Thompson Creek Metals Co Inc.
Form 10-Q
August 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-33783

THOMPSON CREEK METALS COMPANY INC.
(Exact name of registrant as specified in its charter)

British Columbia, Canada	98-0583591
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
26 West Dry Creek Circle, Suite 810, Littleton, CO	80120
(Address of principal executive offices)	(Zip code)

(303) 761-8801
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes o No ý

As of August 4, 2015, there were 221,233,232 shares of the registrant's common stock, no par value, outstanding.

Table of Contents

Thompson Creek Metals Company Inc.
INDEX TO FORM 10-Q

Table of Contents

PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
THOMPSON CREEK METALS COMPANY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(US dollars in millions, except share amounts)	June 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$211.1	$265.6
Accounts receivable (Note 2)	31.4	42.0
Accounts receivable-related parties (Note 15)	0.2	4.1
Product inventory (Note 3)	76.8	96.6
Materials and supplies inventory	26.3	30.4
Prepaid expenses and other current assets	7.1	7.7
Income and mining taxes receivable	0.5	0.5
Restricted cash	—	1.6
Deferred income tax assets (Note 13)	0.2	0.1
	353.6	448.6
Property, plant, equipment and development, net (Note 4)	2,063.6	2,218.3
Restricted cash	—	5.7
Reclamation deposits	10.3	10.3
Other assets	40.5	35.4
Deferred income tax assets (Note 13)	133.3	128.0
	$2,601.3	$2,846.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$80.7	$93.1
Income, mining and other taxes payable	1.5	1.8
Current portion of Gold Stream deferred revenue (Note 9)	40.3	40.4
Current portion of long-term debt (Notes 8 and 10)	1.4	3.9
Current portion of long-term lease obligations (Note 7)	24.9	22.8
Deferred income tax liabilities (Note 13)	13.5	14.1
Other current liabilities	0.3	0.3
	162.6	176.4
Gold Stream deferred revenue (Note 9)	705.3	721.1
Long-term debt (Notes 8 and 10)	831.3	872.3
Long-term lease obligations (Note 7)	40.0	45.7
Other liabilities	4.8	5.2
Asset retirement obligations	35.5	35.3
Deferred income tax liabilities (Note 13)	97.4	102.8
	1,876.9	1,958.8
Commitments and contingencies (Note 12)		
Shareholders' equity		
Common stock, no-par, 221,001,135 and 214,148,315 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	1,195.7	1,186.1
Additional paid-in capital	80.2	86.6
Accumulated deficit	(333.8)	(246.9)

Accumulated other comprehensive income (loss)	(217.7)	(138.3)
	724.4	887.5
	$2,601.3	$2,846.3

See accompanying notes to unaudited condensed consolidated financial statements.

3

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(US dollars in millions, except per share amounts)	2015	2014	2015	2014
REVENUES				
Copper sales	$49.3	$64.8	$81.5	$94.6
Gold sales	56.3	54.1	92.3	78.5
Molybdenum sales	20.9	126.3	63.7	229.2
Tolling, calcining and other	7.6	3.2	19.6	7.1
Total revenues	134.1	248.4	257.1	409.4
COSTS AND EXPENSES				
Cost of sales				
Operating expenses	75.3	148.2	158.3	261.8
Depreciation, depletion and amortization	26.8	33.0	46.8	55.6
Total cost of sales	102.1	181.2	205.1	317.4
Selling and marketing	2.2	3.6	5.2	7.7
Accretion expense	0.6	0.9	1.2	1.8
General and administrative	4.9	5.2	10.5	11.8
Exploration	0.1	0.2	0.1	0.3
Costs for idle mining operations	12.1	—	17.7	—
Total costs and expenses	122.0	191.1	239.8	339.0
OPERATING INCOME (LOSS)	12.1	57.3	17.3	70.4
OTHER (INCOME) EXPENSE				
(Gain) loss on foreign exchange	(16.9)	(42.3)	71.3	4.2
Interest and finance fees	22.3	23.3	44.9	46.9
Loss from debt extinguishment	3.1	0.5	2.8	0.5
Interest (income) expense	—	(0.1)	(0.1)	(0.2)
Other	(1.8)	(0.2)	(3.1)	(3.0)
Total other (income) expense	6.7	(18.8)	115.8	48.4
Income (loss) before income and mining taxes	5.4	76.1	(98.5)	22.0
Total income and mining tax expense (benefit)	5.1	14.5	(11.6)	(0.5)
NET INCOME (LOSS)	$0.3	$61.6	$(86.9)	$22.5
COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation	17.1	42.0	(79.4)	(3.6)
Total other comprehensive income (loss)	17.1	42.0	(79.4)	(3.6)
Total comprehensive income (loss)	$17.4	$103.6	$(166.3)	$18.9
NET INCOME (LOSS) PER SHARE				
Basic	$0.00	$0.35	$(0.40)	$0.13
Diluted	$0.00	$0.28	$(0.40)	$0.10
Weighted-average number of common shares				
Basic	218.0	174.5	216.2	173.1
Diluted	218.1	220.3	216.2	217.3

