

FINAL TRANSCRIPT

Copper Mountain Mining Corporation

First Quarter Results

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CORPORATE PARTICIPANTS

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Copper Mountain Mining Corporation – Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Tom Meyer

CIBC – Analyst

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Copper Mountain Mining Corporation 2014 First Quarter Earnings conference call. At this time, all lines are in a listen-only mode. Following the presentation, we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for a question. If anyone has any difficulties during the conference, please press star, zero, for Operator assistance at any time. I would like to remind everyone that this call is being recorded on Friday, May 2nd, 2014.

I would now like to turn the conference over to Rod Shier, CFO. Please go ahead.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Thank you, Joanne. After opening remarks by Management, in which we will review the business and operational results for the 2014 first quarter, we'll open the lines to participants for questions, as noted by Joanne.

Please note that comments made today that are not of a historical factual nature may contain forward-looking statements. This information, by its nature, is subject to risks and uncertainties that may cause the stated outcome to differ materially from actual outcomes. Please refer to the bottom of our latest news release for more information.

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I'll now turn the call over to Jim O'Rourke, CEO, for his remarks.

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Thank you, Rod. Good morning, everyone, and thanks for joining us again. Today, we'll discuss the 2014 first quarter results of the operation at the Copper Mountain mine and our results of the Company. I'll briefly summarize the financial results and provide an update on the operational and capital activities, after which Rod will provide financial details for the 2014 first quarter.

The 2014 first quarter continued to show improving operational results. The mine delivered another record production quarter as a result of the mine's focus on integrating the three portable crushers into the grinding pre-crush circuit, and a large portion of the SAG mill feed was pre-crushed. The short-term crushing measures that were implemented in 2013 have contributed to a steady increase in throughput for the quarter, while the permanent crusher is under construction for a mid-summer start-up.

For the three months ending March 31st, 2014, the Company completed a total of three shipments of copper concentrate and generated \$61.2 million in revenue after provisional pricing adjustments. Revenues were up for this quarter as compared to the same period last year, despite about a 10 percent decrease in the copper price. The improvement, of course, was the result of increased copper production. The 2014 first quarter set a production record for the mine.

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Production for the three months ending March 31st was 19.1 million pounds copper, 5,400 ounces of gold and 105—300,000 ounces of silver. This represents a 34 percent increase in copper production as compared to the first quarter of 2013, which we produced 14.2 million pounds of copper. The total cash cost per pound copper sold, net of the precious metal credit, was US\$2.08. Site cash cost per pound of copper produced, net of the precious metal credit, was US\$1.62 per pound for the period.

SAG mill throughput continued to improve during the quarter as a result of adding the third portable crusher in December of last year. Copper production during the quarter was in line with guidance, despite some unscheduled downtime in March resulting from a ball mill transformer interruption. Field (phon) crews completed the repairs in a timely and identified the root cause of the transformer failure. A solution has been identified and will be implemented for all of the six mill motors and transformers over the next few months.

Mining activities continued to shift more toward Pit 3 during the quarter, and mining in Pit 2 has shifted more toward the southwest end of the pit. During the quarter, a total of 13.6 million tonnes of material was mined, including 4.1 million tonnes of ore and 9.5 million tonnes of waste. Average strip ratio was 2.3 to 1 as compared to the average 2.1 strip ratio projected for the current life of mine plan.

The mine moved an average of approximately 160,000 tonnes per day of material. The 2014 mining rate is planned to increase to 175,000 tonnes per day, which will incorporate the use of the two additional Komatsu 240-ton haulage trucks that were recently purchased and are now being assembled

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at the site. The mining fleet continues to enjoy favourable mechanical availabilities. Additionally, a new mine dispatch system has been installed to assist with the improvement of mobile equipment utilization.

Mine operating cost average \$1.91 per ton moved, which includes the extra temporary explosive cost to improve fragmentation to assist mill throughput. Fuel and mine consumable prices are slightly higher, reflecting the effect of the weak Canadian dollar.

For the three months ending March 31st, 2014, the average head grade was 0.394 percent copper, which is above guidance levels of 0.35 percent copper. Looking to the remainder of 2014, about 70 percent of the ore is scheduled from the area of the Pit 3, with head grade slightly above guidance level. For the 2014 first quarter, the concentrator milled a total of 2.6 million tonnes of ore as compared to 2.2 million tonnes of ore in the same period last year. On a ton-per-day basis, the 2014 first quarter averaged 29,300 tonnes per day versus 24,900 tonnes per day in the same period last year. This 18 percent improvement in throughput over last year is attributable to the short-term crushing strategy, in place until the permanent crusher is installed.

