COPPER MOUNTAIN
MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended

December 31, 2016 and 2015

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

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A") OF FINANCIAL CONDITION & THE RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016

February 17, 2017

Introduction

Management's discussion and analysis ("MD&A") focuses on significant factors that affected Copper Mountain Mining Corporation's performance and factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016. The Company reports its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The Company's significant accounting policies are set out in Note 3 of the audited consolidated financial statements for the year ended December 31, 2016. The Company's financial statements and the MD&A are presented in Canadian dollars and are intended to provide a reasonable basis for the investor to evaluate the Company's development and financial situation.

Forward-Looking Statements

The MD&A contains certain statements that may be deemed "forward-looking statements." All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities, and events or developments that the Company expects to occur, are forward-looking statements. Estimates regarding the anticipated timing, amount and cost of mining at the Copper Mountain mine are based on assumptions underlying mineral reserve and mineral resource estimates and the probability of realizing such estimates are set out in the Updated Feasibility Study on the Copper Mountain Mine. Capital and operating cost estimates are based on extensive research by the Company, recent estimates of construction and mining costs and other factors that are set out herein and in the Updated Feasibility Study. Production estimates are based on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "targets" and similar expressions, or that events or conditions "will", "would", "may" , "could", or "should" occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, but are not limited to: general business, economic, competitive, political and social uncertainties; the limited operating history of the Company; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of the Canadian dollar relative to the United States dollar; changes in project parameters as plans continue to be refined; failure of equipment or process to operate as anticipated; changes in labor costs and other costs and availability of equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavorable operating conditions and losses, detrimental events that interfere with transportation of concentrate or the smelters ability to accept concentrate, including declaration of Force Majeure events, insurrection or war; delays in obtaining governmental approvals or revocation of governmental approvals; title risks and Aboriginal land claims; delays or unavailability in financing or in the completion of development or construction activities; failure to comply with restrictions and covenants in senior loan agreements, actual results of current exploration activities; volatility in Company's publicly traded securities; and the factors discussed in the section entitled "Risk Factors" in the Company's annual information form and in the Company's continuous disclosure filings available under its profile on SEDAR at www.sedar.com. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

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

Highlights

(In thousands of CDN$, other than per share and per pound amounts)	Three months ended December 31, 2016 $	2015 $	Year ended December 31, 2016 $	2015 $
Revenues	84,523	50,018	277,996	241,987
Cash flow from operations	22,518	3,450	46,937	21,582
Gross profit (loss)	17,521	(3,458)	27,590	2,360
Operating income (loss)	14,164	(30,625)	12,924	(31,300)
Adjusted earnings (loss)[1]	8,775	1,534	(3,793)	11,358
Net income (loss)	2,881	(45,818)	11,597	(102,871)
Income (loss) attributable to shareholders of the Company	2,098	(35,066)	7,723	(78,451)
Income (loss) per share[2]	0.01	(0.29)	0.06	(0.66)
Adjusted earnings (loss) per share[3]	0.07	0.01	(0.03)	0.10
EBITDA[4]	20,423	(36,633)	77,512	(54,960)
Adjusted EBITDA[5]	26,317	10,720	62,122	59,269
Cash and cash equivalents			31,409	12,190
Working capital			(791)	(15,365)
Equity			195,533	176,421
Site cash costs per pound of copper produced (net of precious metal credits) (US$)	$1.25	$1.21	$1.12	$1.25
Total cash costs per pound of copper sold (net of precious metal credits) (US$)	$1.64	$1.66	$1.54	$1.74
Realized copper price (US$)	$2.35	$2.21	$2.19	$2.49

Year-end Results and Highlights

- Copper, gold and silver production for the 2016 year at the Copper Mountain Mine was 82.9 million pounds of copper, 30,800 ounces of gold and 291,900 ounces of silver.
- Revenue for the year was $278 million from the sale of 82.7 million pounds of copper, 29,900 ounces of gold, and 283,900 ounces of silver, net of pricing adjustments.
- Cash flows from operations before changes in working capital items for the year were $75.2 million.
- Gross profit for the year was $27.6 million.
- EBITDA was $77.5 million for the year.
- Adjusted EBITDA was $62.1 million for the year.
- Site cash costs for the year were US$1.12 per pound of copper produced net of precious metal credits.
- Total cash costs for the year were US$1.54 per pound of copper sold net of precious metal credits and after all off-site charges.
- Realized prices on metal sales in the quarter were US$2.19 per pound of copper, US$1,269 per ounce of gold and US$17.29 per ounce of silver.

[1] Adjusted earnings (loss) is a non-GAAP financial measure which removes unrealized gains/losses on interest rate swaps, pricing adjustments on concentrate metal sales and foreign currency gains/losses. Comparatives have been adjusted to include pricing adjustments on concentrate metal sales for comparison.

[2] Calculated based on weighted average number of shares outstanding under the basic method based on earnings attributable to shareholders.

[3] Calculated by dividing the total adjusted earnings by the weighted average number of shares outstanding under the basic method.

[4] Earnings before interest, taxes, depreciation and amortization. Refer to the Non-GAAP Performance measures section of this MD&A.

[5] Adjusted EBITDA is a non GAAP financial measure which removes unrealized gains/losses on interest rate swaps, pricing adjustments on concentrate metal sales and foreign currency gains/losses. Refer to the Non-GAAP Performance measures section of this MD&A.

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%.

Following the successful exploration programs of 2007 and 2008 the Company completed an updated Feasibility Study and committed to the development of the Copper Mountain mine. On April 1, 2010 the BC Government issued the approval that allowed for construction of the $438 million development. Mechanical completion of the concentrator and associated facilities was achieved on budget and on schedule at the end of May 2011. Commissioning was finished by the end of June 2011. Production of copper concentrate commenced during the third quarter of 2011.

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

In 2013 management confirmed that the ore was harder than anticipated in the mill design and a secondary crusher was necessary. Construction of the $40 million permanent secondary crushing facility was initiated at the end of 2013 and completed in mid-2014. Since early 2015 the mill has been operating at rates in excess of the 35,000 tpd design capacity. Management continues to focus on maximizing production while minimizing costs.

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

Copper Mountain Mine

The Copper Mountain mine is situated 20 km south of Princeton, British Columbia and 300 km east of the port of Vancouver. Based on current reserves, the mine has a life of 16 years from January 1, 2015. The property consists of 135 Crown granted mineral claims, 156 located mineral claims, 14 mining leases, and 12 fee simple properties covering an area of 6,702.1 hectares or 67 square kilometers.

The mine is a conventional open pit, truck and shovel operation. Mining is divided into multiple development phases with sequential pushbacks in each of the three main pit areas. This development sequence is designed to maximize the discounted cash flow based on the ore value which is reflected in the planned pit phases. In order to maximize the profit in the initial years, the Company is processing ore greater than 0.21% Cu, while ore that is less than 0.21% Cu but greater than 0.1% Cu is being mined and stockpiled (low grade stockpile) for processing in later years.

The Company's mining equipment fleet consists of two Komatsu PC 8000 hydraulic shovels, a Hitachi EX 5500 hydraulic shovel, fifteen Komatsu 240 ton capacity haul trucks, seven Euclid 260 ton haul trucks, a Komatsu WA 1200 loader, four Komatsu D375 dozers, and three Caterpillar 16G graders plus other support equipment typical of an operation of this size.

The mill is comprised of one SAG mill, two ball mills, a rougher floatation circuit, regrind mill, a cleaner floatation circuit, a concentrate thickener, and a pressure filter that produces copper concentrate at 9% moisture. Copper concentrate containing about 25% copper is trucked from the mine to the port of Vancouver where it is placed in a 20,000 tonne capacity storage shed for loading onto ocean going vessels for transportation to Japan.

Mining activities during the year continued to be focused mainly in the Pit #2 area as well as the Virginia pit area up until the end of the third quarter of 2016. During the year a total of 68.8 million tonnes of material was mined, including 23.4 million tonnes of ore and 45.4 million tonnes of waste for a strip ratio of 1.94:1 for the 2016 year. During the quarter, the mine continued utilizing the short waste haul opportunities and focused on maximizing haul truck hours. For the year the mine averaged 188,000 tonnes per day moved at an average mining cost of $1.69 per tonne.

During the year the mill processed a total of 14.2 million tonnes of ore grading 0.324% copper to produce 82.9 million pounds of copper, 30,800 ounces of gold, and 291,900 ounces of silver. Mill recoveries were 81.6% for the year while mill operating time was 92.1%. Mill throughput increased during the year as mine site staff continued to optimize the mill operation. The mill achieved an average throughput rate of 38,900 tpd for the 2016 year and ended the year strongly with a mill throughput rate of 41,200 tpd for the last three months of 2016.

During the year, the Company completed a total of thirteen shipments of copper concentrate containing approximately 82.7 million pounds of copper, 29,900 ounces of gold, and 283,900 ounces of silver which generated $278 million in revenue net of treatment and refining charges and pricing adjustments.

The Company currently has 435 operating employees engaged at the mine site and maintained its excellent safety record and has been awarded the Edward Prior award for the third year in a row as the safest midsized mine in British Columbia.

The following table sets out the major operating parameters for the mine for the three months and year ended December 31, 2016.