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(US dollars in millions)	2015	2014	2015	2014
OPERATING ACTIVITIES				
Net income (loss)	$0.3	$61.6	$(86.9)	$22.5
Items not affecting cash:				
Depreciation, depletion and amortization	26.8	33.0	46.8	55.6
Deferred revenue related to Gold Stream Arrangement	(10.0)	(9.7)	(16.4)	(14.1)
Accretion expense	0.6	0.9	1.2	1.8
Amortization of finance fees	1.2	1.3	2.4	2.6
Stock-based compensation	1.8	1.5	3.1	2.6
Obsolete materials and supplies inventory write downs	—	0.1	—	0.2
Product inventory write downs	1.8	1.1	7.0	6.6
Deferred income tax benefit	5.0	7.8	(10.1)	(9.3)
Unrealized gain on financial instruments and mark-to-market adjustments	(6.0)	(2.8)	—	(3.2)
Unrealized foreign exchange (gain) loss	(16.0)	(44.0)	70.6	3.6
Debt extinguishment	0.7	(0.1)	0.4	(0.1)
Change in current assets and liabilities (Note 16)	11.9	(4.1)	0.2	(12.8)
Gold Stream Arrangement net payable	5.8	4.1	0.3	10.9
Cash generated by (used in) operating activities	23.9	50.7	18.6	66.9
INVESTING ACTIVITIES				
Capital expenditures	(9.7)	(26.7)	(22.9)	(48.5)
Capitalized interest payments	(0.3)	(0.6)	(1.0)	(6.9)
Restricted cash	0.1	(0.6)	7.2	—
Reclamation deposit	—	—	—	(10.0)
Cash generated by (used in) investing activities	(9.9)	(27.9)	(16.7)	(65.4)
FINANCING ACTIVITIES				
Equipment financings and repayments	(6.1)	(5.5)	(12.6)	(10.8)
Repayment of long-term debt	(1.0)	(5.1)	(2.3)	(8.8)
Senior unsecured note repurchase	(34.2)	—	(41.0)	—
Proceeds (costs) from issuance of common shares, net	0.2	—	0.5	—
Cash generated by (used in) financing activities	(41.1)	(10.6)	(55.4)	(19.6)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	1.2	(1.0)	0.3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27.1)	13.4	(54.5)	(17.8)
Cash and cash equivalents, beginning of period	238.2	202.7	265.6	233.9
Cash and cash equivalents, end of period	$211.1	$216.1	$211.1	$216.1

Supplementary cash flow information (Note 16)

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

(US dollars in millions, share data in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2014	214,148	$1,186.1	$86.6	$ (246.9)	$ (138.3)	$887.5
Amortization of stock-based compensation	—	—	3.1	—	—	3.1
Shares issued under stock-based compensation	748	2.4	(2.3)	—	—	0.1
Settlement of tangible equity units	6,105	7.2	(7.2)	—	—	—
Comprehensive income (loss):						
Net income (loss)	—	—	—	(86.9)	—	(86.9)
Foreign currency translation	—	—	—	—	(79.4)	(79.4)
Total comprehensive income (loss)						$(166.3)
Balances at June 30, 2015	221,001	$1,195.7	$80.2	$ (333.8)	$ (217.7)	$724.4

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents
THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements - Unaudited
(US dollars in millions, except per share amounts)

1. Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. In compliance with those instructions, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") have been condensed or omitted. This report should be read in conjunction with the Thompson Creek Metals Company Inc. ("TCM," "Company," "we," "us" or "our") consolidated financial statements and notes contained in its Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K") filed with the Securities and Exchange Commission ("SEC"). The information reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for any other quarter or for the year ending December 31, 2015.
The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. TCM bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.
Certain prior year amounts in the financial statements have been reclassified to conform to the current year presentation. The condensed consolidated financial statements include the accounts of TCM and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. Financial amounts are presented in United States ("US") dollars unless otherwise stated. References to C$ are Canadian dollars.
As used herein, "Mount Milligan Mine" refers to TCM's conventional truck-shovel open-pit copper and gold mine and concentrator with a copper-gold flotation processing plant in British Columbia, Canada; "Langeloth Facility" refers to TCM's Langeloth Metallurgical Facility in Pennsylvania, USA; "TC Mine" refers to Thompson Creek Mine, TCM's open-pit molybdenum mine and concentrator in Idaho, USA, and "Endako Mine" refers to the open-pit molybdenum mine, concentrator and roaster in British Columbia, Canada in which TCM owns a 75% joint venture interest. Due to continued weakness in the molybdenum market Endako Mine was placed on temporary suspension in December 2014 and then was placed on care and maintenance effective July 1, 2015. As previously disclosed in TCM's 2014 Form 10-K, TC Mine was placed on care and maintenance in December 2014 after the processing of stockpiled ore from Phase 7 was completed. During the six months ended June 30, 2015, TC Mine conducted limited stripping for the next phase of mining (referred to as “Phase 8”). As part of TCM's cost reduction measures, further stripping at TC Mine will cease effective August 6, 2015. The costs related to the six-month temporary suspension of Endako Mine and care and maintenance at TC Mine are reflected in costs for idle mining operations in the statement of operations for the first six months of 2015.

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

2. Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts and were comprised of the following:

	June 30, 2015	December 31, 2014
Receivables		
Trade receivables	$29.8	$41.0
Mark-to-market adjustments on trade receivables relating to provisional invoices for Mount Milligan Mine copper and gold concentrate sales	(3.0)	(3.5)
Goods and services sales tax refunds	2.3	2.0
Settlement receivables on hedges and other miscellaneous receivables	2.3	2.5
	$31.4	$42.0
Related party receivables	0.2	4.1
	$31.6	$46.1

3. Inventory

The carrying value of product inventory was as follows:

	June 30, 2015	December 31, 2014
Copper and Gold Inventory		
Concentrate	$31.3	$29.4
Stockpiled ore	14.2	8.3
	$45.5	$37.7
Molybdenum Inventory		
Finished product	$16.8	$45.0
Work-in-process	14.1	13.5
Stockpiled ore	0.4	0.4
	$31.3	$58.9
	$76.8	$96.6

As of June 30, 2015 and June 30, 2014, the carrying value of TCM's molybdenum inventory exceeded its market value, resulting in write downs of $1.9 million and $1.2 million for the three months ended June 30, 2015 and 2014, respectively, and $7.5 million and $8.0 million for the six months ended June 30, 2015 and 2014, respectively.