Copper recovery and mill operating time were from the previous—were up from the previous period, averaging 84 percent and 91 percent, respectively, as compared to 83 percent and 86 percent for the three months ended March 31st, 2013. Although the portable crushing operation has added about \$1.3 million per month to the operating cost, the benefits of the finer SAG mill feed have had a

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direct impact on the improved operation. Approximately 35 percent of the SAG mill feed is being crushed to the minus two-inch size range. Measurable results of the finer feed are increased mill throughput, steadier mill operations and, of course, increased copper production.

Currently, construction of the \$40 million secondary crusher facility is on schedule and within budget. The main concrete foundations are complete and the major components have arrived on site, in March. The project is on track to be completed in the mid-summer. Currently, the structural steel has been erected, the internal 75-ton capacity overhead crane is installed and the crusher building is now clad.

Operational highlights for the first quarter include a favourable head grade, improved mill availability and steady progress in mill throughput, which all contributed to first quarter's record copper production. Looking to the remainder of 2014, we are focused on completing the installation of the secondary crusher and operational improvements in both mining and mill areas. The recent installation of the mine dispatch system and upgrading of the mill expert system have provided encouragement that our targets are achievable. The mine operation is on track to meet our guidance levels of 80 million to 90 million pounds of copper in 2014, which represents a 29 percent increase over 2013 copper production levels.

I'll answer any specific questions after the—Rod is finished and during the answer period, and for any details you're wishing to have. Thank you.

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Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Thank you, Jim. For the three months ended March 31st, 2014, the Company recognized net revenue, after pricing adjustments and smelter charges, \$61.2 million based on an average realized copper price of \$3.19 per pound. This compares to net revenues, after pricing adjustments and smelter charges, of \$55.1 million based on an average provisional copper price of \$3.56 for the three months ended March 31st, 2013. This increase in revenue is a result of increased copper production. The net revenue amount of \$61.2 million includes a \$9.8 million unsettled negative pricing adjustment on concentrate sales.

The mine shift and sold a total of 19.8 million pounds of copper, 6,500 ounces of gold and 98,700 ounces of silver during the three months ended March 31st, 2014. This compares to a total of 15 million pounds of copper, 5,800 ounces of gold and 69,200 ounces of silver during the three months ended March 31st, 2013. The increase in sales volume is a result of the mill processing more ore and overall improved efficiencies in the mill that were implemented during 2013.

Cost of sales for the three months ended March 31st, 2014, was \$60.1 million, which resulted in a gross profit of \$1.1 million, as compared to cost of sales of \$47 million, which resulted in a gross profit of \$8.1 million for the three months ended March 31st, 2013. The increase in costs as compared to the first quarter of 2013 is a result of processing more ore and the addition of the temporary crushing and blasting measures that the Company has undertaken to increase throughput in the mill.

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General and administrative expenses for the three months ended March 31st, 2014, were \$1.6 million as compared to \$1.7 million for the three months ended March 31st, 2013. Non-cash share-based compensation reflected an expense of \$1.4 million for the three months ended March 31st, 2014, as compared to an expense of \$0.6 million for the three months ended March 31st, 2013. This increase is due to the issue of stock options and deferred share units in the first quarter of 2014 and an increase in the DSU liability as a result of the higher share price of the Company.

For the three months ended March 31st, 2014, the Company recorded finance income of \$0.02 million and finance expense of \$2.1 million as compared with finance income of \$0.1 million and finance expense of \$2.1 million for the three months ended March 31st, 2013. Finance expense primarily consists of interest on loans and the amortization of financing fees.

For the three months ended March 31st, 2014, the Company recognized a non-cash unrealized foreign exchange loss of \$11.5 million compared with a non-cash unrealized foreign exchange loss of \$6.3 million for the three months ended March 31st, 2013, which primarily relates to the Company's debt as it's denominated in US dollars. During the first quarter, the Company recognized a non-cash unrealized loss on the interest rate swap of \$0.9 million as compared with a non-cash unrealized gain on the interest rate swap of \$0.3 million for the three months ended March 31st, 2013, which is related to the revaluation of the interest rate swap liability required under the Company's loan agreement. It should be noted that these adjustments to income are required under IFRS and are non-cash in nature, outlined in the Company's MD&A statement of cash flows.

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For the three months ended March 31st, 2014, the Company recorded a current resource tax of \$0.1 million and the current and a deferred income tax recovery of \$1 million, as compared with a current resource tax expense of \$0.3 million and the current and deferred income tax expense of \$0.3 million for the three months ended March 31st, 2013. This all resulted in a net loss attributable to shareholders for the three months ended March 31st, 2014, of \$12.1 million, or \$0.10 per share, as compared to a net loss of \$2.3 million, or \$0.02 per share, for the three months ended March 31st, 2013.

If we remove all the accounting non-cash items, the Company recorded an adjusted EBITDA of \$17.1 million and an adjusted earnings of \$6.7 million, or about \$0.07 per share, for the three months ended March 31st, 2014, as compared to an adjusted EBITDA of \$17.5 million and adjusted earnings of \$7.8 million, or \$0.08 per share, for the prior period.