Mine Production Information*	**Three months ended December 31,**		**Year ended December 31,**	
Copper Mountain Mine (100% Basis)	**2016**	**2015**	**2016**	**2015**
Mine:				
Total tonnes mined (000's)[6]	17,477	14,051	68,780	57,658
Ore tonnes mined (000's)	6,073	5,783	23,421	22,516
Waste tonnes (000's)	11,404	8,268	45,359	35,142
Stripping ratio	1.88	1.43	1.94	1.56
Mill:				
Tonnes milled (000's)	3,791	3,134	14,238	12,805
Feed Grade (Cu%)	0.31%	0.34%	0.32%	0.34%
Recovery (%)	79.4%	83.1%	81.6%	82.1%
Operating time (%)	93.7%	90.1%	92.1%	91.8%
Tonnes milled (TPD)[7]	41,200	34,070	38,900	35,100
Production:				
Copper production (000's lbs)	20,800	19,400	82,900	77,600
Gold production (oz)	7,100	7,300	30,800	29,200
Silver production (oz)	71,100	60,000	291,900	276,300
Site cash costs per pound of copper produced (net of precious metal credits) (US$)	$1.25	$1.21	$1.12	$1.25
Total cash costs per pound of copper sold (net of precious metal credits) (US$)	$1.64	$1.66	$1.54	$1.74

Exploration – Mine Site

During the second half of 2016 the Company completed a 5,000 meter drill program. The drill program was designed to convert inferred resources into measured and indicated status on the western end of Pit 2. The program was successful in updating the resource, increasing grade, lowering strip ratio, and extending mineralization further to the west. Redesign of the open pit in the newly drilled area is being completed and will result in an increase to the reserve base. The Company intends to follow up this successful drill program in the summer of 2017.

Exploration

A 570 line-km GEOTECH helicopter-borne Z-TEM survey was undertaken and completed over the Fenton project area as well as a number of other company owned properties in the region. Results of the survey will help target areas for further drill testing of the Fenton property and help evaluate the exploration potential of our other properties in the region, in conjunction with recently completed geochemical programs. The exploration team continues to investigate and evaluate early and advanced-exploration properties as well as development projects, which are predominately located within the Americas.

[6] Excludes ore re-handle from stockpile
[7] Tonnes per day
* production numbers may not total due to rounding

Results of Operations

(CDN$)	Three months ended December 31, 2016 $	2015 $	Year ended December 31, 2016 $	2015 $
Revenues	84,523	50,018	277,996	241,987
Cost of sales[8]	(67,002)	(53,477)	(250,406)	(239,627)
Gross profit	**17,521**	**(3,459)**	**27,590**	**2,360**
Other income and expenses				
General and administration	(1,150)	(464)	(5,594)	(6,138)
Property investigation	(338)	(1,476)	(338)	(1,476)
Low grade stockpile write-down	(1,685)	(25,000)	(7,924)	(25,000)
Share based compensation	(184)	(227)	(810)	(1,046)
Operating income	**14,164**	**(30,626)**	**12,924**	**(31,300)**
Low grade stockpile write-down	1,685	25,000	7,924	25,000
Pricing adjustments on concentrate and metal sales	(3,134)	7,495	(11,041)	21,421
Finance income	56	32	199	244
Finance expense	(3,418)	(2,824)	(12,642)	(10,614)
Current resource tax (expense) recovery	(578)	369	(1,157)	(219)
Deferred income and resource tax recovery	-	2,087	-	6,826
Adjusted earnings[9] **(loss)**	**8,775**	**1,533**	**(3,793)**	**11,358**
Pricing adjustments on concentrate and metal sales	3,134	(7,495)	11,041	(21,421)
Unrealized gain (loss) on interest rate swap	2,580	1,623	(91)	(2,315)
Low grade stockpile write-down	(1,685)	(25,000)	(7,924)	(25,000)
Unrealized (loss) gain on foreign exchange	(9,923)	(16,481)	13,007	(65,493)
Loss on sale of fixed asset	-	-	(643)	-
Net income (loss) and comprehensive income (loss) for the period	**2,881**	**(45,820)**	**11,597**	**(102,871)**
Net income (loss) and comprehensive income (loss) attributable to:				
Shareholders of the company	2,098	(35,066)	7,723	(78,451)
Non-controlling interest	783	(10,752)	3,874	(24,420)
	2,881	**(45,818)**	**11,597**	**(102,871)**
Income (loss) per share	**0.01**	**(0.29)**	**0.06**	**(0.66)**
Adjusted earnings per share	**0.07**	**0.01**	**(0.03)**	**0.10**

[8] Cost of sales consists of direct mining and milling costs (which include mine site employee compensation and benefits, mine site general and administrative costs, non-capitalized stripping costs, maintenance and repair costs, operating supplies and external services), depreciation and offsite transportation costs.

[9] Adjusted earnings (loss) is a non-GAAP financial measure which excludes unrealized gains/losses on derivative instruments, changes in fair value of financial instruments, foreign currency gains/losses, pricing adjustments related to metal sales and non-recurring transactions.

For the Three Months Ended December 31, 2016

The Copper Mountain mine produced 20.8 million pounds of copper during the three months ended December 31, 2016 as compared to 19.4 million pounds of copper in the fourth quarter of the prior year. The mine shipped and sold a total of 21.0 million pounds of copper, 7,200 ounces of gold, and 83,300 ounces of silver during the three months ended December 31, 2016; compared to a total of 18.0 million pounds of copper, 7,800 ounces of gold and 62,400 ounces of silver during the three months ended December 31, 2015. Site cash costs were US$1.25 per pound of copper produced, net of precious metal credits, and total cash costs were US$1.64 per pound sold, net of precious metal credits, for the three months ended; compared to site cash costs of US$1.21 per pound of copper produced and total cash costs of US$1.66 per pound of copper sold, net of precious metal credits for the three months ended December 31, 2015.

During the period the Company recognized revenues of $84.5 million, net of pricing adjustments and treatment charges based on an average provisional copper price of US$2.35 per pound; compared to revenues of $50.0 million net of pricing adjustments and an average copper price of US$2.21 per pound for the period ended December 31, 2015. Mining operations for the three month period ended December 31, 2016 resulted in gross profit of $17.5 million as compared to a gross loss of $3.5 million for the period ended December 31, 2015. The net increase in net income for the quarter was directly attributable to the increase in the average realized copper price realized during the quarter as compared to the comparative 2015 quarter, the increase in mill throughput which resulted in more production and sales, and the reduction in costs generally at the site.

Cost of sales represent direct mining and milling costs (which include operating, non-capitalized waste stripping costs, maintenance and repair costs, mine site general and administrative costs, operating supplies and external services), employee compensation and benefits, depreciation and transportation costs. The cost of sales for the three month period ended December 31, 2016, was $67.0 million compared to $53.5 million for the three month period ended December 31, 2015.

General and administration expenses for the three months ended December 31, 2016, were $1.15 million compared to $0.5 million for the three months ended December 31, 2015.

Other items recorded include finance expense of $3.4 million and an income and current resource tax recovery of $0.6 million for the three months ended December 31, 2016, compared to finance expense of $2.8 million, and current resource tax expense of $0.4 million for the three months ended December 31, 2015. Finance expense primarily consists of interest on loans and the amortization of loan related financing fees.

For the Year Ended December 31, 2016

The Copper Mountain mine produced 82.9 million pounds of copper during the year ended December 31, 2016, compared to 77.6 million pounds of copper produced in the prior year. The mine shipped and sold 82.7 million pounds of copper, 29,900 ounces of gold, and 283,900 ounces of silver during the year ended December 31, 2016; compared to 79.8 million pounds of copper, 29,500 ounces of gold and 287,100 ounces of silver during the year ended December 31, 2015. Site cash costs were US$1.12 per pound of copper produced, net of precious metal credits and total cash costs were US$1.54 per pound sold, net of precious metal credits for the year ended December 31, 2016; compared to site cash costs of US$1.25 per pound of copper produced and total cash costs of US$1.74 per pound of copper sold, net of precious metal credits for the year period ending December 31, 2015.

During the period the Company recognized revenues of $278 million, net of pricing adjustments and treatment charges based on an a realized copper price of US$2.19 per pound; compared to revenues of $242.0 million net of pricing adjustments and an average copper price of $US2.49 per pound for the year ended December 31, 2015. Gross profit for the year ended December 31, 2016 was $27.5 million as compared to $2.4 million for the year ended December 31, 2015. The Company reported net income attributable to the shareholders of the Company of $7.7 million or $0.06 per share for the year ended December 31, 2016, compared to a net loss of $78.5 million or $0.66 per share for the year ended December 31, 2015. The net income for the year ended December 31, 2016, included a write down of $7.9 million to the low grade stockpile, a non-cash unrealized foreign exchange gain of $13 million which was primarily related to the Company’s debt that is denominated in U.S. dollars. This compares to a deferred income and resource tax expense of $6.8 million, an unrealized foreign exchange loss of $65.4 million and an unrealized loss of $2.3 million related to the revaluation of the interest rate swap liability required under the Company’s loan agreements for the year ended December 31, 2015.

Cost of sales represent direct mining and milling costs (which include operating, non-capitalized waste stripping costs, maintenance and repair costs, mine site general and administrative costs, operating supplies and external services), employee compensation and benefits, depreciation and transportation costs. The cost of sales for the year ended December 31, 2016, was $250.4 million compared to $239.6 million for the year ended December 31, 2015.

General and administration expenses for the year ended December 31, 2016, was $5.5 million compared to $6.1 million for the year ended December 31, 2015. Non-cash share based compensation reflected an expense of $0.8 million for the year ended December 31, 2016, compared to an expense of $1.0 million for the year ended December 31, 2015.

Other items recorded under other income and expense include property investigation costs of $0.34 million, finance income of $0.2 million, finance expense of $12.6 million, compared to property investigation costs of $1.5 million, finance income of $0.20 million, finance expense of $10.6 million and a current and deferred income and resource tax expense of $6.8 million for the prior period. Finance expense primarily consists of interest on loans and the amortization of financing fees.