The following table sets forth the inventory write downs in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six months ended June 30, 2015:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
US Molybdenum				
Operating expense	$1.8	$—	$5.6	$—
Depreciation, depletion and amortization	0.1	—	0.4	—
Canadian Molybdenum				
Operating expense	—	1.1	1.4	6.6
Depreciation, depletion and amortization	—	0.1	0.1	1.4
	$1.9	$1.2	$7.5	$8.0

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

4. Property, Plant, Equipment and Development, Net

Property, plant, equipment and development, net, was comprised of the following:

	June 30, 2015	December 31, 2014
Mining properties and mineral reserves	$688.5	$703.7
Mining and milling equipment and facilities [1]	1,413.7	1,523.4
Processing facilities	171.1	171.1
Construction-in-progress [2]	29.5	23.1
Other	10.1	6.5
	2,312.9	2,427.8
Less: Accumulated depreciation, depletion and amortization	(249.3)	(209.5)
	$2,063.6	$2,218.3

[1] As of June 30, 2015, mining and milling equipment and facilities included $13.0 million for the settlement of outstanding claims from two contractors that provided construction and installation services for the Mount Milligan project.

[2] The construction-in-progress balance was $29.5 million and $23.1 million, as of June 30, 2015 and December 31, 2014, respectively, and consists primarily of projects at Mount Milligan Mine.

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

5. Financial Instruments

TCM enters into various derivative financial instruments in the normal course of operations to manage exposure to the market prices of copper, gold and molybdenum. TCM does not apply hedge accounting to its derivative instruments. Accordingly, changes in fair value of derivative instruments are recorded in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), except those contracts for which TCM has elected to apply the normal purchases and normal sales scope exception.

The following table provides details about the fair values of TCM's derivative assets and liabilities:

	Fair Value as of	
	June 30, 2015	December 31, 2014
Assets [(1)]		
Commodity contracts	$1.5	$1.8
Forward currency contracts	$0.2	$—
Total	$1.7	$1.8
Liabilities [(1)]		
Commodity contracts	$0.1	$—
Provisionally-priced contracts	$1.3	$—
Forward currency contracts	$0.1	$0.3
Total	1.5	0.3

[(1)]TCM's derivative assets are included in prepaid expenses and other current assets, and derivative liabilities are included in other current liabilities. TCM is exposed to credit risk when counterparties with whom it has entered into derivative transactions are unable to satisfy their obligations. To reduce counterparty credit exposure, TCM deals primarily with large, credit-worthy financial institutions and companies and limits credit exposure to each. TCM believes the counterparties to the contracts to be credit-worthy entities and, therefore, TCM believes credit risk of counterparty non-performance is relatively low, and, as such, the fair value of the derivatives has not been adjusted.

The following table sets forth the gains (losses) on derivative instruments for the periods presented:

		Three Months Ended		Six Months Ended	
Derivative Type and Activity	Statement of Operations Classification	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Gold hedges related to Gold Stream Arrangement	Gold sales	$(0.2)	$0.1	$0.5	$0.3
Provisional priced MTM gold sales	Gold sales	$0.5	$1.1	$(0.7)	$0.9
Provisional priced MTM copper sales	Copper sales	$(4.3)	$3.6	$1.2	$2.2
Copper and Gold hedges; other commodity contracts	Other	$1.8	$(0.1)	$3.1	$—
Forward currency contracts	Gain (loss) on foreign exchange, net	$0.9	$0.2	$(0.7)	$0.7

Gold Hedges Related to Gold Stream Arrangement and Other Commodity Contracts

TCM must satisfy its obligation under the Gold Stream Arrangement (discussed in Note 9) by delivering gold to Royal Gold after TCM receives cash payment from third-party purchasers, including offtakers and traders, that purchase concentrate from Mount Milligan Mine ("MTM Customers").

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

5. Financial Instruments (Continued)

In order to hedge its gold price risk that arises when physical purchase and concentrate sales pricing periods do not match, hereafter referred to as the Gold Stream Risk, TCM has entered into certain forward gold purchase and sales contracts pursuant to which it purchases gold at an average price during a quotational period and sells gold at a spot price. TCM records its forward commodity contracts at fair value using a market approach based on observable quoted market prices and contracted prices.

In addition to the Gold Stream Risk and in connection with the sale of concentrate from Mount Milligan Mine, TCM is exposed to copper and gold price fluctuations between the dates of concentrate shipment, provisional payment and final payment. In order to hedge the price risk for the metals contained in concentrate, TCM has entered into certain forward copper and gold purchase and sale contracts pursuant to which it purchases copper or gold at an average price during a quotational period and sells copper or gold at a spot price. Additionally, TCM has entered into zero cost collars pursuant to which it agrees with a counterparty to a floor and ceiling relative to future prices of gold and copper. If the gold or copper price is below the floor, the counterparty pays TCM the difference between the price and the floor. If the gold or copper price is above the ceiling, TCM pays the counterparty the difference between the ceiling and the price. TCM records its copper and gold commodity contracts at fair value using a market approach based on observable quoted market prices and contracted prices. These activities are intended to protect against the price risk related to the MTM Customer purchase contracts. Additionally TCM also enters into fuel hedges to manage its exposure to price fluctuations in the cost of diesel purchased for use in operations.