As at March 31st, 2014, the Company had cash on hand of \$41.2 million. It should also be noted that Mitsubishi Materials had not yet contributed their share of the secondary crusher capital as at March 31st, 2014, which would add an additional \$10 million to the quarter end cash balance.

On the hedging front, I'd like to remind everyone on the line today that we have no commodity hedging in place and an extremely attractive debt financing package.

In conclusion, the first quarter of 2014 delivered record operational results and we are confident our production targets will be met with the installation of the new permanent secondary crusher this summer.

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I'd now like to open the lines up for any questions that people may have.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question and answer session. Should you have a question, please press the star, followed by the one, on your touchtone phone. You will hear a three-tone prompt acknowledging your request and your questions are polled in the order they are received. Should you wish to decline from the polling process, please press the star, followed by the two. If you are using a speakerphone, please lift the handset before pressing the keys. One moment, please, for your first question.

Your first question comes from Tom Meyer of CIBC. Tom, please go ahead.

Tom Meyer – Analyst, CIBC

Thank you. Good morning. I think this is a question for Rod and it's only one. Just looking at the employee compensation and benefits line in Q1, it looks like it's tracking a lot higher than it has in prior quarters. Is there any special items in that and what should we expect the run rate be—to be for the balance of the year?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

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Yes, there were – Tom, there were – as noted in the conference call, there were some stock options and DSUs awarded to the directors in Q1 of this year, and that accounted for a little bit larger expense. So, I would not extrapolate that over the balance of the year.

Tom Meyer – Analyst, CIBC

Okay, so those include separate items from the share-based compensation. So, is that all just the DSUs, or—because there’s a breakout for the share-based compensation that—on a lower line of \$1.4 million?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

That’s right. The 1.4, that’s going to be made up of both those items together...

Tom Meyer – Analyst, CIBC

Uh-huh.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

...as stock options because you have the Black-Scholes stock options when they’re granted.

Tom Meyer – Analyst, CIBC

Okay.

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Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Then also, you'd add the—any DSUs that were issued, and you have to then mark-to-market your DSU liability for prior DSUs that are out, and with the increase in share price, that liability increases a little bit on the DSUs.

Tom Meyer – Analyst, CIBC

Okay. Got it. So, that \$15 million is a bit of an outlier and probably track more... (cross talking).

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Oh absolutely, yes.

Tom Meyer – Analyst, CIBC

...than the \$10 million to \$11 million range for the coming quarters?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Sorry, run that by me again, Tom.

Tom Meyer – Analyst, CIBC

So... (cross talking).

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

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(Cross talking) ...the 1.4 in the first quarter, it is going to be your expense for the quarter.

Tom Meyer – Analyst, CIBC

Yes... (cross talking).

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

But it's share-based compensation.

Tom Meyer – Analyst, CIBC

I'm just looking at the employee compensation and benefits line that was—it ran \$15 million in this quarter... (cross talking).

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Oh, oh, I'm sorry, I'm sorry. You're talking about—I'm sorry, Tom. You're talking about mine site employee compensation.

Tom Meyer – Analyst, CIBC

Yes.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

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I apologize. I was talking—we were talking—I thought you were talking about the share-based compensation of \$1.4 million on the income statement.

Tom Meyer – Analyst, CIBC

No. Yes, employee compensation and benefits—was \$15 million in the quarter, prior quarters had tracked \$10 million to \$11 million range. Was there anything special...?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes. No, that...

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Yes.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes. We have added employees at the mine site. We have also had a pay raise at the mine site.

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

But also, we paid a 2 percent bonus.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes.

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Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Which came into the first quarter, Tom.

Tom Meyer – Analyst, CIBC

Okay, and then—but going forward, I'll just work—it's probably, you know, looking back again, \$10 million to \$11 million range, it's probably tracking closer to 13 per quarter going forward?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes, I would say so, yes.

Tom Meyer – Analyst, CIBC

Okay, got it. Thank you. That's it for me.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Thanks, Tom.

Operator

Thank you. Your next question comes from Peter Campbell, Jennings Capital. Please go ahead, Peter.

Peter Campbell – Analyst, Jennings Capital

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Good morning, everybody. Thank you very much for taking my phone call here. Just a couple of questions here. Perhaps—a simple one. How do you get from an adjusted earnings of \$6.7 million and 160 million shares outstanding to get a \$0.07 EPS? Because, by the simple calculation, it should be something closer to 6; less than 6.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Good question, Peter. Let me just turn to that, because your adjusted—adjusted earnings are 6.7.

Peter Campbell – Analyst, Jennings Capital

Mm-hmm.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Divided on 116 million... (cross talking).

Peter Campbell – Analyst, Jennings Capital

Mm-hmm and you get 5.8.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes. Yes, I would agree with that.

