 million tonnes per year. Copper concentrate from the mine is trucked to the port of Vancouver and shipped to Japan.

The Company also owns the Eva Copper Project, a development-ready copper-gold project in Queensland, Australia and an extensive 244,300 hectare highly prospective land package within the Mount Isa area.

HIGHLIGHTS

- Production for the third quarter of 2020 was 23.8 million pounds of copper equivalent (comprised of 18.9 million pounds of copper, 6,630 ounces of gold, and 81,418 ounces of silver).
- C1 cash cost for Q3 2020 was \$1.27/lb copper produced, all in sustaining cost (AISC) was US\$1.43/lb copper and all-in cost (AIC) was US\$1.68/lb copper.
- Revenue for the third quarter of 2020 was \$95.0 million, from the sale of 17.8 million pounds of copper, 6,232 ounces of gold and 67,901 ounces of silver, net of pricing adjustments.
- During the third quarter of 2020 the Company recorded a gross profit of \$42.0 million and net income was \$33.2 million.
- Earnings per share for the third quarter of 2020 was \$0.13 per share, or \$0.08 on an adjusted basis.
- Cash flow from operations (before working capital changes) for the third quarter of 2020 was \$47.0 million.
- Cash and cash equivalents at the end of the third quarter of 2020 was \$53.6 million an increase of \$24.6 million during the quarter when compared to the end of the second quarter.
- AIC guidance was reduced for 2020 to a range of US\$1.85 to US\$2.00 per pound of copper from a range of US\$2.20 to \$2.35 per pound of copper, while production guidance was maintained at 70 to 75 million pounds of copper with the expectation to achieve the higher end of production range.

Results and Highlights (100%)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(In thousands of CDN\$, except for per share amounts)	\$	\$	\$	\$
Financial				
Revenue	94,992	62,703	235,645	214,717
Gross profit	42,019	(1,428)	57,329	23,484
Gross profit before depreciation ⁽¹⁾	47,091	4,866	74,472	41,282
Net income (loss)	33,249	(10,595)	21,724	9,761
Income (loss) per share – basic	0.13	(0.05)	0.08	0.03
Adjusted earnings ⁽¹⁾	15,078	(5,602)	15,067	(482)
Adjusted earnings per share – basic	0.08	(0.03)	0.08	(0.00)
EBITDA ⁽¹⁾	51,226	(3,204)	60,631	38,917
Adjusted EBITDA	33,055	1,789	53,974	28,674
Cash flow from operations	38,595	368	70,620	46,893
Cash and cash equivalents – end of period			53,573	36,008
Production				
Copper Equivalent (000s lb)	23,800	20,267	69,517	64,572
Copper (000s lb)	18,934	16,302	54,498	53,362
Gold (oz)	6,630	6,498	20,268	20,547
Silver (oz)	81,418	57,225	247,560	185,212
Unit costs and prices				
C1 cash cost per pound of copper (US\$/lb produced (net)) ⁽¹⁾	1.27	2.12	1.58	1.87
AISC per pound of copper produced (US\$) ⁽¹⁾	1.43	2.28	1.74	1.99
AIC per pound of copper produced (US\$) ⁽¹⁾	1.68	2.67	1.93	2.48
Average realized copper price (US\$/lb)	2.97	2.65	2.66	2.74

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

OPERATIONS REVIEW

Mine Production Information

Copper Mountain Mine (100% Basis)	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2020 9 Mos.	2019 9 Mos.	2019 Annual
Mine								
Total tonnes mined (000s)	13,681	10,947	14,919	14,571	13,965	39,547	47,558	62,129
Ore tonnes mined (000s)	3,133	3,577	3,678	3,914	2,761	10,388	8,582	12,496
Waste tonnes (000s)	10,548	7,370	11,241	10,657	11,204	29,159	38,976	49,633
Stripping ratio	3.37	2.06	3.06	2.72	4.06	2.81	4.54	3.97
Mill								
Tonnes milled (000s)	3,725	3,665	3,538	3,733	3,596	10,928	10,910	14,643
Feed Grade (Cu%)	0.29	0.28	0.30	0.31	0.26	0.29	0.28	0.29
Recovery (%)	80.4	79.0	75.3	73.0	78.2	78.2	79.3	77.8
Operating time (%)	90.8	92.5	92.3	93.1	91.9	91.8	93.3	93.2
Tonnes milled (TPD)	40,489	40,275	38,879	40,576	39,087	39,884	39,963	40,118
Production								
Copper (000s lb)	18,934	18,092	17,472	18,588	16,302	54,498	53,362	71,950
Gold (oz)	6,630	7,499	6,139	6,200	6,498	20,268	20,547	26,747
Silver (oz)	81,418	86,126	80,016	86,623	57,225	247,560	185,212	271,835
Sales								
Copper (000s lb)	17,824	18,879	17,862	17,598	17,021	54,565	54,300	71,898
Gold (oz)	6,232	6,289	6,364	6,008	6,400	18,885	20,470	26,478
Silver (oz)	67,901	80,294	78,572	76,847	57,426	226,767	177,694	254,541
C1 cash cost per pound of copper produced (US\$) ⁽¹⁾	1.27	1.48	2.01	2.06	2.12	1.58	1.87	1.92
AISC per pound of copper produced (US\$) ⁽¹⁾	1.43	1.67	2.14	2.27	2.28	1.74	1.99	2.06
AIC per pound of copper produced (US\$) ⁽¹⁾	1.68	1.67	2.47	2.31	2.67	1.93	2.48	2.44