The following table provides details of TCM's commodity contracts as of June 30, 2015:

	Quantity	Sell Price	Buy Price	Maturities Through
Gold Hedge Purchases related to Gold Stream Arrangement (oz)	21,840	TBD	$1,199 - $1,202	July 2015 - November 2015
Forward Gold Sales (oz)	4,900	$1,222	TBD	July 2015 - August 2015
Forward Copper Sales (lb)	5,511,550	$2.86	TBD	July 2015 - August 2015
Fuel Hedges (gallons)	2,370,000	N/A	$1.90 - $2.00	July 2015 - December 2016
	Quantity	Put Price	Call Price	Maturities Through
Gold Collars (oz)	12,000	$1,175 - $1,200	$1,267 - $1,360	July 2015 - December 2015
Copper Collars (lb)	13,227,720	$2.00	$2.99	July 2015 - December 2015

Provisionally-Priced Contracts

Certain copper and gold sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional-pricing mechanism, which is bifurcated and accounted for as a derivative. TCM also enters into provisionally-priced molybdenum purchase contracts that also contain an embedded derivative, which is bifurcated and accounted for as a derivative.

TCM determines the fair value of its provisionally-priced contracts using a market approach based upon observable inputs from published market prices and contract terms. Changes to the fair values of the embedded derivatives related to provisionally-priced molybdenum purchases are included in operating expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) as the product is sold.

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

5. Financial Instruments (Continued)

The following table sets forth TCM's outstanding provisionally-priced contracts as of June 30, 2015:

	Open Positions	Average Price Per Unit		Maturities Through
		Contract	Market	
Embedded derivatives in provisional sales contracts				
Copper (millions of pounds)	26.7	TBD	TBD	October 2015
Gold (ounces)	45,252	TBD	TBD	August 2015
Embedded derivatives in provisional purchase contracts				
Molybdenum (millions of pounds)	1.8	$6.45	TBD	August 2015

Forward Currency Contracts

TCM transacts business in various currencies in the normal course of its operations and for capital expenditures. In addition, although TCM's revenues are denominated in US dollars, TCM has ongoing foreign exchange risk with respect to its Canadian operations. To help mitigate this risk, TCM has entered into foreign currency forward contracts pursuant to which it has agreed to buy Canadian dollars at an agreed-upon rate. TCM records its currency contracts at fair value using a market approach based on observable quoted exchange rates and contracted notional amounts. As of June 30, 2015, TCM had 11 open foreign currency option contracts.

The following table provides details of TCM's forward currency contracts as of June 30, 2015:

	Notional Amount	Buy Price	Maturities Through
Forward currency contracts	C$27,000,000	$1USD/C$1.25	July 2015 - October 2015

Fixed-Priced Contracts

TCM enters into certain sales contracts pursuant to which it sells molybdenum products at certain times in the future at fixed prices. These fixed prices may be different than the quoted market prices at the date of sale. TCM has elected to treat these contracts as normal sale contracts.

The Gold Stream Arrangement contains an agreement to sell gold at a fixed price, but it does not meet the definition of a derivative instrument. See discussion of the Gold Stream Arrangement in Note 9.

The following table sets forth TCM's outstanding molybdenum fixed-priced sales contracts as of June 30, 2015:

	Quantity (000's lb)	Sell Price	Maturities Through
Molybdenum fixed price sales	536.4	$12.14	November 2015

6. Fair Value Measurement

US GAAP includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). TCM's policy is to recognize transfers into and out of Level 3 as of the actual date of the event or change in circumstances. There were no transfers into or out of Level 1, 2 or 3 during the three and six months ended June 30, 2015. The following table sets forth a reconciliation of activity related to Level 3 financial liabilities for the six months ended June 30, 2015:

(US dollars in millions, except per share amounts)

6. Fair Value Measurement (Continued)

	Debt
Balance at January 1, 2015	$0.4
Settlement of tMEDS	(0.4)
Balance at June 30, 2015	$—

The following table sets forth TCM's financial liabilities measured at fair value by level within the fair value hierarchy. As required, liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as discussed in Note 2 to the 2014 Form 10-K.

	Fair Value at June 30, 2015			
	Total	Level 1	Level 2	Level 3
Liabilities				
Senior secured notes	$334.1	$—	$334.1	$—
Senior unsecured notes	451.5	—	451.5	—
	$785.6	$—	$785.6	$—

	Fair Value at December 31, 2014			
	Total	Level 1	Level 2	Level 3
Liabilities				
Senior secured notes	$393.2	$—	$393.2	$—
Senior unsecured notes	453.3	—	453.3	—
tMEDS	0.4	—	—	0.4
	$846.9	$—	$846.5	$0.4

For more information regarding the classification and valuation methods used for TCM's Level 2 and 3 financial liabilities, see Note 6 within Item 8 of TCM's 2014 Form 10-K.

As of June 30, 2015, the carrying values of the 9.75% senior secured notes were lower than their fair values of approximately $334.1 million, while the carrying value of the 7.375% senior unsecured notes and the 12.5% senior unsecured notes were higher than their fair values of $278.2 million and $173.3 million, respectively. TCM determined the fair value of the notes using a discounted cash flow valuation model, consisting of inputs such as risk-free interest rates and credit spreads. See Note 8 for more information regarding the debt.