Selected Annual Information

	Years ended December 31, 2016 $	2015 $	2014 $
Revenue	277,996	241,987	265,676
Net income (loss)	11,597	(102,871)	(22,531)
Earnings (loss) attributed to shareholders	7,723	(78,451)	(18,220)
Basic income (loss) per share	0.06	(0.66)	(0.15)
Diluted income (loss) per share	0.06	(0.66)	(0.15)
Total assets	647,790	647,305	692,663
Total non-current liabilities[10]	345,544	386,457	357,647

Summary of Quarterly Results

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

Quarter	Revenue[11] $	Net income (Loss) $	Profit (Loss) Attributable to Shareholders $	Cash flow from operations $	Income (Loss) per Share Basic $	Income (Loss) per Share Diluted $
December 31, 2016	84,523	2,881	2,098	22,518	0.02	0.02
September 30, 2016	72,195	(7,937)	(6,098)	15,862	(0.05)	(0.05)
June 30, 2016	62,552	(2,275)	(1,894)	13,720	(0.02)	(0.02)
March 31, 2016	58,726	18,928	13,617	(5,163)	0.11	0.11
December 31, 2015	50,018	(45,818)	(35,066)	3,450	(0.29)	(0.29)
September 30, 2015	63,702	(28,121)	(21,059)	4,774	(0.18)	(0.18)
June 30, 2015	56,810	2,872	1,642	14,984	0.01	0.01
March 31, 2015	71,457	(31,803)	(23,968)	(1,626)	(0.20)	(0.20)

Cash flow from operations and Net Income (Loss) and Profit (Loss) attributable to the shareholders varies from period to period primarily as a result of operational performance discussed in the overview section above, 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 U.S. dollars.

Management of the Company believe that as a result of the Company having U.S. denominated debt, selling Copper, Gold and Silver in U.S. dollars and reporting the financial statements in Canadian dollars, the unrealized foreign exchange loss or gain each quarter can have a significant impact on the results of the Company if the reader of the financial statements if just looking at net income only. As a result, management believe that readers of the financial statements should look to adjusted EBITDA, Adjusted Earnings and Adjusted Earnings per share as an alternative to evaluate the Company's performance during the period. The following table contains selected quarterly non-GAAP financial information derived from the Company's financial statements and should be read in conjunction with the consolidated quarterly financial statements which are reported under IFRS applicable to interim financial reporting.

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[10] Non-current liabilities include decommissioning and restoration provision, interest rate swap liability and long-term debt.

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

Quarter	Revenue[6] $	Adjusted EBITDA $	Cash Flow from Operations before working capital changes $	Adjusted Earnings $	Adjusted Earnings (Loss) per Share Basic $
December 31, 2016	84,523	26,317	22,518	8,775	0.07
September 30, 2016	72,195	16,611	17,622	(1,332)	(0.01)
June 30, 2016	62,552	10,043	14,335	(5,313)	(0.04)
March 31, 2016	58,726	7,194	15,161	(7,880)	(0.07)
December 31, 2015	50,018	10,720	3,450	1,535	0.01
September 30, 2015	63,702	14,684	13,930	2,035	0.02
June 30, 2015	56,810	15,426	6,901	3,477	0.03
March 31, 2015	71,457	18,439	17,876	4,312	0.04

Liquidity Risk

As at December 31, 2016, the Company had negative working capital of $0.8 million compared to negative working capital of $15.4 million at December 31, 2015. Included in the negative working capital is $22.7 million due to MMC (Note 16 (c)) and this amount is not expected to be repaid within the next twelve months. The Company has no future material commitments for capital expenditures as of December 31, 2016.

The recent strength in US denominated commodity prices have had a positive impact on the Company's operating results, increasing operating income and cash generated from operating activities from an operating loss of $31.3 million and cash flows of $21.6 million for the year ended December 31, 2015 to operating income of $12.9 million and cash flows of $46.9 million for the year ended December 31, 2016. 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$28.9 million, which the Company expects to be able to fund through cash flows from operations. Included in the USD$28.9 million is a payment of US$4.8 million, which has been paid in February 2017 by MMC to Similco Finance on the Company's behalf. However, the current commodity price and exchange rate environment can be volatile and accordingly will have an impact on the Company's cash flows.

Despite the higher copper price being realized in early 2017, 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 copper output levels. The Company has benefited from a five year power rate deferral program implemented by the Government of British Columbia; however, with the recent increase in copper prices, the Company no longer qualifies for the full 75% deferral. The program started in March of 2016 and the Company deferred $15.4 million in electricity charges as of December 31, 2016. This deferral carries an interest rate of prime plus 5%. The Company has started to repay this amount to BC Hydro and future payments will be dependent on future copper prices and US/CAD exchange rates. In addition, the Company changed fuel suppliers at the beginning of 2016 which contributed to savings at the mine and will carry on into the future. The Company remains vigilant for other opportunities to reduce costs and improve net cash generation.

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

As at December 31, 2016 the Company had a total of $8.2 million on deposit with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain Mine. The Company receives interest from these funds on deposit.

As at December 31, 2016, the Company had the following consolidated contractual obligations:

	Contractual Obligation (CDN$)			
Annual repayments	Long term debt	Lease obligations	Decommissioning & restoration provision	Accounts payable
2017	37,597	7,544	-	17,868
2018	44,042	6,726	-	-
2019	48,829	-	-	-
2020	54,160	-	-	-
2021	69,930	-	-	-
2022 and later	97,348	-	6,312	-
Total	**351,906**	**14,270**	**6,312**	**17,868**

Cash to meet the Company's future cash commitments will come from existing cash on hand and from cash flow from operations. The Company manages liquidity by continuously monitoring and forecasting cash flows.

The Company had no material commitments for capital expenditures as of December 31, 2016.

Capital Resources

As at December 31, 2016 the Company had a total of $49.0 million of capital resources in the form of $31.4 million in cash and cash equivalents, $12.2 million in concentrate sales receivables, and $5.4 million of concentrate inventory. Cash on hand at any particular point in time is variable depending on timing of shipments and timing of finalization of past shipments. During the year, the Company generated an increase in cash of $19.2 million after making all senior credit facility and term debt and interest payments.

Off-Balance Sheet Arrangements

None

Transactions with Related Parties

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

- During the year ended December 31, 2016 the Company sold copper concentrates to MMC with revenues totalling $277,996 (2015 – $241,987) including pricing adjustments.
- During the year ended December 31, 2016 the Company accrued interest on the subordinated loan with MMC totalling $467 (2015 - $467).
- As at December 31, 2016 the Company has accrued to MMC a guarantee fee related to the Term Loan of $2,767 (2015 - $2,450). The Company has also received funding advances from MMC totalling $19,054 (2015 - $6,049). These advances bear interest at 2.88% to 4.80% with total accrued interest of $833 (2015 - $414).

- A company controlled by a director of the Company agreed to purchase 642 acres of land adjoining the mine site for future expansion opportunities. Under the terms of the put/call agreement the Company has the irrevocable right to call the land from the company controlled by the director at any time for the same price as the company controlled by the director paid for the land. Similarly, the company controlled by the director has the irrevocable right to put the land to the Company at any time after January 16, 2016. The purchase price of the land is $1,530 plus out of pocket expenses.

- During the year ended December 31, 2016 the Company awarded bonuses totalling $450 to its CEO and CFO in the form of promissory notes bearing an interest rate of 2.88% annually and to be paid out one year from the date of issue.

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

	Three months ended December 31,		**Year ended December 31,**	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Salaries and short-term employee benefits	378	543	1,964	2,295
Share-based payments	219	181	655	829
	575	**623**	**2,619**	**3,124**

Proposed Transactions

None

Critical Accounting Estimates

The Company's significant accounting policies are presented in note 3 of the audited consolidated financial statements for the year ended December 31, 2016. The preparation of consolidated financial statements in accordance with International Financial Reporting Standard "IFRS" requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the consolidated financial statements. These estimates include:

- impairment review
- mineral resources and reserves,
- current and deferred income and resource taxes
- the assumptions used in determining the decommissioning and restoration provision
- inventory valuation

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

Change in Accounting Policies, Including Initial Adoption

None.

New Accounting Standards Adopted

None.

Financial Instruments and Other Instruments

Please refer to note 2(d) of the audited financial statements for the year ended December 31, 2016.

Non-GAAP Performance Measures

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

Cash costs per pound

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

Site Cash Cost Per Pound of Copper Produced	**Three months ended December 31,**		**Year ended December 31,**	
	2016	**2015**	**2016**	**2015**
Cash Cost of Sales	58,880	51,306	223,938	223,167
Net change in concentrate inventory	287	2,148	880	(5,528)
	59,167	**53,454**	**224,818**	**217,639**
Less: Off-site related costs				
Treatment & refining charges	(5,480)	(6,679)	(25,846)	(27,688)
Transportation costs	(4,994)	(2,778)	(16,304)	(14,855)
Trucking charges	(1,095)	(1,201)	(5,335)	(5,394)
Total Site Cash Costs of Production	**47,598**	**42,796**	**177,333**	**169,702**
Average foreign exchange rate (CDN$ to US$)	0.7494	0.7490	0.7550	0.7822
Total Site Cash Costs of Production (US$)	**35,670**	**32,052**	**133,887**	**132,735**
Less precious metal credits (US$)	(9,657)	(8,572)	(41,334)	(35,945)
	26,013	**23,480**	**92,553**	**96,790**
Total pounds of copper produced	**20,800**	**19,400**	**82,900**	**77,600**
Total ounces of gold produced	7,100	7,300	30,800	29,200
Total ounces of silver produced	71,100	60,000	291,900	276,300
Site cash costs per pound net of precious metal credits (US$)	**$1.25**	**$1.21**	**$1.12**	**$1.25**