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

Operation Results – Three Months Ended September 30, 2020

Production

During the third quarter of 2020, the Company continued to operate under the revised operating plan announced in March of 2020. In Q3 2020, the Copper Mountain Mine production was 18.9 million pounds of copper, 6,630 ounces of gold, and 81,418 ounces of silver, as compared to 16.3 million pounds of copper, 6,498 ounces of gold, and 57,225 ounces of silver for Q3 2019. The mine processed a total of 3.7 million tonnes of ore during the quarter as compared to 3.6 million tonnes in Q3 2019. Average feed grade increased to 0.29% Cu and copper recovery improved to 80.4% in Q3 2020, as compared to average feed grade of 0.26% Cu and copper recovery of 78.2% in Q3 2019, which are the primary reasons for higher production in Q3 2020. Copper grade is expected to continue to improve in Q4 2020, as the Company has completed mining in the Pit#1 area and has restarted mining in the higher grade Pit #3 area. Mining costs are expected to remain at lower levels as the waste haul remains short as Pit#1 is being backfilled with waste rock from Pit#3. Mill availability averaged 90.8% for Q3 2020 as compared to 91.9% in Q3 2019. The slight decrease in mill availability was a result of scheduled preventative maintenance shutdowns in Q3 2020. With expected higher grades and higher recoveries driving increased production in the fourth quarter of 2020, Copper Mountain expects to achieve the higher end of its guidance range for the year.

Costs

C1 cash cost per pound of copper produced for Q3 2020 was US\$1.27, as compared to US\$2.12 in Q3 2019. The decrease in cost per pound in Q3 2020 was the result of higher production, reduced mining costs and higher by-product credits for the gold and silver produced in Q3 2020 as compared to Q3 2019.

All-in sustaining cost per pound of copper produced (AISC) was US\$1.43 in Q3 2020, as compared to US\$2.28 in Q3 2019. The low AISC carries forward from the low C1 cost per pound with addition of \$3.9 million in sustaining capital, lease and applicable administration expenditures in Q3 2020 as compared to \$3.4 million in Q3 2019.

Total all-in cost per pound of copper produced (AIC), net of credits, for Q3 2020 was to US\$1.68, as compared to US\$2.67 in Q3 2019. The low AIC carries forward from the low AISC with the addition of \$6.4 million in deferred stripping and \$nil of low-grade stockpile mining costs incurred in Q3 2020 as compared to \$8.3 million of deferred stripping and \$0.3 million of low-grade stockpile costs in Q3 2019.

The significant decrease in C1, AISC, and AIC recognized in Q3 2020 as compared to past quarters was a result of the Company's strong copper production, cost savings initiatives and operating efficiencies at the Copper Mountain mine, supplemented by an increase in precious metals prices and production for Q3 2020.

Operation Results – Nine Months Ended September 30, 2020

Production

In the nine months ended September 30, 2020, the Copper Mountain Mine produced 54.5 million pounds of copper, 20,268 ounces of gold, and 247,560 ounces of silver compared to 53.4 million pounds of copper, 20,547 ounces of gold, and 185,212 ounces of silver in the same period of 2019. Production was slightly higher in the nine-month period ended September 30, 2020 as compared to the similar nine-month period of 2019 as a result of processing higher grade ore. Copper recovery was 78.2% in the first nine months of 2020 as compared to 79.3% in the same period of 2019. The mine processed a total of 10.9 million tonnes of ore at an average feed grade of 0.29% copper. Copper grades for the first nine months of 2020 were slightly higher than the same period in 2019 with grade expected to improve in the final quarter of 2020. Mill availability averaged 91.8% for the first nine months of 2020 as compared to 93.3% in the same period of 2019, the difference being attributable to the maintenance schedule differences between the periods.

Costs

C1 cash cost per pound of copper produced for the nine months ended September 30, 2020 was US\$1.58, as compared to US\$1.87 in for the same period of 2019. Cash costs have decreased significantly as a result of the revised operating plan announced in Q2 2020 that reduced operating costs by re-sequencing short term production to lower cost mine phases and also stronger precious metal prices experienced in 2020 that resulted in higher by-product credits of \$55.5 million as compared to \$40.4 million for the nine months ended September 30, 2019.

All-in sustaining costs per pound of copper produced (AISC) for the nine months ended September 30, 2020 was US\$1.74 as compared to US\$1.99 for the same period of 2019.