On May 15, 2015, the prepaid share purchase contract portion of each outstanding tangible equity units ("tMEDS") was automatically settled at the maximum settlement rate of 5.3879 shares of common stock. TCM issued a total of 6,105,210 shares of common stock in connection with such settlement. See Note 10 for more information regarding the tMEDS.

7. Leases

TCM's total capital lease obligations consisted of the following:

	June 30, 2015	December 31, 2014
Equipment Facility capital leases	$24.6	$20.3
Equipment Facility sale leaseback	38.5	45.9
Endako Mine sale leaseback	1.8	2.3
Total lease obligations	64.9	68.5
Less: Current portion	(24.9)	(22.8)

Total long-term lease obligations	$40.0	$45.7

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

7. Leases (Continued)

On March 30, 2011, TCM entered into an equipment financing facility, as amended from time to time (the "Equipment Facility"), pursuant to which Caterpillar Financial Services Limited ("Caterpillar") agreed to underwrite up to $132.0 million in mobile fleet equipment financing for Mount Milligan Mine. Each borrowing under the Equipment Facility represents a capital lease and has a term of 48 or 60 months. Interest on the amounts borrowed under the Equipment Facility is payable at either floating or fixed rates, at TCM's option. At the end of each 48 or 60 month lease period, TCM has the option to purchase the underlying equipment for a nominal sum. The Equipment Facility includes non-financial covenants, and as of June 30, 2015, TCM was in compliance with these covenants. On January 15, 2015, TCM entered into an amendment with Caterpillar which extends TCM's ability to finance additional equipment under the Equipment Facility through December 2015.

During 2013, TCM entered into a sale-leaseback transaction with Caterpillar with respect to certain Endako Mine equipment, which is separate from the Equipment Facility, described above.

As of June 30, 2015, TCM had entered into two new capital leases with Caterpillar with respect to certain equipment pursuant to the Equipment Facility. The leases resulted in an increase of $8.3 million to TCM's capital lease obligation after total upfront payments of $0.9 million. Interest payments are based on an annual fixed rate of 5.70%.

Interest and debt issuance costs on the equipment financings, as described above, consisted of the following:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Interest paid	$1.0	$1.3	$1.9	$2.5
Interest and debt issuance costs expensed	$1.2	$1.3	$2.3	$2.7

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

8. Debt

TCM's secured and unsecured notes, tMEDS and equipment loans consisted of the following:

	June 30, 2015	December 31, 2014
9.75% Senior secured notes due 2017, net of discount	$314.2	$347.9
7.375% Senior unsecured notes due 2018	334.1	335.8
12.5% Senior unsecured notes due 2019	183.0	188.5
tMEDS	—	1.2
Equipment loans	1.4	2.8
Total debt	832.7	876.2
Less: Current portion	(1.4)	(3.9)
Total long-term debt	$831.3	$872.3

Interest paid, capitalized and expensed was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Interest paid	$24.9	$26.1	$42.2	$43.7
Interest capitalized	$0.3	$1.0	$0.6	$1.9
Interest expensed	$21.1	$22.0	$42.6	$44.2

9.75% Senior Secured Notes

The 9.75% senior secured notes (the “2017 Notes”) are guaranteed on a senior basis by substantially all of TCM's subsidiaries and are secured by a first priority lien, subject to permitted liens, on substantially all of TCM's and the guarantors' property and assets. The 2017 Notes mature on December 1, 2017 and accrue interest from November 27, 2012 until maturity at a fixed rate of 9.75% per year. Interest on the 2017 Notes is payable on February 1 and August 1 of each year, commencing February 1, 2013, to the holders of record at the close of business on the January 15 and July 15 prior to each interest payment date. The 2017 Notes are presented net of a discount of $1.6 million and $2.1 million as of June 30, 2015 and December 31, 2014, respectively. There are no maintenance covenants with respect to TCM's financial performance. However, the indenture contains certain transaction-based restrictive covenants. For more information regarding the 2017 Notes, see Note 9 within Item 8 of TCM's 2014 Form 10-K.

In the second quarter of 2015, TCM repurchased $34.2 million of the 2017 Notes in a privately negotiated transaction and recorded a debt extinguishment loss of $3.1 million and reduced $0.5 million of the related unamortized debt issuance costs.

7.375% Senior Unsecured Notes

The 7.375% senior unsecured notes (the "2018 Notes") are guaranteed on a senior basis by substantially all of TCM's subsidiaries. The 2018 Notes mature on June 1, 2018 and accrue interest from May 20, 2011 until maturity at a fixed rate of 7.375% per year. Interest is payable on June 1 and December 1 of each year, and the first interest payment occurred on December 1, 2011. Interest is payable to the holders of record at the close of business on the May 15 and November 15 prior to each interest payment date. There are no maintenance covenants with respect to TCM's financial performance. However, the indenture contains certain transaction-based restrictive covenants. For more information regarding the 2018 Notes, see Note 9 within Item 8 of TCM's 2014 Form 10-K.

In the first quarter of 2015, TCM repurchased $1.8 million of the 2018 Notes in open market transactions and recorded a debt extinguishment gain of $0.3 million and reduced the related unamortized debt issuance costs by an insignificant amount.

Table of Contents
THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

8. Debt (Continued)

12.5% Senior Unsecured Notes

The 12.5% senior unsecured notes (the “2019 Notes”) are guaranteed on a senior basis by substantially all of TCM's subsidiaries. The 2019 Notes mature on May 1, 2019 and accrue interest from May 11, 2012 until maturity at a fixed rate of 12.5% per year. Interest on the 2019 Notes is payable on May 1 and November 1 of each year, commencing November 1, 2012, to the holders of record at the close of business on the April 15 and October 15 prior to each interest payment date. There are no maintenance covenants with respect to TCM's financial performance. However, the indenture contains certain transaction-based restrictive covenants. For more information regarding the 2019 Notes, see Note 9 within Item 8 of TCM's 2014 Form 10-K.