Total Cash Cost of Sales Per Pound of Copper Sold	**Three months ended December 31,**		**Year ended December 31,**	
	2016	**2015**	**2016**	**2015**
Cost of Sales	**67,002**	**53,477**	**250,406**	**239,627**
Add: Treatment & refining charges	5,480	6,679	25,847	27,688
Less: non-cash items:				
Depreciation	(13,602)	(8,850)	(52,315)	(44,148)
Cash costs of sales	**58,880**	**51,306**	**223,938**	**223,167**
Average foreign exchange rate (CDN$ to US$)	0.7494	0.7490	0.7550	0.7822
Cash costs of sales (US$)	**44,125**	**38,426**	**169,073**	**174,554**
Less: Precious metal credits (US$):	(9,657)	(8,572)	(41,334)	(35,945)
Net cash costs of sales (US$)	**34,468**	**29,854**	**127,739**	**138,609**
Total pounds of copper sold	**21,000**	**18,000**	**82,700**	**79,800**
Total ounces of gold sold	7,200	7,800	29,900	29,500
Total ounces of silver sold	83,300	62,400	283,900	287,100
Cash Cost per pound of copper sold net of precious metal credits (US$)	**$1.64**	**$1.66**	**$1.54**	**$1.74**

Cash Margin

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

	Three months ended December 31,		**Year ended December 31,**	
	2016	**2015**	**2016**	**2015**
Average realized copper price for the period (US$ per pound)	$2.35	$2.21	$2.19	$2.49
Less:				
Total cash cost of sales net of precious metal credits(US$ per pound sold)	$1.64	$1.66	$1.54	$1.74
Cash margin (US$ per pound)	**$0.71**	**$0.55**	**$0.64**	**$0.75**

Adjusted Earnings (Loss)

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

- Unrealized gains/losses on derivative instruments;
- Changes in fair value of financial instruments;
- Foreign currency translation gains/losses and
- Non-recurring transactions

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

EBITDA and Adjusted EBITDA

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

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

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

EBITDA and Adjusted EBITDA	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Net loss	2,881	(45,818)	11,597	(102,871)
Add (Deduct):				
Finance income	(56)	(32)	(199)	(244)
Finance expense	3,418	2,824	12,642	10,614
Depreciation	13,602	8,850	52,315	44,148
Deferred income and resource tax recovery	-	(2,087)	-	(6,826)
Current resource tax expense (recovery)	578	(369)	1,157	219
EBITDA	**20,423**	**(36,632)**	**77,512**	**(54,960)**
Add (Deduct):				
Pricing adjustments on concentrate and metal sales	(3,134)	7,495	(11,041)	21,421
Unrealized (gain) loss on interest rate swaps	(2,580)	(1,623)	91	2,315
Low grade stockpile write down	1,685	25,000	7,924	25,000
Unrealized Foreign exchange loss (gain)	9,923	16,481	(13,007)	65,493
Loss on sale of fixed asset	-	-	643	-
Adjusted EBITDA	**26,317**	**10,721**	**62,122**	**59,269**

Other MD&A Requirements

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

The following details the share capital structure as at February 19, 2015 the date of this MD&A.

	Expiry Date	Exercise Price	Number	Number
Common shares				132,650,927
Share purchase options	April 5, 2017	$4.52	850,000	
	Feb. 20, 2019	$1.92	3,225,000	
	Jun 30, 2020	$0.50	75,000	
	Sep. 18, 2020	$0.59	592,500	
	Jan. 26, 2021	$0.39	2,200,000	
			6,942,500	
Fully diluted shares outstanding				**139,400,927**

Internal Controls Over Financial Reporting and Disclosure Controls and Procedures

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

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

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

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

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

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial reporting and disclosure. Other than changes related to our conversion to IFRS, there have been no changes in our internal control over financial reporting and disclosure controls and procedures during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

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

Risks and Uncertainties

The Company’s success depends on a number of factors, most of which are beyond the control of the Company. Typical risk factors include copper, gold and silver price fluctuations, foreign currency fluctuations, and operating uncertainties encountered in the mining business. Future government, legal or regulatory changes could affect any aspect of the Company’s business, including, among other things, environmental issues, land claims, permitting and taxation costs all of which could adversely affect the ability of the Company to develop the Copper Mountain mine. These risks and uncertainties are managed by experienced managers, advisors and consultants, by maintaining adequate liquidity, and by cost control initiatives.

Copper Mountain Mining Corporation

Consolidated Financial Statements
For the Years Ended December 31, 2016 and 2015

February 17, 2017

Independent Auditor's Report

To the Shareholders of Copper Mountain Mining Corporation

We have audited the accompanying consolidated financial statements of Copper Mountain Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of income (loss) and comprehensive income (loss), cash flows, and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Copper Mountain Mining Corporation as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

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Copper Mountain Mining Corporation

Consolidated Statement of Financial Position
(In thousands of Canadian dollars)

	December 31, 2016 $	December 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents	31,409	12,190
Accounts receivable and prepaid expenses (note 4)	26,048	11,990
Inventory (note 5)	48,465	44,882
	105,922	69,062
Reclamation bonds (note 10a)	8,232	8,232
Property, plant and equipment (note 6)	463,080	519,750
Low grade stockpile (note 5)	70,556	50,262
	647,790	**647,306**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	36,488	42,399
Amounts payable to related parties (note 16)	22,653	8,913
Current portion of long-term debt (note 9)	46,415	33,115
Current tax liability	1,157	-
	106,713	84,427
Electricity deferral (note 8)	15,385	-
Decommissioning and restoration provision (note 10b)	6,312	7,787
Interest rate swap liability (note 9)	4,088	7,061
Long-term debt (note 9)	319,759	371,610
	452,257	470,885
Equity		
Attributable to shareholders of the Company:		
Share capital (note 11)	194,208	188,306
Contributed surplus	14,773	12,929
Accumulated deficit	(73,656)	(81,379)
	135,325	119,856
Non-controlling interest	60,208	56,565
Total equity	195,533	176,421
	647,790	**647,306**

Approved on behalf of the Board of Directors

(signed) Jim O'Rourke Director

(signed) Bruce Aunger Director

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

Copper Mountain Mining Corporation

Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
For the Years Ended December 31, 2016 and 2015
(In thousands of Canadian dollars, except for number of and earnings per share)

	2016 $	2015 $
Revenue (note 13)	277,996	241,987
Cost of sales (note 14)	(250,406)	(239,627)
Gross profit	27,590	2,360
General and administration (note 14)	(5,594)	(6,138)
Property investigation (note 6)	(338)	(1,476)
Low grade stockpile write-down (note 5)	(7,924)	(25,000)
Share based compensation (note 12)	(810)	(1,046)
Income (loss) from operations	12,924	(31,300)
Finance income	199	244
Finance expense (note 15)	(12,642)	(10,614)
Unrealized loss on interest rate swap	(91)	(2,315)
Foreign exchange gain (loss)	13,007	(65,493)
Loss on sale of fixed asset	(643)	-
Income (loss) before tax	12,754	(109,478)
Current resource tax expense	(1,157)	(219)
Deferred income and resource tax recovery	-	6,826
Net income (loss) and comprehensive income (loss)	**11,597**	**(102,871)**
Net income (loss) and comprehensive income (loss) attributable to:		
Shareholders of the Company	7,723	(78,451)
Non-controlling interest	3,874	(24,420)
	11,597	**(102,871)**
Income (loss) per share:		
Basic	$0.06	$(0.66)
Diluted	$0.06	$(0.66)
Weighted average shares outstanding, basic and diluted	124,371,814	118,795,427
Shares outstanding at end of the year	132,650,927	118,795,427

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

Copper Mountain Mining Corporation

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015
(In thousands of Canadian dollars)

	2016 $	2015 $
Cash flows from operating activities		
Net income (loss) for the year	11,597	(102,871)
Adjustments for:		
Depreciation	52,315	44,148
Loss on disposal of fixed assets	643	-
Low grade stockpile write-down (note 5)	7,924	25,000
Unrealized foreign exchange (gain) loss	(10,776)	65,443
Unrealized loss on interest rate swap	91	2,315
Deferred income and resource tax recovery	-	(6,826)
Finance expense	12,642	10,614
Share based compensation	810	1,046
	75,246	38,869
Net changes in working capital items (note 17)	(28,309)	(17,287)
Net cash from operating activities	46,937	21,582
Cash flows from investing activities		
Deferred stripping activities	(1,980)	-
Development of property, plant and equipment	(4,806)	(3,723)
Proceeds on disposal of fixed asset	510	-
Net cash used in investing activities	(6,276)	(3,723)
Cash flows from financing activities		
Issue of common shares - net of issue costs	7,025	-
Contributions from non-controlling interest	12,829	2,021
Payments to non-controlling interest	-	(1,959)
Loan principal paid	(17,416)	(8,406)
Interest paid	(17,337)	(11,684)
Finance lease payments	(6,134)	(8,484)
Net cash used in financing activities	(21,033)	(28,512)
Effect of foreign exchange rate changes on cash and cash equivalents	(409)	1,243
Increase (decrease) in cash and cash equivalents	19,219	(9,410)
Cash and cash equivalents - Beginning of year	12,190	21,600
Cash and cash equivalents - End of year	**31,409**	**12,190**

Supplementary cash flow disclosures (note 17)

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

Copper Mountain Mining Corporation

Consolidated Statements of Changes in Equity
(In thousands of Canadian dollars, except for number of shares)

Attributable to equity owners of the Company

	Number of Share	Amount $	Contributed surplus $	Retained earnings (deficit) $	Total $	Non-controlling interest $	Total equity $
Balance January 1, 2015	118,795,427	188,306	11,818	(2,928)	197,196	82,944	280,140
Share based compensation	-	-	1,111	-	1,111	-	1,111
Payments made to Non-controlling interest	-	-	-	-	-	(1,959)	(1,959)
Loss for the year	-	-	-	(78,451)	(78,451)	(24,420)	(102,871)
Balance – December 31, 2015	**118,795,427**	**188,306**	**12,929**	**(81,379)**	**119,856**	**56,565**	**176,421**
Shares issued for cash	13,855,500	6,549	1,124	-	7,673	-	7,673
Share issue costs	-	(647)	-	-	(647)	-	(647)
Share based compensation	-	-	720	-	720	-	720
Payments made to non-controlling interest	-	-	-	-	-	(231)	(231)
Income for the year	-	-	-	7,723	7,723	3,874	11,597
Balance December 31, 2016	**132,650,927**	**194,208**	**14,773**	**(73,656)**	**135,325**	**60,208**	**195,533**

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

1 Nature of operations and liquidity risk

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 December 31, 2016, the Company had negative working capital of $0.8 million compared to negative working capital of $15.4 million at December 31, 2015. Included in the negative working capital is $22.7 million due to MMC (Note 16 (c)) and this amount is not expected to be repaid within the next twelve months. The Company has no future material commitments for capital expenditures as of December 31, 2016.