Total all-in costs per pound of copper produced (AIC), net of credits, for the nine months ended September 30, 2020 was US\$1.93 as compared to US\$2.48 for the same period of 2019. This is a significant decrease from the prior year and demonstrates the ability for the Company to adjust its operating plan to match market conditions to decrease total-all-in costs during the year, while remaining on track with the long-term development plan.

OUTLOOK

The Company is reducing its 2020 AIC guidance to a range of US\$1.85 to -US\$2.00 per pound of copper from a range of US\$2.20 to US\$2.35 per pound of copper. The Company reaffirms its 2020 production guidance of 70 to 75 million pounds of copper and expects to be at the higher end of the range. Copper production is expected to be stronger in the fourth quarter of 2020 as a result of higher grades and improved recoveries.

PROJECT DEVELOPMENT UPDATE

Copper Mountain Mine, Canada

In July 2020, the Company completed the first stage of the Ball Mill Expansion project which included installation of the Direct Flotation Reactors (DFRs). The Ball Mill Expansion is designed to increase throughput to 45,000 tonnes per day from 40,000 tonnes per day and improve copper recovery as a result of being able to achieve a finer grind of ore. The DFRs have increased the efficiency and the capacity of the current cleaner circuit, and as planned increased copper concentrate grade from about 24% to 28%, resulting in lower concentrate transportation, smelting and refining costs during Q3 2020. The installation of the DFRs was completed on schedule and on budget.

As noted in Q1 2020, as a result of COVID-19, the Company deferred all major capital spend and therefore halted work on the second stage of the Ball Mill Expansion project, which deferred the actual installation of a third ball mill that the Company had already purchased and had delivered to site. Work was reduced to completing commitments on long lead items, which would allow the project to restart in an efficient and expeditious manner. The Company has re-commenced activities for the installation of the third ball mill for a construction start in early 2021. Copper Mountain is planning for commissioning of the Ball Mill Expansion project by the end of Q3 2021.

EXPLORATION UPDATE

Canada

The 2020 exploration program for the Copper Mountain mine was focused on extending the Copper Mountain mine Main pit to the West towards New Ingerbelle and conversion of inferred resources to measured and indicated classification within the Main Pit, which is nearing completion. Additionally, exploration activities related to supporting the development of the New Ingerbelle deposit, including testing deep mineralization potential have been ongoing and is also nearing completion. On September 8, 2020, the Company announced positive results from two drill holes, totalling 1,538 metres, that tested the depth extent of New Ingerbelle.

The drill program shows that mineralization extends for at least an additional 250 metres below the design pit. Significant intercepts include:

- Hole 20IG-01 returned 585 metres of 0.51% CuEq (0.33% Cu, 0.21 g/t Au, 0.45 g/t Ag), including 213 metres of 0.75% CuEq (0.50% Cu, 0.29 g/t Au, 0.63 g/t Ag)
- Hole 20IG-02 returned 120 metres of 1.02% CuEq (0.69% Cu, 0.37 g/t Au, 1.55 g/t Ag).

Australia

Field work remains deferred until Covid-19 travel restrictions are lifted. Australian personnel are engaged in exploration planning, land management, and permitting activities.

FINANCIAL REVIEW

The following quarterly financial information was derived from quarterly financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial reporting. Adjusted net income and adjusted earnings per share are non-GAAP performance measures and do not have standardized meaning prescribed by IFRS. These measures are used internally by management which serves to provide additional information.

Financial Results	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(In thousands of CDN\$, except for per share amounts)	\$	\$	\$	\$
Revenue				
Copper	78,272	54,498	195,851	190,917
Gold	18,856	12,002	49,207	37,113
Silver	2,699	1,401	6,308	3,336
Treatment and refining	(4,835)	(5,198)	(15,721)	(16,649)
	94,992	62,703	235,645	214,717
Cost of sales				
Direct mining and milling	(35,205)	(43,336)	(119,745)	(129,348)
Employee compensation	(10,223)	(11,208)	(32,313)	(34,008)
Depreciation	(5,072)	(6,295)	(17,143)	(17,798)
Transportation	(2,473)	(3,292)	(9,115)	(10,079)
Gross (loss) profit	42,019	(1,428)	57,329	23,484
General and administration	(1,836)	(3,517)	(5,196)	(8,908)
Share based compensation	(863)	(497)	(2,066)	(1,684)
Operating (loss) income	39,320	(5,442)	50,067	12,892
Other income	517	135	622	389
Finance expense	(3,741)	(3,454)	(11,173)	(11,695)
Unrealized gain (loss) on interest rate swap	(2)	(15)	(1,020)	(505)
Foreign exchange gain (loss)	6,938	(4,041)	(5,457)	8,733
Sale of fixed assets gain (loss)	(102)	-	(102)	-
Income (loss) before tax	42,930	(12,817)	32,937	9,814
Current tax expense	385	(190)	(128)	(1,166)
Deferred tax recovery (expense)	(10,066)	2,412	(11,085)	1,113
Net income (loss)	33,249	(10,595)	21,724	9,761
Adjustments				
Pricing adjustments on concentrate sales	(11,337)	937	(13,236)	(2,015)
Unrealized loss on interest rate swap	2	15	1,020	505
Foreign exchange loss (gain)	(6,938)	4,041	5,457	(8,733)
Sale of fixed assets (gain) loss	102	-	102	-
Adjusted net income⁽¹⁾	15,078	(5,602)	15,067	(482)
Income (loss) per share	0.13	(0.05)	0.08	0.03
Adjusted earnings per share⁽¹⁾	0.08	(0.03)	0.08	(0.00)