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Peter Campbell – Analyst, Jennings Capital

Okay, so that—I—that was just causing me a little bit of concern. I thought there was some other calculation going on in there. Okay, that's good.

Jim, you indicated that the grade guidance for the rest of the year probably going to be trending a little bit higher than where you started. Is—because it's been pretty good grade by comparison over the last couple of like quarters. How much, like further out did you think that you'll be getting that better grade of 0.35, 0.36 kind of a thing?

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Well, 0.35 is our guidance, but for 2014 I think we gave guidance of 0.375.

Peter Campbell – Analyst, Jennings Capital

Okay; 375, got it. Then will that extend it—will that extend at all into 2015?

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

We haven't done our budget yet for 2015, although we do do our five-year plan. But we are looking at some—including some higher grade areas in from our Oriole and Virginia pits as a possibility to sweeten up 2015.

Peter Campbell – Analyst, Jennings Capital

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Okay, perfect. One final question; I think it's probably for Rod. Is the full balance of the crusher owing be approximately \$40 million?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

The full balance of the crusher—the capital project is about \$39.9 million.

Peter Campbell – Analyst, Jennings Capital

Yes.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

We've already incurred some of those expenditures to the end of March.

Peter Campbell – Analyst, Jennings Capital

Okay, that's my question. Plus you have—you had \$10 million coming from Mitsubishi.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes, that's right. So if you—an easy way to think about it, Peter, is this way: It's we're—we ended the year, last year, with like, \$41.2 million.

Peter Campbell – Analyst, Jennings Capital

Mm-hmm.

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Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

You've got another 10 coming from Mitsubishi, so that's 51.2.

Peter Campbell – Analyst, Jennings Capital

Mm-hmm.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Our burn rate on the crusher will be at \$35 million mid-summer when it's commissioned, because there's a trailing \$5 million.

Peter Campbell – Analyst, Jennings Capital

Got it.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

That we negotiated for performance guarantee and then in addition to that, there's a cushion within—there's a contingency within that budget of \$40 million.

Peter Campbell – Analyst, Jennings Capital

Mm-hmm.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

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So, we've got a fairly comfortable build there and, of course, we're cash flow positive on a monthly basis too.

Peter Campbell – Analyst, Jennings Capital

I got it. Okay. Perfect, Rod. Thank you very much. Those are all of my questions.

Operator

Your next question comes from David Forster, Merrill Lynch. Please go ahead, David.

David Forster – Analyst, Merrill Lynch

Hi, everyone. Can you provide a breakdown of the development PP&E of \$6.8 million on the cash flow statement, breaking it down between development and sustaining CAPEX, as well as capitalized interest? How much of that would relate to the crusher?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

A majority of that 6.8 is relating to your crusher. Like, you're talking, like, 95 percent of it (cross talking).

David Forster – Analyst, Merrill Lynch

Okay.

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Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes, we didn't have a—we don't have a lot of sustaining capital.

David Forster – Analyst, Merrill Lynch

Okay, and on the crusher, what is the expected impact on recoveries?

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Well, I guess I'll answer that and just, I guess, to bring you up to date, as of the end of the quarter, we've expended about \$7 million on the crusher and also had committed about \$24 million. So, total expenditure and committed are about \$31 million.

To answer your question with regard to recoveries, I don't think we're certain on that yet, David. The SAG mill will become a big, big ball mill and right now, or up until now, we've had 18-millimetre screened openings on the discharge of the SAG mill for the feed to the ball mill circuit. When we put in the crusher and we've been changing also recently, these down to 15-millimetre, so we're taking a lot of the load off the ball mills. But assuming that we can maintain our grind, there shouldn't be really any effect on the recovery but having said that, we are implementing or expanding our expert system in the mill and we now have cameras on all of the float cells for automatic control and also, we have instrumentation on the cyclone to ensure we get a proper grind. So, there's a number of incentives or

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activities that we're working on to improve recoveries, but I don't think our grind is expected to change a lot.

David Forster – Analyst, Merrill Lynch

Okay. Last question; what is expected to be the net impact on a cost-per-ton basis? So, assuming the crusher goes in as planned and then I would assume some of these interim procedures comes out of the costs, do you know what the net impact will be at this point?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

I mean, we haven't given guidance on costs yet for the very reason you're talking about, David, is that we're going to see some cost savings in other areas. For example, fuel consumption, maybe liner life, but we are expecting, you know, our total cost all in, we're – as you saw in the financials – a little over \$2.00 and we're certainly expecting – \$2.00 a pound, I'm talking – it was \$2.18 for the quarter – all in cost and with the crusher; we're expecting that to come down to a little under \$2.00.

David Forster – Analyst, Merrill Lynch

Okay. That's it for me. Thanks, guys.

Operator

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Thank you. Your next question comes from Mark Turner from Scotiabank. Mark, please go ahead.