The recent strength in US denominated commodity prices have had a positive impact on the Company's operating results, increasing operating income and cash generated from operating activities from an operating loss of $31.3 million and cash flows of $21.6 million for the year ended December 31, 2015 to operating income of $12.9 million and cash flows of $46.9 million for the year ended December 31, 2016. 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$28.9 million, which the Company expects to be able to fund through cash flows from operations. Included in the USD$28.9 million is a payment of US$4.8 million, which has been paid in February 2017 by MMC to Similco Finance on the Company's behalf. However, the current commodity price and exchange rate environment can be volatile and accordingly will have an impact on the Company's cash flows.

Despite the higher copper price being realized in early 2017, 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 copper output levels. The Company has benefited from a five year power rate deferral program implemented by the Government of British Columbia; however, with the recent increase in copper prices, the Company no longer qualifies for the full 75% deferral. The program started in March of 2016 and the Company deferred $15.4 million in electricity charges as of December 31, 2016. This deferral carries an interest rate of prime plus 5%. The Company has started to repay this amount to BC Hydro and future payments will be dependent on future copper prices and US/CAD exchange rates. In addition, the Company changed fuel suppliers at the beginning of 2016 which contributed to savings at the mine and will carry on into the future. The Company remains vigilant for other opportunities to reduce costs and improve net cash generation.

Management has received an extension of the required funding of the debt service and capex reserve accounts relating to the Company's Senior Credit Facility by providing corporate guarantees. Such extensions have been obtained in the past but there are no guarantees they will continue to be obtained in the future.

2 Basis of presentation

a. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements were approved for issue on February 17, 2017, by the Board of Directors.

b. Foreign currency translation

The consolidated 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 gains or losses are recognized in profit or loss. The determination of functional currency requires the use of judgement as the Company has transactions in both Canadian and US dollars.

c. Use of estimates and judgements

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

The Company's management reviews these estimates and underlying assumptions on an ongoing bases. Estimates are based on historical experience and other factors, including the expectation of future events considered to be reasonable under the circumstances. However, actual results may differ from these estimates. Revisions to accounting estimates are recognized prospectively in the period in which the estimates are revised and any future periods affected. The estimates and judgements used in the preparation of these consolidated financial statements are included in the notes to these consolidated financial statements with those items which could have a material affect on these consolidated financial statements outlined below.

Impairment review

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life of-mine estimates. The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, taxes, close down and restoration costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the estimate of recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be impaired with the impact recorded in the consolidated statements of loss.

Mineral reserve estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects* (NI 43-101). Reserves are used in the calculation of depreciation, impairment assessment and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates could have a material affect in the future of the Company's financial position and results of operation.

Inventory valuation

Stockpiled ore and concentrate inventory are valued at the lower of average cost and net realizable value. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and future metal prices less estimated future production costs to convert the inventory into saleable form and associated selling costs. The determination of future sales price, production and selling costs requires assumptions that may impact the stated value of inventory.

Decommissioning and restoration provisions

Accounting for restoration provisions requires management to make estimates of the future costs the Company will incur to complete the restoration and remediation work required to comply with its permits, existing laws and regulations. Actual costs incurred may differ from those amounts estimated. In addition, future changes to environmental laws and regulations could increase the extent of restoration work required to be performed by the Company. Increases in future costs could materially impact the provision for restoration. The provision represents management's best estimate of the present value of the future restoration and remediation costs.

Current and deferred taxes

Judgment is required in determining whether deferred tax assets are recognized on the balance sheet. Deferred tax assets, including those arising from unutilized tax losses require management to assess the probability that the Company and its subsidiaries will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction.

3 Significant accounting policies

a. Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the derivative financial instruments, which is stated at fair value. In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b. Consolidation

The financial statements of the Company consolidate the accounts of Copper Mountain Mining Corporation and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The significant subsidiary entities of Copper Mountain are listed below. Each of the entities has a December 31 year end.

Entity	**Location**	**Proportion of ownership interest**	**Non-controlling interest**
Copper Mountain Mine (BC) Ltd.	Canada	75%	25%
Similco Finance Ltd.	Canada	75%	25%
Copper Mountain Operating Company Ltd.	Canada	100%	-
Princeton GP Ltd.	Canada	75%	25%

Substantially all of the Company’s activities are conducted through non-wholly owned subsidiaries, with the exception of general administration expenses incurred within the parent company.

c. Non-controlling interest

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. The non-controlling interests’ share of net income and comprehensive income is presented separately in the statement of loss and comprehensive loss directly in equity. Changes in the parent company’s ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

d. Financial instruments

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, reclamation bonds, accounts payable and accrued liabilities, debt and interest rate swap liabilities.

Cash and cash equivalents and reclamation bonds

Cash and cash equivalents comprise of cash in bank accounts and on hand and other short-term investments with initial maturities of less than 90 days. Cash subject to restrictions is excluded.

Cash and cash equivalents, restricted cash and reclamation bonds have been classified as loans and receivables and are recorded at amortized cost.

Accounts receivable

Trade accounts receivable are classified as loans and receivables and accordingly are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method. Included in accounts receivable are provisionally priced receivables recorded at fair value through profit and loss.

Derivatives

The Company periodically enters into derivative instruments to mitigate risk. The Company does not apply hedge accounting. Derivative financial instruments are classified as held-for-trading and measured at fair value. Changes in fair value of derivative instruments are recorded in profit or loss.

Accounts payable and accrued liabilities and debt

Accounts payable and accrued liabilities and debt are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption amount is recognized in net earnings over the period to maturity using the effective interest rate method.

e. Inventory

Concentrate and ore stockpile inventories are valued at the lower of average cost and net realizable value. Ore stockpiles include materials extracted from the mine and stockpiled before and after the crushing process. Concentrate inventories include concentrates located at the mine, port facility or in transit. Ore stockpiles not expected to be processed in the next twelve months, are included in non-current inventory. Ore stockpiles and concentrate inventory costs include all direct costs incurred in production including direct labour and materials, freight, depreciation and amortization, and directly attributable overhead costs. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. If the circumstances that caused the write-down no longer exist, the amount of the write-down is reversed.

Consumable stores inventories are valued at the lower of weighted average cost and net realizable value. Cost includes acquisition, freight, and other directly attributable costs.

f. Property, plant and equipment

Exploration and evaluation

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized as exploration and evaluation assets and classified as a component of property, plant and equipment. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Development

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as construction-in progress and classified as a component of property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the manner intended by management, are capitalized.

The Company determines the date for commencement of production based on consideration of sustained operating levels and production of saleable concentrate.

The costs of removing waste and overburden (stripping costs) to access ore prior to the commencement of mine operations are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

Stripping costs after the commencement of operations are incurred both in relation to the production of inventory of that period and also for improved access to ore to be mined in the future. Stripping costs incurred relating to current ore production are included as part of inventory, while stripping costs incurred relating to improved access and future development are capitalized as a stripping activity asset.

Stripping costs benefiting future periods are identified by reference to the waste to ore stripping ratio. In periods when the life of a mining phase stripping ratio exceeds the average expected stripping ratio, the excess costs over the mine stripping ratio expected costs are capitalized as stripping activity assets.

Stripping activity assets are amortized on a unit of production basis over the proven and probable reserves over the remaining life of each mining phase to which they relate.

Property, plant and equipment

Plant and equipment are recorded at cost less accumulated amortization. Costs for facilities under construction include all expenditures incurred directly in connection with project development.

Mobile mining equipment is recorded at cost and amortized over its estimated useful economic life based on operating hours. Repairs and maintenance costs are expensed during the period in which they are incurred. Other equipment and buildings are recorded at cost and amortized over their estimated useful lives on a straight-line basis between 5 to 16 years. Resource property assets are amortized on a units of production basis over proven and probable reserves. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

The following table outline the methods used to amortized property, plant and equipment:

Assets	Depreciation Method
Buildings	Straight line
Mobile mining equipment	Hours of operation
Light duty vehicles	Straight line
Plant and equipment	Units of production
Resource property	Units of production
Stripping activity assets	Units of production

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of income in the period in which they are incurred.

Impairment of tangible assets

The carrying amounts of tangible assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Cash-generating units are individual operating mines or exploration and development projects. The recoverable amount of an asset is determined as the higher of its fair value less costs of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs of disposal, fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. For mining assets fair value less costs of disposal is typically estimated using a discounted cash flow approach. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying value, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. When an impairment loss exists it is recorded as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Leases

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

g. Decommissioning and restoration provisions

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk free rate. The restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate.