In the first quarter of 2015, TCM repurchased $5.5 million of the 2019 Notes in open market transactions and recorded an insignificant debt extinguishment loss and reduced $0.1 million of the related unamortized debt issuance costs.

Mobile Mining Equipment Loans

On December 8, 2010, TCM executed an equipment financing agreement with Caterpillar in the amount of $12.8 million secured by six units of mobile mining equipment purchased by TCM during 2010. This fixed-rate loan bears interest at 3.6%, is scheduled to mature no later than December 8, 2015 and has an outstanding payable amount of $1.4 million as of June 30, 2015.

9. Gold Stream Arrangement

Pursuant to TCM's agreement with a subsidiary of Royal Gold, Inc. ("Royal Gold") (referred to as the "Gold Stream Arrangement"), TCM agreed to sell to Royal Gold 52.25% of the refined gold production from Mount Milligan Mine for a total upfront payment of $781.5 million, plus $435 per ounce, or the prevailing market rate if lower than $435 per ounce, when the gold is delivered. The upfront cash payments received under the Gold Stream Arrangement (referred to herein as the "Record of Deposit") were recorded as deferred revenue and classified as a liability on TCM's Condensed Consolidated Balance Sheets. As of June 30, 2015, the outstanding Record of Deposit under the Gold Stream Arrangement totaled $697.7 million. In the event of any default under the Company's agreement with Royal Gold, Royal Gold could require TCM to repay the outstanding Record of Deposit. For more information regarding the Gold Stream Arrangement, see Note 10 within Item 8 of TCM's 2014 Form 10-K.

The following table presents the revenue under the Gold Stream Arrangement for the three and six months ended June 30, 2015 and 2014, respectively, in the form of (i) cash receipts based on gold sales during the applicable period, and (ii) deferred revenue for gold ounces delivered and deferred revenue to be recognized upon final settlement during the applicable period:

	Three Months Ended		Six Months Ended	
(US$ in millions)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Gold sales related to cash portion of Gold Stream Arrangement	$13.1	$11.7	$21.4	$17.2
Gold sales related to deferred portion of Gold Stream Arrangement [(1)]	10.0	9.7	16.4	14.1
Total gold sales under Gold Stream Arrangement [(1)]	$23.1	$21.4	$37.8	$31.3

[(1)] The three months ended June 30, 2015 and 2014 included $12.8 million and $11.5 million, respectively of revenue which was previously deferred, partially offset by $2.8 million and $1.8 million, respectively in deferred revenue ultimately to be recognized upon delivery of gold. The six months ended June 30, 2015 and 2014 included $16.9

million and $18.6 million, respectively of revenue which was previously deferred, partially offset by $0.5 million and $4.5 million, respectively in deferred revenue ultimately to be recognized upon delivery of gold.

10. Tangible Equity Units ("tMEDS")

On May 11, 2012, TCM completed a public offering of 8,800,000 tMEDS with a stated value of $25.00. Each tMEDS unit consisted of a prepaid common stock purchase contract and a senior amortizing note due May 15, 2015. In June 2014, TCM completed an exchange offer whereby 7,206,862 units, or 86.4% of the then outstanding tMEDS, were tendered for exchange and accepted by TCM. In exchange for the tendered tMEDS, TCM issued 42,129,829 shares of its common stock.

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

10. Tangible Equity Units ("tMEDS") (Continued)

On May 15, 2015, the prepaid share purchase contract portion of each outstanding tMED unit was automatically settled at the maximum settlement rate of 5.3879 shares of common stock. TCM issued a total of 6,105,210 shares of common stock in connection with such settlement. TCM also made the final installment payment on the amortizing note portion of each outstanding tMED unit, satisfying in full the principal and interest payments on the tMEDS. The mandatory settlement and final installment payment were made pursuant to the terms of the prospectus dated May 8, 2012, under which the tMEDS were offered in May 2012. As of June 30, 2015, all obligations with respect to the tMEDS had been satisfied and no tMEDS remain outstanding.

For the three and six months ended June 30, 2015, TCM paid $0.1 million and $0.1 million, respectively, in interest expense and incurred $0.1 million and $0.1 million, respectively, of interest and debt issuance costs associated with the tMEDS. For the three and six months ended June 30, 2014, TCM paid $0.6 million and $1.2 million, respectively, in interest expense and incurred $0.5 million and $1.1 million, respectively, in interest and debt issuance costs associated with the tMEDS.