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

The revenue and profit of the Company depend on the prices of the commodities that the Company sells as well as the fluctuation of operating expenses incurred in the production of copper concentrates. Commodity prices are influenced globally by macro-economic conditions. The copper, gold, and silver that is produced by the Company is sold at prevailing market prices and as such, the prices for these products can fluctuate significantly and, in this case, have a material effect on the financial results of the Company.

Gross profit of the Company is made up of revenue less operating expenses including depreciation and amortization. Income and expenses that are not a part of the production of copper concentrate are presented after gross profit. Cost of sales includes all of the expenses required to produce copper concentrate such as labour, energy, operating supplies, marketing and distribution costs incurred on the transportation of copper concentrate to market. Due to the location of the Company's operation, the Company is highly dependent on third parties for the provision of trucking, port and other distribution services. Contractual disputes, demurrage charges, and port capacity issues, availability of vessels, weather problems and other factors can have a material effect on the Company's ability to transport materials.

Copper Mountain's costs are dictated mainly by production volumes, the costs for labour, operating supplies, as well as by strip ratios, haul distances, ore grades, distribution costs, foreign exchange rates, and costs related to non-routine maintenance projects. Production volumes mainly affect variable operating and distribution costs.

Financial Results – Three Months Ended September 30, 2020

Summary

The mine shipped and sold 17.8 million pounds of copper, 6,232 ounces of gold, and 67,901 ounces of silver during Q3 2020; compared to 17.0 million pounds of copper, 6,400 ounces of gold and 57,426 ounces of silver for Q3 2019. During the quarter the Company recognized revenue of \$95.0 million, net of pricing adjustments and treatment charges based on an average realized copper price of US\$2.97 per pound; compared to revenue of \$62.7 million net of pricing adjustments and treatment charges at an average realized copper price of US\$2.65 per pound for Q3 2019. Q3 2020 generated gross profit of \$42.0 million as compared to a gross loss of \$1.4 million for Q3 2019.

The Company reported net income of \$33.2 million for the three-month period ended September 30, 2020 as compared to a net loss of \$10.6 million for the same period of 2019. The variance in the higher net income for 2020, as compared to 2019, was a result of several items including:

- Revenue in Q3 2020 included a \$11.3 million positive mark to market and final adjustment from provisional pricing on concentrate sales, as compared to a \$2.4 million negative mark to market and final adjustment for Q3 2019, a differential of approximately \$13.7 million;
- Revenue in Q3 2020 is significantly higher as a result of higher metal prices experienced in the quarter as compared to Q3 2019. The difference in metal prices are summarized below in the revenues section.
- The inclusion of a non-cash unrealized foreign exchange gain of \$6.9 million in Q3 2020 as compared to a non-cash unrealized foreign exchange loss of \$4.0 million in Q3 2019, a differential of approximately \$10.9 million, which was primarily related to the Company's debt that is denominated in US dollars.

Revenue

In Q3 2020, revenue was \$95.0 million, net of pricing adjustments and treatment charges, compared to \$62.7 million in Q3 2019. Q3 2020 revenue is based on the sale of 17.8 million pounds of copper, 6,232 ounces of gold, and 67,901 ounces of silver. This compares to 17.0 million pounds of copper, 6,400 ounces of gold and 57,426 ounces of silver sold in Q3 2019. As noted above, revenue increased significantly during the quarter as a result of, increased sales and higher metal prices, including a positive mark to market and final adjustment on concentrate sales of \$11.3 million as compared to a negative mark to market and final adjustment of \$2.4 million for Q3 2019, a differential of approximately \$13.7 million. Q3 2020 revenues before the mark-to-market adjustment is \$83.7 million as compared to \$63.6 million for Q3 2019.

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

	Realized Metal Prices Three months ended September 30,		Quantities of Metal Sold Three months ended September 30,	
	2020	2019	2020	2019
Copper ⁽¹⁾ – 000s lb	\$2.97	\$2.65	17,824	17,021
Gold ⁽¹⁾ – oz	\$1,888	\$1,467	6,232	6,400
Silver ⁽¹⁾ – oz	\$23.74	\$17.06	67,901	57,426

⁽¹⁾Metal prices stated as US dollars per ounce for gold and silver and US dollars per pound for copper.

Cost of Sales

Cost of sales in Q3 2020 was \$53.0 million as compared to \$64.1 million for Q3 2019. A substantial part of the decrease in cost of sales is a result of the Company's cost savings initiatives resulting from the revised operating plan which included utilizing less equipment. Q3 2020 cost of sales did not include any mining costs being allocated to the low-grade stockpile and the Company allocated \$6.4 million to deferred stripping. This is compared to Q3 2019 cost of sales which was net of \$8.3 million of deferred stripping and low-grade stockpile costs.