Mark Turner – Analyst, Scotiabank

Yes, thanks, guys. Just a question, I guess more for Jim there. You know, you're talking about the—finding the root cause for some of these transformer failures. Just wondering if there's any sort of additional colour you can provide in terms of comfort that you truly have found the root cause. You know, I guess there's talk of other mills that they're experiencing sort of the same problem with their transformers and just—I guess, just trying to get comfort that you have found the root cause. As well as then, maybe an idea of the cost that you expect to occur over the next sort of few months as you implement the, I guess, the solution to that.

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Sure. Yes, we've managed to use the same consultants that they're using at the other places where they've had the same problems and it appears that, from what we can see, the root cause is a result of utilizing these variable speed motors and turning on and off the transformer so many times. For example, (audio interference) liner changes, and we have vacuum circuit breakers that we believe were putting straight currents into transformers that are causing the problems. So, what we've done – and I think the other people are doing the same thing – is we've ordered RC Snubbers to eliminate these stray

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peaks but also putting lightening arresters on the transformer, and we expect to have these done in the next few months.

Mark Turner – Analyst, Scotiabank

Then roughly the, I guess the costs that you expect in turn, is that going to circle through the operating cost, or are you going to put that through as sustaining?

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

No. That would be an operating cost and it'd be about \$350,000.

Mark Turner – Analyst, Scotiabank

That's all in, I guess?

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Yes.

Mark Turner – Analyst, Scotiabank

For all the transformers? Yes, okay. Then just one other question, maybe for you or for Rod as well. Just given the, based on lumpiness of the shipments, your concentrate shipments and you know you're more, I'd say, dependent upon the actual day that either ships or the quotational period settles just given the fewer shipments that you had. Has there been any thought and maybe, like, hedging out

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the risk of once the—you've actually made that shipment? So, you know, not hedging future production at all, because I think your shareholders like that you're not hedged there, but from a cash flow management point of view, potentially hedging out once the ship has actually left the port of Vancouver, just to manage the cash flows?

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Yes, I hear you, but we're not making lumpy shipments in the sense that we pretty well ship a month. We're shipping about 12,000-plus tonnes per month and, as you're aware, we receive a provisional payment on ship loading of 90 percent of the value, and then settlement is three months after the month of arrival in Japan. So you're right, there is a difference there. Unfortunately, to sell forward for that ship, a lot of times we would be selling at a loss, so because they're every month anyway, we should get the average without selling forward.

Mark Turner – Analyst, Scotiabank

Okay, perfect. Thank you.

Operator

Thank you. Your next question comes from Sasha Bukacheva of BMO Capital Markets. Please go ahead.

Sasha Bukacheva – Analyst, BMO Capital Markets

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Hi, good morning. My first question is to get some sense of the range of the cash costs you see going forward. So you mentioned, with the crusher, the all in cost would come down to about \$2.00, so is that kind of—should we use, let's say, \$2.10 for the balance of the year, or what would be a reasonable number?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

I mean, our all in costs for this quarter were \$2.18.

Sasha Bukacheva – Analyst, BMO Capital Markets

Right.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

It was, I think, \$2.22 at the end of last year, and we were—we're expecting similar cost this next quarter, to the first quarter... (cross talking)

Sasha Bukacheva – Analyst, BMO Capital Markets

So \$2.20-ish?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

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Yes, yes, in that \$2.18, \$2.20-ish, we're expecting that area. But once the secondary crusher comes in and you get a full quarter of it, we are expecting that to come down a little bit below the \$2.00 range.

Sasha Bukacheva – Analyst, BMO Capital Markets

Okay, which brings me to my next question. So, you've spent—you said, like, most of that \$6.8 million in PP&E was for the crusher, so I'm going to call it \$6 million, which is about 17 percent of \$35 million budget that you are looking to spend before summer. So—which means, in the next three months, you're looking at spending 30—the remaining \$30 million. Is that correct?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Not—a little bit under \$30 million, because remember, Sasha, the burn is expected to be about \$35 million by mid-summer.

Sasha Bukacheva – Analyst, BMO Capital Markets

Right, but I mean—yes...

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

(Cross talking) trailing, so if I've spent 6 already, I think there's a little bit less than 30 left.

Sasha Bukacheva – Analyst, BMO Capital Markets

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Right, so—but I mean—so that brings you—puts you at the spending rate of about \$10 million a month spend.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Well, I mean that—it's going to be a timing of cash flows will certainly have been expensed and—or invoiced and incurred; whether that full amount has been spent by mid-summer as cash out the door is a cash flow management issue.

Sasha Bukacheva – Analyst, BMO Capital Markets

Yes, yes, yes, sure, sure.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

(Cross talking) expect it would trail into the third quarter.