The restoration provision is also accreted to full value over time through periodic charges to income. The amount of the restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to a restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit. A revision in estimates or a new disturbance will result in an adjustment to the liability with an offsetting adjustment to the related asset.

h. Provisions

Provisions for restructuring costs and legal claims, where applicable, are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

i. Revenue recognition

Sales of metal in concentrates are recognized on a provisional pricing basis when title transfers and the rights and obligations of ownership pass to the customer, which occurs upon shipment. Final pricing for concentrates sold is not determined at that time as it is contractually linked to market prices at a subsequent date. These pricing arrangements have the characteristics of a derivative instrument as the value of the accounts receivable will vary as prices for the underlying commodities vary in the metal markets. These price adjustments result in gains in a rising price environment and losses in a declining price environment and are recorded as adjustments to revenues.

j. Current and deferred income and resource taxes

Income tax expense comprises current and deferred income and resource tax. The Company records B.C. Mineral Tax as an income tax. Income tax expense is recognized in the statement of income (loss) except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same entity or entities where there is an intention to settle balances on a net basis.

k. Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and are recorded over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

l. Share capital

The Company records proceeds from share issuances net of issue costs. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares is concluded.

m. Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding in the period.

Diluted earnings per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In periods of loss basic and diluted earnings per share are the same as dilutive instruments have an anti-dilutive effect.

n. New Accounting Pronouncements

The following standards and pronouncements have been issued by the IASB and have not yet been adopted by the Company. The Company is in the process of assessing the impact the new and amended standards on its financial statements.

IFRS 16 – Leases

IFRS 16 establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). IFRS 16 replaces the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 is effective from January 1, 2019 though a company can choose to apply IFRS 16 before that date but only in conjunction with IFRS 15 Revenue from Contracts with Customers. The Company is currently assessing the impact of this standard.

IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company does not expect this standard to have a material impact on the financial statements.

IFRS 15 – Revenue from contracts with customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

(In thousands of Canadian dollars, except where otherwise stated)

The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is currently assessing the impact of IFRS 15.

4 Accounts receivable and prepaid expenses

	2016 **$**	**2015** **$**
Amounts due from concentrate sales	12,155	17,604
Pricing adjustments	10,810	(9,140)
GST and other receivables	1,843	2,100
Prepaid expenses	1,240	1,426
	26,048	**11,990**

5 Inventory

	2016 **$**	**2015** **$**
Supplies	18,396	17,558
Ore stockpile	23,431	21,240
Crushed ore stockpile	1,237	1,931
Copper Concentrate	5,401	4,152
	48,465	**44,881**
Low grade stockpile[1]	**70,556**	**50,262**

Inventory expensed during the period ended December 31, 2016 totaled $234,102 (2015 – $224,772).

During the year ended December 31, 2016, the Company recorded a charge of $7,924 (2015 – $25,000) to the low grade stockpile. These write downs were necessary to record the low grade stockpile at net realizeable value.

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

(In thousands of Canadian dollars, except where otherwise stated)

6 Property, plant and equipment

Cost	Plant and equipment $	Exploration and evaluation asset $	Mineral properties and mine development costs $	Total $
As at January 1, 2015	519,224	6,767	158,871	684,862
Additions	10,448	45	-	10,493
Disposals	-	(398)	-	(398)
Restoration provision	-	-	(15)	(15)
As at December 31, 2015	529,672	6,414	158,856	694,942
Additions	2,297	288	2,372	4,957
Disposals	(1,454)	-	-	(1,454)
Restoration provision	-	-	(1,471)	(1,471)
As at December 31, 2016	**530,515**	**6,702**	**159,757**	**696,974**

Accumulated depreciation	Plant and equipment	Exploration and evaluation asset $	Mineral properties and mine development costs $	Total $
As at January 1, 2015	(95,628)	-	(30,115)	(125,743)
Depreciation charge	(33,618)	-	(15,831)	(49,449)
As at December 31, 2015	(129,246)	-	(45,946)	(175,192)
Depreciation charge	(41,188)	-	(17,514)	(58,702)
As at December 31, 2016	**(170,434)**	**-**	**(63,460)**	**(233,894)**
Net book value				
As at December 31, 2015	400,426	6,414	112,910	519,750
As at December 31, 2016	**360,081**	**6,702**	**96,297**	**463,080**

The Company reviews the carrying value of assets at the end of each reporting period for indicators of impairment using both internal and external sources of information. The Company did not identify any indicators of impairment as at December 31, 2016.

7 Accounts payable and accrued liabilities

	2016 $	2015 $
Trade accounts payable	17,868	19,459
Accrued liabilities	17,141	21,149
Current portion of interest rate swap liability (note 9(b))	1,363	1,765
Deferred Share Units liability	116	26
	36,488	**42,399**

(In thousands of Canadian dollars, except where otherwise stated)

8 Deferral of electricity payments

For the period ended December 31, 2016, the Company has deferred electricity payments totalling $15,385 under BC Hydro's five-year power rate deferral program for BC mines. The program became effective March 1, 2016 and will allow the Copper Mountain mine to defer up to 75% of electricity costs. The deferral amount is based on a formula incorporating the average copper price during the preceding month priced in Canadian dollars. The balance, plus interest at the prime rate plus 5%, will be repayable on a monthly schedule if the average copper price during the preceding month exceeds a threshold amount. Any remaining deferred balance will be repayable at the end of the five year term. As forecasted copper prices incorporated into the formula do not trigger repayment, the deferred amounts have been classified as a long-term financial liability.

9 Long-term debt

	2016 $	2015 $
Senior credit facility (b) in US$	116,694	125,094
Term loan (c) in US$	136,153	143,684
Total US$ long term debt in US$	252,847	268,778
Total US$ long term debt in CAD$	339,496	371,988
Subordinated loan (a)	12,408	11,838
Leases (d)	14,270	20,899
Total	366,174	404,725
Less: current portion	(46,415)	(33,115)
	319,759	**371,610**

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 December 31, 2016 the Company has repaid a total of US$42 million in principal and US$18 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

(In thousands of Canadian dollars, except where otherwise stated)

June 30, 2012. Since this date, the Company and MMC have jointly guaranteed to June 30, 2017 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 December 31, 2016 the SCF has a principal amount outstanding of $160,963 (US$120 million). The outstanding amount of $156,685 is net of issue costs of $4,278 which are amortized over the life of the loan.

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

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

	US$ '000
2017	14,580
2018	14,580
2019	11,745
2020 – 2023	78,975
	119,880

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$91 million of the principal. The interest rate swaps mature on December 15, 2020.

As at December 31, 2016 the swap had an unrealized fair value loss of $5,450 (2015 - $8,826). The current portion of $1,363 is included in accounts payable and accrued liabilities.

As at December 31, 2016 the Company is in compliance with all covenants which may result in the event of default of the senior credit facility.

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 December 31, 2016 the Term Loan has a principal amount outstanding of $186,904 (US$139 million). The outstanding amount of $182,812 is net of issue costs of $4,092 which are amortized over the life of the loan. The Term Loan is guaranteed by MMC in exchange for a fee of 0.2% per annum.

The Term Loan is unsecured and repayable in increasing instalments every six months commencing February 2013, with the majority of the loan falling due in the last six instalments. As at December 31, 2016 the Company has repaid a total of US$21 million in principle and US$8 million in interest on the Term Loan.

(In thousands of Canadian dollars, except where otherwise stated)

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

	US$
2017	14,400
2018	19,200
2019	25,600
2020 - 2022	80,000
	139,200

The Company is subject to certain debt covenants on the Term Loan. As at December 31, 2016 the Company is in compliance with all covenants.

d) Leases

The Company has a number of leases related to mobile mining equipment. The mobile equipment is security for the respective lease obligations. During 2016, the Company entered into the following new lease arrangements:

(i) In February 2016 the Company entered into a finance lease agreement with one of its equipment suppliers for shovel components. The lease is payable in 18 monthly instalments which commenced in March 2016 and will end in August 2017 with interest at a fixed rate of 4.15% per annum.

(ii) Through the year the Company entered into three finance lease agreements with one of its equipment suppliers for pickup trucks. The leases are payable in 36 monthly instalments and have a fixed rate of interest of 3.99% per annum

Gross finance lease liability and minimum lease payments	**2016** **$**	**2015** **$**
Within one year	7,556	9,640
Between two and four years	7,816	13,147
	15,372	22,787
Future interest	(1,102)	(1,888)
Present value of finance lease liability	**14,270**	**20,899**

(In thousands of Canadian dollars, except where otherwise stated)

10 Decommissioning and restoration provision

a. Reclamation bonds

The Company has on deposit $8,232 with the Government of British Columbia in support of reclamation liabilities at the Copper Mountain mine site. The Company receives interest on these bonds.

b. Decommissioning and restoration provision

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

	2016 **$**	**2015** **$**
Opening balance	7,787	7,797
Changes in estimated costs and timing	(1,471)	(15)
Unwinding of discount on restoration provision	(4)	5
End of year	**6,312**	**7,787**

At December 31, 2016 the Company used an inflation rate of 1.50% (2015 – 2.00%) and a discount rate of 2.31% (2015 – 2.15%) 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 $6,954 (2015 - $7,940). The expected timing of payment of the cash flows commences in 2028.

11 Share capital

Authorized - Unlimited number of common shares without par value.

On August 3, 2016, the Company completed a bought-deal financing for total proceeds of $7,476. Under the bought-deal, a total of 13,593,000 units of the Company ("Units") were issued at a price of $0.55 per Unit. Each Unit entitles the holder to acquire, one common share and one-half of one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one common share at an exercise price of $0.75 for a period of 36 months.