11. Stock-Based Compensation
As of June 30, 2015, TCM has granted stock options, PSUs and RSUs, as discussed below.
Stock Options
The expiration date and vesting provisions of stock options granted are established at the time an award is made. Stock options vest over 3 years and are exercisable over a period of time not to exceed 10 years from the grant date but generally expire 5 years from the grant date. When an option is exercised, TCM may issue the requisite shares from authorized but unissued common stock, or from treasury stock. The exercise price of options granted prior to March 1, 2011 is equal to the greater of: (i) the volume weighted-average trading price of the underlying shares on the Toronto Stock Exchange ("TSX") over the five consecutive trading days immediately before the grant date, converted to U.S. dollars at the noon exchange rate of the Bank of Canada on the grant date and (ii) if the award date occurs in a trading black-out period, the weighted-average trading price on the TSX over the five consecutive trading days immediately after the black-out period has been lifted. The exercise price of options granted after March 1, 2011 is equal to the volume weighted-average trading price of the underlying shares on the TSX over the five consecutive trading days immediately before the grant date, converted to U.S. dollars at the noon exchange rate of the Bank of Canada on the grant date.
The following table summarizes stock option activity during the six months ended June 30, 2015:

	Options (000's)	Weighted-Average Exercise Price (1)
Stock options outstanding at January 1, 2015	1,386	$4.04
Granted	—	$—
Exercised	—	$—
Canceled/expired/forfeited	(194)	$6.34
Stock options outstanding at June 30, 2015	1,192	$3.66

(1) The weighted-average exercise price of options outstanding is shown in US dollars as the majority of the options granted starting in 2011 have a strike price denominated in US dollars. Options with a Canadian dollar strike price have been converted to US dollars for disclosure purposes using the exchange rates on the respective date of grant.

For the three and six months ended June 30, 2015 and June 30, 2014, TCM recorded compensation expense related to stock options of $0.1 million and $0.2 million, respectively, and $0.1 million and $0.2 million, respectively. As of June 30, 2015, approximately 0.6 million outstanding options had not vested and were not exercisable. The total unrecognized compensation cost related to these options was $0.4 million as of June 30, 2015 and is expected to be recognized over a weighted-average period of 1.91 years. As of June 30, 2015, approximately 0.6 million options had vested and were exercisable. The aggregate intrinsic value of these exercisable awards was nil as of June 30, 2015.

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

11. Stock-Based Compensation (Continued)

Performance Share Units (PSUs)

As of June 30, 2015, TCM had issued a total of 6.1 million PSUs under the Amended and Restated 2010 Long-Term Incentive Plan ("LTIP"), which have been granted to eligible employees. As of June 30, 2015, 1.8 million of these PSUs have expired or have been forfeited. The vesting of the outstanding PSUs granted subsequent to January 1, 2012 and prior to January 1, 2014 is contingent upon two performance metrics: 1) TCM's Total Shareholder Return (TSR) relative to the Russell 2000 Index during the three-year performance period; and 2) the proven and probable mine reserves replaced by TCM during the three-year performance period as measured by the replacement reserves percentage determined by the plan administrator. The PSUs cliff vest three years from the date of issuance upon achievement of the above metrics. Any PSUs not vested at such time will expire.

The vesting of the outstanding PSUs granted subsequent to January 1, 2014 is contingent upon two performance metrics: 1) TCM’s Total Shareholder Return (TSR) relative to the S&P TSX Global Base Metals Index during the three-year period commencing on January 1 of the year in which the grant was made (the “performance period”); and 2) cash flow from operations, defined as TCM’s aggregate “cash generated by (used in) operating activities” less aggregate “capital expenditures,” as reported in the Statements of Cash Flows in the Company’s Annual Report on Form 10-K for each fiscal year in the performance period. The PSUs cliff vest approximately three years from the date of grant, or on the date in the first quarter of the fiscal year immediately succeeding the performance period on which the plan administrator determines and certifies the achievement of the above metrics. Any PSUs not vested at such time will expire.

All PSUs granted are accounted for at fair value using a Monte Carlo simulation valuation model on the date of grant. The Monte Carlo model is based on random projections of stock price paths. Expected volatility is calculated using a weighted average of historical daily volatilities and implied volatility and represents the extent to which TCM's stock price performance is expected to fluctuate during the three-year terms of the respective award.

For the three and six months ended June 30, 2015, TCM recorded compensation expense related to PSUs of $0.9 million and $1.4 million, respectively. For the three and six months ended June 30, 2014, TCM recorded compensation expense related to PSUs of $0.7 million and $1.4 million, respectively. As of June 30, 2015, unrecognized compensation expense related to PSUs totaled $7.7 million that will be recognized on a straight-line basis over a weighted-average period of 2.21 years.

The following table summarizes PSU activity during the six months ended June 30, 2015:

	Units (000's)	Weighted-Average Fair Value
Outstanding at January 1, 2015	1,920	$ 4.59
PSUs granted	2,805	$ 2.04
Canceled/expired/forfeited	(427)	$ 7.77
Outstanding at June 30, 2015	4,298	$ 2.62

Restricted Stock Units (RSUs)

As of June 30, 2015, TCM had issued 5.1 million RSUs to certain eligible employees and directors under the LTIP and under an employment inducement award for the Chief Executive Officer in November 2013.

TCM accounts for RSUs at fair value, which is based on the market value of TCM's common shares on the day of grant and recognized over the vesting period of 3 years. Upon vesting, TCM may issue the requisite shares from authorized but unissued common stock, or from treasury stock.

For the three and six months ended June 30, 2015, TCM recorded compensation expense related to RSUs of $0.7 million and $1.4 million, respectively. For the three and six months ended June 30, 2014, TCM recorded compensation expense related to RSUs of $0.7 million and $1.0 million, respectively. As of June 30, 2015, unrecognized compensation expense related to RSUs totaled $4.4 million that will be recognized on a straight-line basis over a weighted-average period of 2.12 years.