Depreciation and Depletion

Depreciation expensed through cost of sales in Q3 2020 was \$5.1 million as compared to \$6.3 million for Q3 2019.

General and Administrative

The Company recorded Q3 2020 general and administrative costs of \$1.8 million as compared to \$3.5 million incurred in Q3 2019. The decrease is a result of reduced corporate project work and less travel being incurred in the quarter as a result of COVID-19.

Finance Expense

The Company recorded Q3 2020 finance expense of \$3.7 million as compared to \$3.5 million incurred in Q3 2019. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees.

Foreign Exchange

The Company recorded Q3 2020 foreign exchange gain of \$6.9 million as compared to a \$4.0 million loss in Q3 2019. Foreign exchange is primarily related to the Company's project debt which is denominated in US dollars. The significant variance is related directly to the non-cash foreign exchange adjustment of the Company's US dollar debt.

Financial Results – Nine Months Ended September 30, 2020

Summary

The mine shipped and sold 54.6 million pounds of copper, 18,885 ounces of gold, and 226,767 ounces of silver during the period ended September 30, 2020; compared to 54.3 million pounds of copper, 20,470 ounces of gold and 177,694 ounces of silver for the same period of 2019. During the period ended September 30 2020 the Company recognized revenues of \$235.6 million, net of pricing adjustments and treatment charges based on an average realized copper price of US\$2.66 per pound; compared to revenues of \$214.7 million net of pricing adjustments and treatment charges at an average realized copper price of US\$2.74 per pound for the same period ended 2019. The nine-month period ended September 30, 2020 generated gross profit of \$57.3 million as compared to a gross profit of \$23.5 million for the same period ended 2019.

The Company reported net income of \$21.7 million for the nine-month period ended September 30, 2020 as compared to net income of \$9.8 million for the same period of 2019. The variance in the net income for the nine-months ended September 30, 2020, as compared to the net income for the same period of 2019, was a result of several items including:

- Revenue for the nine-months ended September 30, 2020 was higher as a result of higher gold and silver prices of 25.6% and 20.9% leading to higher revenues;
- Revenue in the first nine-months ended September 30, 2020 included an \$13.2 million positive mark to market adjustment from provisional pricing on concentrate sales, as compared to a \$2.0 million positive mark to market adjustment for the same period of 2019, a differential of approximately \$11.2 million; and
- The first nine-month period ended September 30, 2020 included a non-cash unrealized foreign exchange loss of \$5.5 million as compared to a non-cash unrealized foreign exchange gain of \$8.7 million for the same period of 2019, a differential of approximately \$14.2 million, which was primarily related to the Company's debt that is denominated in US dollars.

Revenue

For the nine-month period ended September 30, 2020, revenue was \$235.6 million, net of pricing adjustments and treatment charges, compared to \$214.7 million for the same period of 2019. For the nine-month period ended September 30, 2020 revenue is based on the sale of 54.6 million pounds of copper, 18,885 ounces of gold, and 226,767 ounces of silver. This compares to 54.3 million pounds of copper, 20,470 ounces of gold and 177,694 ounces of silver sold in the same period 2019. The increase in revenue is primarily the result of higher gold and silver prices during the period as well as a positive mark to market adjustment on concentrate sales of \$13.2 million as compared to \$2.0 million for 2019, a differential of approximately \$11.2 million.

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

	Realized Metal Prices Nine months ended September 30,		Quantities of Metal Sold Nine months ended September 30,	
	2020	2019	2020	2019
Copper ⁽¹⁾ – 000s lb	\$2.66	\$2.74	54,565	54,300
Gold ⁽¹⁾ – oz	\$1,733	\$1,380	18,885	20,470
Silver ⁽¹⁾ – oz	\$18.94	\$15.67	226,767	177,694

⁽¹⁾Metal prices stated as US dollars per ounce for gold and silver and US dollars per pound for copper.

Cost of Sales

Cost of sales for the nine-month period ended September 30, 2020 was \$178.3 million as compared to \$191.2 million for the same period of 2019. The difference between the period ended September 30, 2020 and 2019 is mainly attributable to deferred stripping and low-grade stockpile costs, which were \$14.2 million for 2020 and \$35.2 million for 2019, a difference of \$21.0 million.

Depreciation and Depletion

Depreciation expensed through cost of sales for the nine-months ended September 30, 2020 was \$17.1 million as compared to \$17.8 million for the same period 2019.

General and Administrative

For the nine-month period ended September 30, 2020 the Company reported general and administrative costs of \$5.2 million as compared to \$8.9 million for the same period of 2019. The decrease is a result of costs incurred in refinancing initiatives in the prior period as well as reduced corporate project work and less travel being incurred as a result of COVID-19.