The Units were valued using the relative fair value method whereby the fair value of the Warrant was determined to be $0.19 using the Black-Scholes valuation method and the following inputs: stock price at issue $0.55, exercise price $0.75, risk free rate 0.56%, annualized volatility 66% and a 3 year expected life. Volatility was determined using the Company's share price volatility over the 3 years prior to issuance. The resulting allocation of the warrant fair value to the consideration received was $1,124 to Warrants and $6,352 to Common Shares. A total of $647 in transaction costs were recognised in equity.

(In thousands of Canadian dollars, except where otherwise stated)

12 Share based compensation

a. Stock options

The Company has a stock option plan whereby it can grant up to 13,000,000 stock options exercisable for a period of up to ten years from the grant date. As at December 31, 2016 the Company had 6,750,000 options outstanding as follows:

	Number of shares	Weighted average exercised price $
Opening balance	5,355,000	2.64
Granted	2,280,000	0.39
Exercised	(12,500)	0.59
Expired	(525,000)	6.63
Forfeited	(347,500)	1.62
December 31, 2016	**6,750,000**	**1.62**

Date of stock option grant	Number of options	Exercise price $	Weighted average exercise price $	Expiry date
Apr. 5, 2012	800,000	4.52	4.52	Apr. 5, 2017
Feb. 20, 2014	3,200,000	1.92	1.92	Feb. 20, 2019
Sep. 18, 2015	580,000	0.59	0.59	Sep. 18, 2020
Jan. 26, 2016	2,170,000	0.39	0.39	Jan. 26, 2021
	6,750,000		**1.62**	

As at December 31, 2016 the following options were both outstanding and exercisable:

Date of stock option grant	Number of options	Exercise price $	Weighted average exercise price $	Expiry date
Apr. 5, 2012	800,000	4.52	4.52	Apr. 5, 2017
Feb. 20, 2014	2,400,000	1.92	1.92	Feb. 20, 2019
Sep. 18, 2015	145,000	0.59	0.59	Sep. 18, 2020
	3,345,000		**2.48**	

During the year ended December 31, 2016, the total fair value of stock options granted was $482 (2015 – $229) and had a weighted average grant-date fair value of $0.39 (2015 – $0.65) 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:

(In thousands of Canadian dollars, except where otherwise stated)

	December 31, 2016
Risk free interest rate	1.57%
Expected dividend yield	Nil
Expected share price volatility	63.63%
Expected forfeiture rate	3.26%
Expected life	4.90 years

b. Deferred Share Unit Plans

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

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

Deferred Share Unit Program for Employees (“DSU-E”)

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

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

Units	**DSU-D**	**Weighted average exercise price $**	**DSU-E**	**Weighted average exercise price $**
Outstanding, December 31, 2014	1,807,339	1.85	2,679,646	2.13
Granted	-	-	-	-
Outstanding, December 31, 2015	1,807,339	1.85	2,679,646	2.13
Granted	250,000	0.45	-	-
Forfeited	-	-	(125,000)	1.91
Outstanding, December 31, 2016	**2,057,339**	**1.68**	**2,554,646**	**2.14**

(In thousands of Canadian dollars, except where otherwise stated)

As at December 31, 2016 the following deferred share units were outstanding:

Date of DSU grant	Number of Units	Exercise price $	Weighted average exercise price $	Expiry date
DSU-D – September 17, 2010	27,027	-	-	September 17, 2020
DSU-E – September 17, 2010	329,646	3.70	3.70	September 17, 2020
DSU-D – August 12, 2011	9,571	-	-	August 12, 2021
DSU-D – April 5, 2012	20,741	-	-	April 5, 2022
DSU-D – April 13, 2013	500,000	1.88	1.88	April 13, 2018
DSU-E – April 13, 2013	425,000	1.88	1.88	April 13, 2018
DSU-D – February 20, 2014	1,250,000	1.92	1.92	February 20, 2019
DSU-E – February 20, 2014	1,800,000	1.92	1.92	February 20, 2019
DSU-D – September 16, 2016	250,000	0.45	0.45	September 16, 2020
	4,611,985		**1.94**	

As at December 31, 2016 the following deferred share units were both outstanding and exercisable:

Date of DSU grant	Number of Units	Exercise price $	Weighted average exercise price $	Expiry date
DSU-D – September 17, 2010	27,027	-	-	September 17, 2020
DSU-E – September 17, 2010	329,646	3.70	3.70	September 17, 2020
DSU-D – August 12, 2011	9,571	-	-	August 12, 2021
DSU-D – April 5, 2012	20,741	-	-	April 5, 2022
DSU-D – April 13, 2013	500,000	1.88	1.88	April 13, 2018
DSU-E – April 13, 2013	425,000	1.88	1.88	April 13, 2018
DSU-D – February 20, 2014	937,500	1.92	1.92	February 20, 2019
DSU-E – February 20, 2014	1,350,000	1.92	1.92	February 20, 2019
DSU-D – September 16, 2016	125,000	0.45	0.45	September 16, 2020
	3,724,485		**1.99**	

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

Liability	DSU-D $	DSU-E $
December 31, 2014	91	-
DSU based compensation recovery	(65)	-
December 31, 2015	26	-
DSU based compensation expense	90	-
December 31, 2016	**116**	-

(In thousands of Canadian dollars, except where otherwise stated)

13 Revenue

	2016 $	2015 $
Copper in concentrate	235,107	231,714
Gold in concentrate	49,803	40,823
Silver in concentrate	5,982	5,270
Treatment and refining charges	(23,937)	(27,769)
Pricing adjustments on unsettled concentrate and metal sales	11,041	(8,051)
	277,996	**241,987**

Sales of metal in concentrates are recognized on a provisional pricing basis when title transfers and the rights and obligations of ownership pass to the customer, which occurs upon shipment. Final pricing for concentrates sold is not determined at that time as it is contractually linked to market prices at a subsequent date. These arrangements have the characteristics of a derivative instrument as the value of our receivables will vary as prices for the underlying commodities vary in the metal markets. These price adjustments result in gains in a rising price environment and losses in a declining price environment and are recorded as pricing adjustments to revenues.

14 Expenses by nature

	2016 $	2015 $
Direct mining and milling costs	139,288	136,478
Employee compensation and benefits	42,499	44,146
Depreciation	52,315	44,148
Transportation costs	16,304	14,855
Cost of sales	**250,406**	**239,627**
General and administration:		
Corporate employee compensation and benefits	3,121	3,646
Corporate and mine site administrative expenses	2,473	2,492
	5,594	6,138
	256,000	**245,765**

Cost of sales consists of direct mining and milling costs (which include operating waste stripping costs, maintenance and repair costs, operating supplies, and external services), employee compensation and benefits, depreciation, transportation costs and changes in the inventory balance.

(In thousands of Canadian dollars, except where otherwise stated)

15 Finance expense

	2016 $	2015 $
Interest on loans	10,966	8,851
Amortization of financing fees	1,397	1,365
Loan guarantee fee	284	394
Unwinding of discount on restoration provision	(5)	5
	12,642	**10,615**

16 Related party transactions

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

a. During the year ended December 31, 2016 the Company sold copper concentrates to MMC with revenues totalling $277,996 (2015 – $241,987) including pricing adjustments.

b. During the year ended December 31, 2016 the Company accrued interest on the subordinated loan with MMC totalling $467 (2015 - $467).

c. As at December 31, 2016 the Company has accrued to MMC a guarantee fee related to the Term Loan of $2,767 (2015 - $2,450). The Company has also received funding advances from MMC totalling $19,054 (2015 - $6,049). These advances bear interest at 2.88% to 4.80% with total accrued interest of $833 (2015 - $414).

d. A company controlled by a director of the Company agreed to purchase 642 acres of land adjoining the mine site for future expansion opportunities. Under the terms of the put/call agreement the Company has the irrevocable right to call the land from the company controlled by the director at any time for the same price as the company controlled by the director paid for the land. Similarly, the company controlled by the director has the irrevocable right to put the land to the Company at any time after January 16, 2016. The purchase price of the land is $1,530 plus out of pocket expenses. As of December 31, 2016 neither party has exercised their right to exercise under the terms of the put/call agreement.

e. During the year ended December 31, 2016 the Company awarded bonuses totalling $450 to its CEO and CFO in the form of promissory notes bearing an interest rate of 2.88% annually and to be paid out one year from the date of issue.

(In thousands of Canadian dollars, except where otherwise stated)

f. Compensation of key management:

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

	2016 $	2015 $
Salaries and short-term employee benefits	1,964	2,295
Share based compensation	655	829
	2,619	**3,124**

17 Supplementary cash flow disclosures

a. As at December 31, 2016, cash and cash equivalents consists of guaranteed investment certificates of $5,058 (2015 – $3,058) and $26,352 in cash (2015 – $9,133) held in bank accounts.

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

	2016 $	2015 $
Change in accounts receivable and prepaid expenses	(15,714)	(349)
Change in inventory	(25,591)	(19,240)
Change in mineral tax liability	1,157	(976)
Change in accounts payable and accrued liabilities	11,839	3,279
	(28,309)	**(17,286)**

c. During the year ended December 31, 2016, the Company paid B.C. Mineral tax of $NIL (2015 - $838).

18 Income tax

The Company and its subsidiaries are subject to Canadian federal and provincial tax for the estimated assessable profit for the years ended December 31, 2016 and 2015 at a rate of 26.00%.