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

11. Stock-Based Compensation (Continued)

The following table summarizes RSU activity during the six months ended June 30, 2015:

	Units	Weighted-Average Fair Value
	(000's)	
Outstanding at January 1, 2015	1,455	$ 3.20
RSUs granted	2,076	$ 1.59
RSUs vested and common shares issued	(542)	$ 3.70
Canceled/expired/forfeited	(150)	$ 2.52
Outstanding at June 30, 2015	2,839	$ 1.97

12. Commitments and Contingencies

Legal Matters

TCM is from time to time involved in or subject to legal proceedings related to its business. While it is not feasible to predict or determine the outcome of these proceedings, it is the opinion of management that the resolution of such proceedings is not expected to have a material adverse effect on TCM's consolidated financial position results of operations or cash flows.

Concentrate Sales Agreements

As of June 30, 2015, TCM is party to four multi-year concentrate sales agreements for the sale of concentrate produced at Mount Milligan Mine. Pursuant to these agreements, TCM has agreed to sell an aggregate of the copper and gold concentrate produced at Mount Milligan Mine of approximately 140,000 tonnes in 2015, 140,000 tonnes in 2016 and 40,000 tonnes of concentrate for each year in 2017 and 2018. Pricing under these concentrate sales agreements will be determined by reference to specified published reference prices during the applicable quotation periods. Payment for the concentrate will be based on the price for the agreed copper and gold content of the parcels delivered, less smelting and refining charges and certain other deductions, if applicable. The copper smelting and refining charges will be negotiated in good faith and agreed by the parties for each contract year based on terms generally acknowledged as industry benchmark terms. The gold refining charges are as specified in the agreements. Remaining concentrate produced at Mount Milligan Mine will be sold under short-term contracts or on a spot basis.

Molybdenum Purchases

In the normal course of operations, TCM enters into agreements for the purchase of molybdenum to provide product for our Langeloth facility. As of June 30, 2015, TCM had commitments to purchase approximately 10.3 million pounds of molybdenum as unroasted molybdenum concentrate from 2015 to 2017 primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate.

Molybdenum Sales

In the normal course of operations, TCM enters into certain molybdenum sales contracts pursuant to which it sells future production at fixed prices. As of June 30, 2015, TCM had commitments to sell approximately 536 thousand pounds of molybdenum oxide in 2015 at an average price of $12.14 per pound.

Capital Purchase Commitments

As of June 30, 2015, TCM had no open capital purchase commitments.

Table of Contents

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

13. Income and Mining Tax Expense (Benefit)

Income and mining taxes for the three months ended June 30, 2015 and 2014 were an expense of $5.1 million and $14.5 million, respectively. Income and mining taxes for the six months ended June 30, 2015 and 2014 were a benefit of $11.6 million and $0.5 million, respectively.

Usual drivers of differences for the periods presented between TCM's effective rate and from applying the Canadian federal and provincial income tax rates are due to pre-tax losses from the Endako Mine and foreign exchange, which largely have no benefit due to valuation allowances on the associated deferred tax assets, and the British Columbia mineral taxes.

The tax expense and benefit for the three and six months ended June 30, 2015 did not contain significant unusual items.

The tax expense for the three months ended June 30, 2014 did not contain significant unusual items. The tax benefit for the six months ended June 30, 2014 contained the following significant unusual items:

- A $1.4 million tax benefit due to a successful conclusion to a tax appeal; and
- A $2.4 million tax benefit due to an increase in the amount of TCM's deferred taxes that will be realized due to higher taxable income as compared to previous forecasts.

14. Net Income (Loss) per Share

The following is a reconciliation of net income (loss) and weighted-average common shares outstanding for purposes of calculating diluted net income (loss) per share for the three and six months ended June 30, 2015 and 2014.

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income (loss)	$0.3	$61.6	$(86.9)	$22.5
Basic weighted-average number of shares outstanding	218.0	174.5	216.2	173.1
Effect of dilutive securities				
Share-based awards	0.1	0.3	—	0.1
tMEDS	—	45.5	—	44.1
Diluted weighted-average number of shares outstanding	218.1	220.3	216.2	217.3
Net income (loss) per share				
Basic	$0.00	$0.35	$(0.40)	$0.13
Diluted	$0.00	$0.28	$(0.40)	$0.10

For the six months ended June 30, 2015, approximately 2.8 million RSUs were excluded from the computation of diluted weighted-average shares as the effect would have been anti-dilutive under the treasury stock method. For the three and six months ended June 30, 2015, approximately 4.3 million PSUs have been excluded from the computation of diluted weighted-average shares because the underlying market and performance metrics had not been met.

For each of the three and six months ended June 30, 2014, approximately 2.4 million stock options were excluded from the computation of diluted weighted-average shares as the exercise prices exceeded the price of the common stock. For each of the three and six months ended June 30, 2014, approximately 2.3 million PSUs were excluded from the computation of diluted weighted-average shares.

15. Transactions with our Endako Mine Joint Venture Partner

Total sales by TCM to Sojitz, TCM's Endako Mine joint venture partner, were $1.4 million and $7.4 million for the three and six months ended June 30, 2015, respectively. This represented 1.0% and 2.9% of TCM's total revenues for these respective periods. Total sales by TCM to Sojitz were $30.3 million and $54.3 million for the three and six months ended June 30, 2014, respectively. This represented 12.2% and 13.3% of TCM's total revenues for these respective periods.

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15. Transactions with our Endako Mine Joint Venture Partner (Continued)

For the three and six months ended June 30, 2015, TCM recorded insignificant amounts for management fee income and selling and marketing costs from Sojitz. For the three and six months ended June 30, 2014, TCM recorded management fee income of $0.1 million and $0.2 million, respectively, and selling and marketing costs of $0.2 million and $0.4 million, respectively, from Sojitz.
At June 30, 2015 and December 31, 2014, TCM's related accounts rece