Sasha Bukacheva – Analyst, BMO Capital Markets

Sure, Rod. So, where I'm really going with this is that it looks like, you know, you've only spent \$6 million so it looks like spending really needs to ramp up. Are there any targets, or what are the kind of critical path items that you need to hit to make sure that the smelter kind of gets commissioned by the end of the summer, early fall? So, what are you—do you have a sort of month-by-month budget, or what are some of those, like, big ticket items?

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Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Yes, we do have a month-to-month budget and we also have the cumulative costs. The construction really peaks in May and – May and June – and the work now is pretty much—the engineering has been completed. All of the major components have been ordered and most of those are on site, so now it's really construction putting it all together and it's going to be, as I say, it's going to peak May and June.

Sasha Bukacheva – Analyst, BMO Capital Markets

Right. So, most of that cost really relates to construction, so is actually most of your construction contract is at fixed price, or is there any variability around costing there?

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

We have both. For example, the crusher building itself was a fixed price. It's now been installed. We don't see a lot of risk in the construction project. We have the same team that we had during the original project and they were on schedule and on budget and right now, everything we have indicates that we're going to be on schedule and on budget. So, we don't see a lot of risk there.

Sasha Bukacheva – Analyst, BMO Capital Markets

Okay. Thank you very much. That answers all of my questions.

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Operator

Thank you. Your next question comes from Stefan Ioannou from Haywood Securities. Please go ahead.

Stefan Ioannou – Analyst, Haywood Securities

Great. Thanks very much, guys. Hey, Rod, just to—maybe just to clarify the \$2.18 cash cost you guys were just talking about; that was actually Q1 '13, right, not Q1 '14?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes, I apologize for that, that's right, \$2.08 this... (cross talking)

Stefan Ioannou – Analyst, Haywood Securities

Two oh eight, yes, okay.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

(Cross talking) ...22 at the end of December.

Stefan Ioannou – Analyst, Haywood Securities

Yes, okay. No, no worries. Then just in terms of the—you know, talking—back to Peter Campbell's question, just a little bit about the grade; you mentioned—I mean, I guess a lot of the

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production's coming from Pit 3 right now, but some of it's coming from Pit 2, and you specifically mentioned the southwest part of Pit 2. Is that southwest part materially different than the rest of Pit 2 in terms of its grade and ore hardness characteristics?

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Not really, Stefan. It's—just happens to be where we are...

Stefan Ioannou – Analyst, Haywood Securities

Okay.

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

...with regard to the Pit 3. Probably, we'll get about 60 percent to 70 percent of the material coming from Pit 3 during the balance of the year.

Stefan Ioannou – Analyst, Haywood Securities

Okay, and in terms of the difference between Pit 2 and 3; it's still—Pit 3 is harder but it's also higher copper grades, right?

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

That's correct.

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Stefan Ioannou – Analyst, Haywood Securities

Okay. Okay, and then just maybe just for Rod, just looking in the financial statements under the term loan sort of notes, it looks like just the payment schedule's changed a little bit. You got sort of—you know, the nearer-term payments are a little higher than they were before and then the 2017 to 2022 payments are a little bit less. Is there anything we should know about that, or is that just...?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

You're looking on the term loan?

Stefan Ioannou – Analyst, Haywood Securities

Yes, yes.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes. No, I mean the schedule hasn't changed. It varies a little bit. You'll note in 2014, I think it's \$1.6 million every six months. The senior credit facility certainly, that repayment schedule gets fairly light for the next 18 months; it's only about—we have this one payment this summer that's about \$4.8 million but after that, it's about \$810,000 every six months.

Stefan Ioannou – Analyst, Haywood Securities

Okay.

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Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

But, no, nothing's changed to the schedule of the repayments on the loans.

Stefan Ioannou – Analyst, Haywood Securities

Okay. No, I'm just comparing the—I guess it's on page 11 of the financial statements notes.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes.

Stefan Ioannou – Analyst, Haywood Securities

I guess it's 8B, or sorry, sorry, no, 8C.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

The term loan? Yes.

Stefan Ioannou – Analyst, Haywood Securities

Sorry, 8C—no, just when I compare that sort of same note from your year-end financials, the—like, the 2014, '15, '16 breakdown, the numbers are a bit lighter, and then—but then the 2017 to 2022 sort of lump sum is bigger. You know, it's—we're just talking a few million dollars here and there but I'm just wondering, you know, why it changed, that's all.

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Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

It's just a function of, you know, what the repayment schedule is, right? You're just looking out each year annually there, and this loan has repayments on the February and August. So, when you catch in the (cross talking).

Stefan Ioannou – Analyst, Haywood Securities

I see what you're saying, yes (cross talking) fair enough, fair enough. Yes, I gotcha.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

(Cross talking) changes, it just catches a different (cross talking).

Stefan Ioannou – Analyst, Haywood Securities

Yes, it's a different 12-month floating window, yes.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Exactly.