Finance Expense

For the nine-month period ended September 30, 2020 the Company reported finance expense of \$11.2 million as compared to \$11.7 million for the same period of 2019. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees. The decrease of \$0.5 million is attributable to the decrease in borrowing rates and specifically six-month LIBOR which the Company's long-term variable interest rates loans are based on. The decrease in borrowing rates has also been offset by the impact of a decrease in long-term debt from ongoing debt payments made by the Company during the quarter.

Foreign Exchange

For the nine-month period ended September 30, 2020 the Company reported a foreign exchange loss of \$5.4 million as compared to an \$8.7 million gain in the same period of 2019. The variance is related directly to the non-cash foreign exchange adjustment of the Company's US dollar debt which is denominated in US dollars.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table contains selected GAAP and non-GAAP financial information derived from the Company's unaudited quarterly consolidated financial statements for each of the eight most recent quarters and should be read in conjunction with the annual consolidated financial statements which are reported under IFRS.

Quarter results (100%) (In thousands of CDN\$, unless otherwise indicated)	2020			2019			2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	94,992	91,089	49,564	73,743	62,703	65,144	86,870	73,149
Net income (loss)	33,249	31,993	(43,458)	(35,702)	(10,595)	2,529	17,826	(18,982)
Earnings per share – basic	0.13	0.12	(0.17)	(0.14)	(0.05)	0.01	0.07	(0.09)
Adjusted net income (loss) ⁽¹⁾	15,078	(1,458)	1,447	1,317	(5,602)	(917)	6,036	(1,400)
Adjusted earnings per share – basic	0.08	(0.01)	0.01	0.01	(0.03)	(0.00)	0.03	\$(0.01)
EBITDA	51,226	49,120	(39,715)	(35,271)	(3,204)	10,257	31,864	(234)
Adjusted EBITDA ⁽¹⁾	33,055	15,729	5,190	1,748	1,789	6,811	20,074	17,348
Cash flow from operations	38,595	15,685	16,340	4,339	368	23,685	23,689	28,777
Average realized copper price (US\$)	\$2.97	\$2.43	\$2.58	\$2.67	\$2.65	\$2.72	\$2.85	\$2.81
C1 cash cost per pound of copper produced (US\$) ⁽¹⁾	\$1.27	\$1.48	\$2.01	\$2.06	\$2.12	\$1.74	\$1.77	\$1.60
Copper sales (000's lbs)	17,824	18,879	17,862	17,598	17,021	17,931	19,348	19,431

⁽¹⁾ Non-GAAP performance measure. See Pages 18-21 of this MD&A for details.

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash

The Company's cash and cash equivalents at September 30, 2020, was \$53.6 million, compared to \$32.1 million at December 31, 2019. During the nine months ended September 30, 2020 the Company generated \$70.6 million of positive cash flow from operations at the Copper Mountain mine as compared to \$46.9 million for the nine months ended September 30, 2019.

During the nine months ended September 30, 2020 the Company used \$35.0 million in investing activities comprised of deferred stripping costs of \$13.8 million, sustaining capital of \$5.1 million, and development expenditures of \$15.6 million mainly consisting of the preliminary preparation work for the Ball Mill #3 expansion at the Copper Mountain mine, the DFR installation project, advancing New Ingerbelle Permitting and Development and \$2.5 million for the purchase of a royalty interest on the property. The royalty was purchased for a total of \$5.0 million, with \$2.5 million being paid in Q1 2020 and the balance being due in Q1 2021.

During the first nine-months of 2020 the Company used \$15.0 million in its financing activities (2019 – \$13.7 million). This is comprised primarily of \$57.0 million in debt principal and interest payments (2019 – \$52.1 million), and \$5.0 million in lease payments on mining equipment (2019 – \$1.9 million). The Company also received \$46.5 million from MMC (2019 – \$38.3 million), which was applied towards principal and interest payment on the Term Loan during the period, as it has been done in previous years.

Working Capital

As at September 30, 2020, the Company had working capital (current assets less current liabilities) of \$60.2 million (exclusive of \$3.8 million of related party debt which is not expected to be repaid in the next twelve months and \$42.7 million of Term Debt that is expected to be funded by MMC as it has been done in the past) compared with negative working capital of \$7.4 at December 31, 2019 (exclusive of \$104.7 million of related party debt which is not expected to be repaid in the next twelve months).

Debt

The Company holds debt and financial liabilities in both Canadian and United States dollars and is demonstrated in the following table in both currencies. The Company's US debt position is summarized in the following table and includes the related party debt to the Company's partner, MMC:

(In thousands of CDN\$, except for ratio amounts and where otherwise noted)	September 30, 2020 \$	December 31, 2019 \$	December 31, 2018 \$
Senior credit facility (US\$)	74,520	78,975	90,720
Term loan (US\$)	48,000	80,000	105,600
Related party loan from MMC (US\$)	108,345	74,543	50,598
Subordinated loan from MMC (US\$)	10,827	10,881	9,930
Leases (US\$)	38,932	21,072	4,711
Total debt (US\$ in thousands)	280,624	265,471	261,559
Period-end foreign exchange rate (US\$ to CAD\$)	1.3339	1.2988	1.3642
Total debt (CDN\$ in thousands)	374,324	344,794	356,819

Shareholders' Equity

As of September 30, 2020, the Company had 192,301,053 common shares outstanding and shareholders' equity was \$229.7 million at September 30, 2020, compared to \$210.6 million at December 31, 2019.