Income tax expense comprises current and deferred income and resource tax. BC mineral taxes meet the definition of an income tax. Income tax expense is recognized in the statement of income (loss) except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

(In thousands of Canadian dollars, except where otherwise stated)

The tax recovery for the Company can be reconciled to the loss for the year per the consolidated statement of income (loss) and comprehensive income (loss) as follows:

	2016 **$**	**2015** **$**
Earnings (loss) before income taxes	12,754	(109,478)
Statutory tax rate	26.00%	26.00%
Income tax expense (recovery)	3,316	(28,464)
Increase (decrease) due to:		
Non-deductible expenses and other	1,346	556
Non-taxable (deductible) portion of gain (loss)	(1,563)	8,436
Taxable income allocated to minority interest	(813)	(604)
Change in estimates of deferred tax credits	(131)	2,808
Losses and temporary differences for which no tax benefit has been recorded	981	13,750
Use of losses and temporary differences for which no tax benefit has previously been recorded	(1,977)	(3,089)
Income tax expense (recovery)	**1,157**	**(6,607)**
Income tax expense (recovery) consists of:		
Deferred income tax recovery	-	(6,826)
Current BC Mineral tax	1,157	219
	1,157	**(6,607)**

(In thousands of Canadian dollars, except where otherwise stated)

a. Deferred income tax assets reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The significant components of the Company's recognized net deferred income tax asset and deferred income tax liability at December 31, 2016 and 2015 are as follows:

	2016 $	2015 $
Non-capital losses	29,596	4,975
Capital leases	5,083	6,471
Decommissioning and restoration provision	607	749
Property, plant and equipment expenditures	(25,281)	(3,461)
Debt issue costs	(2,258)	(2,695)
Inventory	(7,313)	(5,588)
Unrealized foreign exchange gain	(434)	(451)
Deferred tax liability	-	-
Deferred tax asset	-	-

The significant components of the Company's unrecognized deferred income tax assets at December 31, 2016 and 2015 are as follows:

	2016 $	2015 $
Deferred income tax assets		
Non-capital loss carry-forward	6,348	2,140
Share issue costs	242	210
Property, plant and equipment expenditures	88	215
Capital leases	-	973
Derivative	1,417	2,295
Asset retirement obligation	1,641	2,025
Unrealized foreign exchange loss	11,544	13,471
Other	4,948	3,384
	26,228	**24,713**

(In thousands of Canadian dollars, except where otherwise stated)

b. As at December 31, 2016 the Company has investment tax credits available for carry forward which may be applied to reduce future year's income taxes. These investment tax credits will expire as follows:

	2016	2015
	$	$
2021	713	713
2022	992	992
2023	360	-
2028	617	617
2029	178	178
2030	2,800	5,525
2031	2,229	2,097
2032	1,786	1,786
2033	685	685
	10,360	**12,593**

As at December 31, 2016, the Company has non-capital losses available for carry forward which may be applied to reduce future year's taxable income. These losses, if not utilized will expire as follows:

	2016	2015
	$	$
Expiry date		
December 31, 2031	3,432	2,492
December 31, 2032	2,938	2,938
December 31, 2033	6,344	6,344
December 31, 2034	567	567
December 31, 2035	87,866	15,026
December 31, 2036	37,100	-
	138,247	**27,367**

(In thousands of Canadian dollars, except where otherwise stated)

19 Financial instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. Those categories are: fair value through profit or loss; loans and receivables; available for sale assets, and other liabilities.

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2016 and 2015.

	2016 $	2015 $
Financial assets		
Loans and receivables		
Cash and cash equivalents	31,409	12,190
Reclamation bonds	8,232	8,232
Amounts due from concentrate sales (note 4)	12,155	17,604
Fair value through profit and loss		
Pricing adjustments (notes 4 and 13)	10,810	(9,140)
Financial liabilities		
Other liabilities		
Accounts payable (note 7)	17,868	19,459
Long-term debt (note 9)	319,759	371,610
Fair value through profit and loss		
Interest rate swap liability (note 9b)	5,450	8,826

The carrying values of cash and cash equivalents, reclamation bonds, accounts payable and accrued liabilities approximate their fair value. The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

- Amounts due from concentrate sales. Copper concentrate is sold under pricing arrangements where final prices are set at a specified future date based on market copper prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices give rise to an embedded derivative in the accounts receivable. This derivative is recorded at fair value, with changes in fair value recognized as a component of revenue.

- Long-term debt. The Company's long-term debt carries interest based on specified benchmark interest rates plus a spread (see note 9). The fair values of the Company's debt obligations approximate their carrying amounts due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates except for the SCF. The fair value of the SCF is less than the carrying value due to changes in the Company's credit risk since the inception of the agreement.

- Interest rate swaps liability. The Company's derivative liabilities relate to interest rate swap contracts. The fair values of interest rate swaps are calculated as the net present value of the future cash flows expected to arise on the variable and fixed legs, determined using applicable yield curves at each measurement date. Swap curves, which incorporate credit spreads applicable to large commercial banks, are typically used to calculate expected future cash flows and the present values thereof. Adjustments are also made to reflect the company's own credit risk and the credit risk of the counter party, if different from the spread implicit in the swap curve.

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 December 31, 2016:

	Level 1 $	Level 2 $	Level 3 $	Total fair value $
Financial assets				
Pricing adjustments (note 4 and 13)	-	10,810	-	10,810
Financial liabilities				
Interest rate swap liability (note 9b)	-	5,450	-	5,450

Financial risks factors

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

(In thousands of Canadian dollars, except where otherwise stated)

a. Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, reclamation bonds and accounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions. The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships using industry-standard contract terms. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures. The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

b. Market risks

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of copper, gold and silver. The Company is also exposed to commodity price risk on diesel fuel required for its mining operations.

As at December 31, 2016 and December 31, 2015, the Company had not entered into any diesel derivative contracts and no commodity hedging in respect of copper, gold or silver production had been undertaken. The Company's commodity price risk related to accounts receivable concerns changes in fair value of embedded derivatives in accounts receivable reflecting copper concentrate sales provisionally priced based on the forward price curve at the end of each quarter.

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper, gold and silver commodity prices, based on December 31, 2016 prices. There is no impact of these changes on other comprehensive income.

The impact of a 10% movement in commodity prices as of December 31, 2016 is as follows:

	Impact of price change on net earnings	
	10% increase	**10% decrease**
	$	**$**
Accounts receivable		
Amounts due from concentrate sales	8,075	(8,057)

As at December 31, 2016 the Company had approximately 37,415 pounds of copper, 13,439 ounces of gold and 131,062 ounces of silver that was provisionally priced at US$2.52 per pound, US$1,185 per ounce and US$16.56 per ounce respectively to be settled at a future date.

(In thousands of Canadian dollars, except where otherwise stated)

Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and short-term deposits and interest paid on floating rate borrowings. The floating rate deposits and borrowings expose the Company to cash flow interest rate risk. This risk is managed through the use of interest rate swaps.
Deposits are invested on a short-term basis to ensure adequate liquidity for payment of operational and capital expenditures. To date, no interest-rate management products, such as swaps, are used in relation to deposits.

The floating-to-fixed interest rate swaps as at December 31, 2016 covered 32% (2015 – 32%) of the Company's floating rate debt at a rate of 3.565% per annum. The final maturity of the swaps is on December 15, 2020.

At December 31, 2016 the impact on a full year net earnings of a 1% change in interest rate would be as follows:

	Impact of interest rate change on net earnings	
	1% increase	**1% decrease**
	$	**$**
Cash and cash equivalents	133	(133)
Interest rate swap liabilities	(2,312)	2,312
Long-term debt	(2,352)	2,352

Currency risk

The Company incurs expenditures in Canadian and US dollars. The measurement and functional currency of the parent company is Canadian dollars. Foreign exchange risk arises because the amount of the US dollar cash and cash equivalents, receivable, payables and debt will vary in Canadian dollar terms due to changes in exchange rates.

The Company has not hedged its exposure to currency fluctuations. The majority of the Company's debt is denominated in US dollars. The currency risk on debt principal and interest payments are minimized as the Company receives US dollars on the sale of copper concentrate. The net impact of a 10% increase or decrease in the US dollar to the Canadian dollar exchange rate at December 31, 2016 would result in a $32,505 (2015 - $36,993) decrease or increase in net income.

Liquidity risk

The Company had the following balances and facilities available to them:

	2016	**2015**
	$	**$**
Cash and cash equivalents	31,409	12,190
Working capital balance	(791)	(15,365)

(In thousands of Canadian dollars, except where otherwise stated)

Maturity analysis of financial liabilities as at December 31, 2016 is as follows:

	Total $	< 1 year $	2-3 years $	4-5 years $	Thereafter $
Long-term debt	351,906	37,597	92,871	124,090	97,348
Capital lease	14,270	7,544	6,726	-	-
Decommissioning & restoration provision	6,312	-	-	-	6,312
Trade accounts payable	17,868	17,868	-	-	-

20 Capital management

The Company's objectives when managing capital are to safe guard its ability to continue as a going concern, to provide an adequate return on investment to shareholders and, to the extent possible, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk. There were no changes to the Company's approach to capital management during the year ended December 31, 2016. In the management of capital, the Company includes the components of equity, net of cash and cash equivalents.

21 Segmented information

The Company operates as a single reportable operating segment which consists of the Copper Mountain mine and other corporate function entities which are both located in Canada. The corporate entities are responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury, finance and corporate administration.

The Company sells all of its copper concentrates to MMC smelters in Japan based on quoted market prices in a period. During the period ended December 31, 2016 revenues attributed to the sale of copper concentrate to MMC totaled $277,996 (2015 - $241,987).

22 Contingencies and commitments

Minimum Shipping Requirement

During the year ended December 31, 2010, the Company entered into a seven year terminal services agreement ("the TSA") with Kinder Morgan Canada Terminals Limited Partnership ("Kinder Morgan") in which Kinder Morgan will provide terminal storage and loading facilities for the Company's concentrate. Under the TSA, there is a minimum shipping tonnage requirement of 130,000 tonnes of concentrate annually. For the year ended December 31, 2016 the Company met this shipping tonnage requirement.