Stefan Ioannou – Analyst, Haywood Securities

Yes, okay. Sorry, my mistake. Okay, thanks very much, guys.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

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Okay.

Operator

Thank you. Your next question comes from Gary Lampard from Canaccord. Gary, please go ahead.

Gary Lampard – Analyst, Canaccord Genuity

Good morning, everyone. My first question's one on provisional pricing. Would you be able to tell us the volume of sales that are provisionally priced at the end of Q1, and what copper price is used for that provisional pricing?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

The—okay, the provisional pricing is based off of about \$3.02 on average at the end of the quarter.

Gary Lampard – Analyst, Canaccord Genuity

Okay.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

The—during the quarter, as Jim mentioned, we ship about 12,000 tonnes of concentrate per month, and so all of our shipments in the first quarter are still provisionally priced.

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Gary Lampard – Analyst, Canaccord Genuity

Okay, and then presumably, some of your Q4 shipments as well, so would the...

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes.

Gary Lampard – Analyst, Canaccord Genuity

Would the number be somewhere between, say, 25 million and 30 million pounds? Is that a good guess, of copper?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

In terms of provisionally priced copper pounds.

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Sixty five, 6 and half million(inaudible).

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes. Yes, if I did 6.5 times 4; yes, say, by 25 million, 26 million pounds.

Gary Lampard – Analyst, Canaccord Genuity

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Okay, terrific, thank you. Next question, relatively simple one. The—with your production report, you give an estimate of revenue, of gross revenue, and I just want to—I know that they're only preliminary numbers, but I just wanted to check your methodology for that. It's just the revenue from the metals minus the treatment charges; is that how you get to that estimate?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Sorry, you're referring to now our revenue note in the financials?

Gary Lampard – Analyst, Canaccord Genuity

Yes, you—well, when you put out your operational results, you give an estimate of revenue and it's obviously never exactly the same when you report your financials, and I understand that the initial...(cross talking).

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes, (cross talking). Yes, we—and we had—don't forget, we had that negative pricing adjustment in there for—there was about \$9.8 million in total...

Gary Lampard – Analyst, Canaccord Genuity

Yes.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

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...this quarter.

Gary Lampard – Analyst, Canaccord Genuity

Yes. So, when you give your estimate of gross revenue initially as part of your operating results, is that just revenue for the contained metals minus treatment charges?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes, that's correct.

Gary Lampard – Analyst, Canaccord Genuity

Okay, great. A third question; can you remind me of your payabilities for copper, gold and silver?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Okay, the copper, we have a standard unit deduction, so that works out to what? About 96.5 percent. Gold is 95 percent and silver is 90.

Gary Lampard – Analyst, Canaccord Genuity

Okay, thank you. My final question; are you still mining ore to the low grade stockpile?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

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Yes, we are and that is part of the plan – the mine plan – as we go forward. Each quarter, we'll have some go to the low grade stockpile.

Gary Lampard – Analyst, Canaccord Genuity

Do you include that amount of material in either your tonnes of ore or your tonnes of waste estimate?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

It's—we consider the low grade stockpile ore.

Gary Lampard – Analyst, Canaccord Genuity

Okay, and the mining of that, the cost of mining of that, is that included in your cash cost, which was \$2.08 for this quarter?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes, the cost of mining that ore, you'll see in the calculations going down that the cost—that \$2.08 is cost of sales and so that cost is not in that \$2.08 number. So, a little bit gets deferred onto your low grade stockpile, and you'll see your low grade stockpile increase in value a little bit.

Gary Lampard – Analyst, Canaccord Genuity

So, the cost of that then gets carried through, I guess, investing cash flow.

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Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

It gets carried—that's right. It gets carried through your—on your balance sheet as low grade—as your low grade stockpile and so, for example, in—at the end of the quarter, we had a low grade stockpile of \$38 million—\$38.4 million, and at the end of December, it was \$34 million.

Gary Lampard – Analyst, Canaccord Genuity

Where does that go through the cash flow statement?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

It will go—it will—you'll see that on the cash flow statement as part of your development.

Gary Lampard – Analyst, Canaccord Genuity

Okay, so presumably roughly—of that \$6.8 million development cash flow in Q1 '14, there should be about \$4 million attributable to the low grade ore stock...

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

No (cross talking) I apologize, I misspoke there. It's part of your working capital changes.

Gary Lampard – Analyst, Canaccord Genuity

Okay, so it's not in operating cash flow.

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Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

(Cross talking) yes.

Gary Lampard – Analyst, Canaccord Genuity

Okay, great. Thank you very much.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Yes.

Operator

Thank you. Your next question comes from Adam Low from Raymond James. Adam, please go ahead.

Adam Low – Analyst, Raymond James

Thanks for taking my call. Good morning, everyone. My first question is on the provisional pricing again, just to clarify, just want to make sure I have it straight as what kind of methodology you guys use. You guys use – for your provisional pricing accrual – you use the copper price as of the last day of the quarter, or do you use some kind of futures price?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

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Yes, it's—we use the two-month forward price, and it was about \$3.02 this quarter.