Proposed Transactions

None.

Commitments and Contractual Obligations

As at September 30, 2020, the Company had the following consolidated contractual obligations:

	Annual Repayments due from September 30,						
	Total	2020	2021	2022	2023	2024	Over 5 years
(In thousands of CDN\$)	\$	\$	\$	\$	\$	\$	\$
Senior credit facility	97,702	12,285	42,538	42,879	-	-	-
Term loan	62,307	42,059	20,248	-	-	-	-
Due to related party (MMC)	155,588	3,785	-	-	151,803	-	-
Subordinated loan (MMC)	14,490	-	-	-	-	-	14,490
Lease obligation	51,931	11,308	9,894	6,080	6,685	6,556	11,408
Mine closure and reclamation	17,816	-	-	-	-	-	17,816
Total contractual obligations	399,834	69,437	72,680	48,959	158,488	6,556	43,714

Capital Resources

As at September 30, 2020, the Company had \$53.6 million in cash and cash equivalents on hand. The Company is expecting to meet future cash commitments from existing cash on hand and anticipated cash flows generated from the Copper Mountain mine. The Company continues to review its near-term operating plans and take steps to reduce costs and maximize cash flow from operations, while maintaining copper output levels.

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the board of directors. The Company manages liquidity by continuously monitoring and forecasting cash flows based on changes in operations and economic conditions to facilitate the management of its capital requirements. If required, the Company may adjust the capital structure by issuing new shares, issuing new debt or retiring existing debt. In 2020, the Company intends to allocate its capital resources to debt repayment, development of its mining operations, resource expansion and exploration programs mentioned previously in this MD&A.

The Company's investment policy is to invest its cash in highly liquid interest-bearing investments that are readily convertible to known amounts of cash or in cashable Guaranteed Investment Certificates at major Canadian, United States, or Australian banks. There were no changes to the Company's approach to capital management during the period ended September 30, 2020.

As at September 30, 2020 the Company had a total of \$4.2 million on deposit and a surety bond in the amount of \$17.5 million with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain Mine. The Company receives interest from these funds on deposit and pays an annual 2% fee for the surety bonding balance.

Financial Instruments and Risks

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at September 30, 2020.

RELATED PARTY TRANSACTIONS

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

- During the nine months ended September 30, 2020 the Company sold copper concentrates to MMC with revenue totalling \$235.6 million (2019 – \$214.7 million) including pricing adjustments.
- During the nine months ended September 30, 2020 the Company accrued interest on the subordinated loan with MMC totalling \$357 thousand (2019 – \$357 thousand).
- As at September 30, 2020 the Company accrued to MMC a guarantee fee related to the Term Loan of \$130 thousand (2019 – \$190 thousand).
- The Company has received aggregate funding advances from MMC totalling \$144.5 million (December 31, 2019 – \$96.8 million). These advances were used to pay the principal and interest of the term loan and bear interest at rates of 2.88% to 4.80% with total interest expense during the nine months ended September 30, 2020 of \$2,719 thousand (2019 – \$1,718 thousand).

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

	Three months ended September 30, 31,		Nine months ended September 30,	
	2020	2019	2020	2019
<i>(In thousands of CDN\$)</i>	\$	\$	\$	\$
Salaries and short-term employee benefits	616	639	1,868	2,054
Share based compensation	689	487	1,761	1,465
Total	1,305	1,126	3,629	3,519

ACCOUNTING POLICIES AND ESTIMATES

Critical accounting estimates

The Company's significant accounting policies are presented in note 3 of the 2019 audited annual consolidated financial statements. The preparation of consolidated financial statements in accordance with IFRS requires management to establish accounting policies and to make judgement, estimates and assumptions that affect both the amount and timing of assets, liabilities, income and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

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

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

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

Change in accounting policies

No changes to accounting policies have been made for the period ended September 30, 2020. The accounting policies adopted in the preparation of the Company's condensed interim consolidated financial statements have been prepared based on all IFRS and interpretations effective as at September 30, 2020.

NON-GAAP PERFORMANCE MEASURES

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

Cash Costs per Pound

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

C1 Cash Costs

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

All-in Sustaining Costs (AISC)

All-in sustaining costs is an extension of C1 cash costs discussed above and is also a key performance measure used by management to measure performance. Management uses this measure to analyze margins achieved on existing assets while sustaining and maintaining production at current levels. Development capital including deferred stripping and certain exploration costs are excluded from this definition as these are costs typically incurred to extend mine life or materially increase the productive capacity of existing assets, or for new operations. As this measure seeks to present a full cost of copper production associated with sustaining current operations, mining costs associated with sustaining capital, certain applicable corporate administration costs and mining equipment lease costs are included.