Adam Low – Analyst, Raymond James

Okay, and now, I mean it looks like over the months from December through to the end of the March, the average copper price over that time was about \$3.21 so I'm just trying to reconcile the difference between \$3.21 and your accrual price of \$3.02, so about \$0.19, and then on 25 million pounds, I'm still struggling to get quite to the \$9 million accrual; I probably get closer to about \$7 million. Just wondering if you can help me bridge the gap on that?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

You're using our...

Adam Low – Analyst, Raymond James

Yes. Yes, so the number I quoted was—it was an average I guess, to a degree, it will also depend on the timing of the shipments because I guess some of the shipments would have been at a price... (cross talking).

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

That's right, and also, some shipments are realized at a little bit higher price during the quarter too.

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Adam Low – Analyst, Raymond James

Right, so would you characterize this as really mostly a timing thing? You guys basically put the shipments out when copper prices were probably near the peak during that period, and then you took the accrual hit at... (cross talking).

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

No, I wouldn't say that, because early on in the quarter, prices were higher, is my recollection, and the last couple of months, they were—we were lower, more around the \$3.00 range, for like, February, March ship... (cross talking).

Adam Low – Analyst, Raymond James

Now, is the provisional pricing adjustment you guys made, is that all really related to the copper price, or is there anything with regards to penalties on concentrate quality or anything like that in that number?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

No, we have very good quality concentrate. That's one of the big benefits here, that we don't have penalties and so, no, that's provisionally priced based on L&E (phon) at the time and we take the seven-day average prior to shipment.

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Adam Low – Analyst, Raymond James

Okay... (cross talking).

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

...we get that 90 percent three days after boat loading, and so you take the previous seven days average.

Adam Low – Analyst, Raymond James

Okay, that's helpful. Last question for me; I mean when you guys reported 4Q last time, I mean we were a bit further through—into 1Q than we are now into 2Q, but you guys did provide an update on, you know, how January went at that time. Are you guys prepared to give us any kind of sense as to how the month of April has gone so far for you guys?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Well, it's May 2nd and I haven't even seen the month-end report yet, Adam.

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

I guess, Adam, our first half of the year until we get the permanent crusher in place, we're forecasting 32,000 ton a day average through the mill and I can tell you preliminary results are virtually right on for April.

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Adam Low – Analyst, Raymond James

All right, thank you very much for taking my questions.

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Grade is probably on guidance; close to guidance.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press the star, followed by the one.

Your next question comes from Steve Parsons, National Bank Financial. Steve, please go ahead.

Steve Parsons – Analyst, National Bank Financial

Yes, thank you very much. Good morning. One question probably for either one of you, is for Rod or Jim; just with respect to Mitsubishi's \$10 million contribution to the crusher, what is required— or what criteria required to receive that, and when would you expect that payment?

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Well, I'm expecting that payment over the next month here, and there's no requirement to receive it as then we're—just have some internal paperwork that we're sending out.

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Steve Parsons – Analyst, National Bank Financial

Very good. Okay, rest of my questions have been answered. Thanks.

Operator

Your next question is from Matt Murphy, UBS. Please go ahead.

Matt Murphy – Analyst, UBS

Hi. Just wondering, once you get the secondary crusher installed, what you're thinking of a ramp up timeline, and how quick do you take away some of the measures you've put in place. You know, your portable crushers; do you keep them on site and does that have any cost associated if you just keep them there idle? Thanks.

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

I guess with regard to the crushers, we have two contract crushers and one of our own crushers. In terms of the start-up, we believe that we should have a very short start-up period. We do have a Raptor 900 on site, which is our pebble crusher which has operated since the start of operation. This new crusher is a Raptor 2000. We don't see a lot of difference with it. We have bypass provisions and currently, with our portable crushers, we're doing between 10,000 ton and 15,000 ton a day. With the permanent crusher, we'll be doing our full 35,000 ton a day, so we have a lot of capacity and only have to operate about 65 percent of the time so we have a lot of flexibility with it.

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With regard to the contract small crushers, as soon as the permanent crusher has been mobilized, the other ones would be sent off the site. There would be no further cost. The third crusher, the small portable crusher, the third one, we own that ourselves, so there would be no ongoing cost with that.

Does that answer it?

Matt Murphy – Analyst, UBS

That's great. Thanks.

Operator

There are no further questions at this time. You may proceed.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Well, thank you very much, everyone, for participating in our 2014 conference call, and as usual, Jim and I are always open for questions. If you have any further ones, you can call us directly.

Thank you very much. Bye.

Jim O'Rourke – Chief Executive Officer, Copper Mountain Mining Corporation

Bye for now.

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Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and we ask that you please disconnect your lines.