All-in Costs (AIC)

All-in costs is an extended cash-base cost metric providing further information on the total cash, capital, and overhead outlay per unit of copper produced in both the short-term and over the full life-cycle of its operations. As a result, deferred stripping and mining costs allocated to the low-grade stockpile on a cash basis are included as these development activities are performed in support of future mining operations under the existing life-of-mine plan. As this measure seeks to present the total cost of copper production associated with sustaining current and future operations, it allows Copper Mountain to assess the ability to support current and future production from the generation of operating cash flows.

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

Cash Costs per Pound Produced (100%)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(In thousands of CDN\$, unless otherwise noted)	\$	\$	\$	\$
Cost of sales	52,973	64,131	178,316	191,233
Adjustments				
Depreciation and depletion	(5,072)	(6,294)	(17,143)	(17,798)
Change in inventory	811	(4,009)	(5,079)	(17,321)
Transportation costs	(3,953)	(4,503)	(13,222)	(14,201)
Site cash costs	44,759	49,325	142,872	141,913
Adjustments				
Transportation costs	3,953	4,503	13,222	14,201
Treatment and refining costs	4,835	5,197	15,721	16,649
By-product credits (gold and silver)	(21,555)	(13,403)	(55,515)	(40,449)
C1 cash cost	31,992	45,622	116,300	132,314
Adjustments				
Sustaining capital	1,406	2,170	4,941	4,420

Cash Costs per Pound Produced (100%)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(In thousands of CDN\$, unless otherwise noted)	\$	\$	\$	\$
Lease payments	2,007	626	5,000	2,371
Applicable administration	554	590	1,946	1,692
All-in sustaining costs (AISC)	35,959	49,008	128,187	140,797
Adjustments				
Deferred stripping	6,402	8,264	13,839	32,608
Low grade stockpile	-	281	327	2,627
All-in costs (AIC)	42,361	57,553	142,353	176,032
Average foreign exchange rate (CDN\$ to US\$)	0.7507	0.7574	0.7385	0.7524
Copper production (000s lb)	18,934	16,302	54,498	53,362
C1 cash costs (US\$/lb produced (net))	\$1.27	\$2.12	\$1.58	\$1.87
All-in sustaining costs (AISC) (US\$/lb produced (net))	\$1.43	\$2.28	\$1.74	\$1.99
All-in costs (AIC) (US\$/lb produced (net))	\$1.68	\$2.67	\$1.93	\$2.48
Average realized copper price (US\$/lb)	\$2.97	\$2.65	\$2.66	\$2.74

Adjusted Net Income

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

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

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

Adjusted Net Income	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(In thousands of CDN\$, except per share amounts)	\$	\$	\$	\$
Net income (loss)	33,249	(10,595)	21,724	9,761
Adjustments				
Pricing adjustments on concentrate sales	(11,337)	937	(13,236)	(2,015)
Unrealized interest rate swap loss	2	15	1,020	505
Unrealized foreign exchange (gain) loss	(6,938)	4,041	5,457	(8,733)
Sale of fixed assets (gain) loss	102	-	102	-
Adjusted net (loss) income	15,078	(5,602)	15,067	(482)
Adjusted income (loss) per share	\$0.08	(\$0.03)	\$0.08	(\$0.00)

EBITDA and Adjusted EBITDA

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

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

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

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

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

EBITDA and Adjusted EBITDA	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
(In thousands of CDN\$)	\$	\$	\$	\$
Net income (loss)	33,249	(10,595)	21,724	9,761
Adjustments				
Finance income	(517)	(135)	(622)	(389)
Finance expense	3,741	3,454	11,173	11,695
Depreciation	5,072	6,294	17,143	17,798
Current tax expense	(385)	190	128	1,166
Deferred income and resource tax expense (recovery)	10,066	(2,412)	11,085	(1,113)
EBITDA	51,226	(3,204)	60,631	38,917
Adjustments				
Mark to market adjustments on concentrate sales	(11,337)	937	(13,236)	(2,015)
Unrealized interest rate swap loss	2	15	1,020	505
Unrealized foreign exchange (gain) loss	(6,938)	4,041	5,457	(8,733)
Sale of fixed assets gain (loss)	102	-	102	-
Adjusted EBITDA	33,055	1,789	53,974	28,674

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

Internal controls over financial reporting

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

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

Changes in internal controls over financial reporting

There have been no changes in our internal control over financial reporting and disclosure controls and procedures during the period ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

RISKS AND UNCERTAINTIES

The Company’s success depends on several factors, most of which are beyond the control of the Company. Typical risk factors include copper, gold and silver price fluctuations, foreign currency fluctuations, and operating uncertainties encountered in the mining business. Future government, legal or regulatory changes could affect any aspect of the Company’s business, including, among other things, environmental issues, land claims, permitting and taxation costs all of which could adversely affect the ability of the Company to operate the Copper Mountain mine and develop its projects. However, sometimes other risks show up that are not typical, like the recent uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the commodities we produce and on global financial markets. These risks and uncertainties are managed by experienced managers, advisors and consultants, by adjusting annual plans and by cost control initiatives and maintaining adequate liquidity for the Company’s operations.