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FINAL TRANSCRIPT

Copper Mountain Mining Corporation

Fourth Quarter and 2012 Year End Results

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Copper Mountain Mining Corporation earning conference call.

At this time all lines are in 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 hearing the conference call, please press *0 for operator assistance at any time.

I would like to remind everyone that this call is being recorded on March 18, 2013.

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

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corp.

Thank you, Maliki.

After opening remarks by management in which we will review the business and operational results for the fiscal year ended December 2012, we'll open up the lines to participants for questions, as noted by Maliki.

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

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

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

Thank you, Rod. Good morning, everyone, and thank you for joining us today.

Today we will discuss the yearend results of the operation of the Copper Mountain Mine. I'll briefly review the financial results and provide an update on the various activities, after which Rod will provide financial details of the 2012 financial year.

The company averaged one shipment of copper concentrate for months during the year, generating $229.5 million in revenue, after provisional pricing adjustments. The mine produced a total of 56.6 million pounds of copper, 18,900 ounces of gold, and 354,000 ounces of silver. Gross profit for the year was $38.2 million.

For the year ended December 31st, 2012 total cash costs per pound of copper sold, net of precious metal credits, was $2.32 U.S. Site cash costs per pound of copper produced, net of precious metals credits, was $1.83 U.S. per pound for that period.

2012 was the first full year of production for the mine, and we faced many challenges during the ramp-up period. Most of these issues were resolved by yearend.

Mining has progressed well during the year with tonnes moved increasing from 140,000 tonnes per day at the start of the year to an average of 186,250 tonnes per day in December. You may recall that during the pre-production phase waste mining was about 10 million tonnes behind schedule due to delivery delays in some of our key mining equipment. In 2012 mine production was increased to accommodate the prior shortfall and the optimized mine plan. The increased mining rate was achieved with additional mining equipment purchased early in the year, the commencements of mining in Pit 2 area, and the improved operating efficiencies. Approximately 75 per cent of the mobile equipment downtime was planned maintenance, which provided favourable fleet mechanical availabilities. Mechanical availabilities were 85 per cent, 86 per cent, and 88 per cent respectively for the drills, shovels, and 240-tonne capacity haul trucks.

The average mining cost was $1.41 per tonne moved in the open pit operation. A total of 55 million tonnes were mined during the year, which included 12.5 million tonnes of ore and 42.5 million tonnes of waste. The average strip ratio was 3.4 to 1 as compared to the average 2-to-1 strip ratio projected for the current life of mine plan.

Copper production in 2012, at 56.6 million pounds of copper, was about 28 per cent below the guidance provided at the start of the year. This guidance was later modified to 60 million pounds per year in September of last year. Of the total shortfall, 26 per cent is attributable to the mill throughput. Mill operating time accounted for 10 per cent of the shortage, averaging 82 per cent versus the 92 per cent projected. Tonnes per operating hour averaged 31,000 tonne per day versus the 38,000 tonnes per day in our plan. The challenges with mill availability and throughput tonnage occurred mainly in the first half of the year. We have had significant improvements in mill availability and are confident the major issues related to downtime during the year were start-up issues and are resolved. I can discuss the details of the downtime in the question period for those who are interested in more information.

February mill availability averaged 93.3 per cent. Increasing the mill throughput remains our key focus in order to consistently achieve the 35,000-tonne-per-day design tonnage when treating Pit 3 ore. Areas in Pit 3 have the hardest ore with a work index in the 23 kilogram-per-tonne range.

A few months ago we installed a camera on the SAG mill feed conveyer to measure the fragmentation of the ore being fed to the SAG mill. The correlation of the contained minus one inch material in the ore to the mill tonnage was enlightening, and this has demonstrated the importance of fragmentation to our throughput. Based on this information we have accelerated program to test additional explosives to increase fragmentation of the ore in the pit, and we are also evaluating pre-crushing ahead of the SAG mill.

Recently we engaged a contractor to crush 70,000 tonnes of Pit 3 ore to minus two inch. We tested this material as feed to the SAG mill on March 8th and 9th. The test was very positive, indicating the SAG mill capacity was not limited at the 1,750 tonnes per hour range. This would have been equivalent to 38,000 tonnes per day.

Shortly after the crushed ore test, we completed a blast of ore in Pit 3 with a 0.6 kilogram-per-tonne powder factor. The fragmentation was very good, and similar to that of the pre-crushed sample. When processed in the mill the SAG mill operated well at 1,650 tonnes per hour range, which is slightly above our design capacity.

Looking forward to 2013 we have already seen significant improvements in operating time in the mill. In order to address the tonnage challenge, management has engaged an engineering firm to review the option of adding a secondary crusher facility ahead of the grinding circuit to increase the tonnage through the SAG mill. Preliminary design for the secondary crusher involves ore being conveyed from the core source stockpile to the new crushing facility where it would be crushed to approximately 50 per cent, minus one inch. The crushed ore would then be conveyed to the SAG mill via the existing conveying system.

Initial calculations and test results demonstrate that installation of a pre-crush facility would result in increased capacity of the grinding circuit to ensure the mill achieves the design capacity. Potential would exist to increase the capacity to the 38,000-tonne-per-day range, and this may be possible with pre-crushing. Preliminary estimates are that the crushing facility would cost up to $40 million and would be funded out of cash flow or additional debt. The engineer's report estimates the new crushing facility could be in place by yearend, subject to necessary approvals to proceed before the end of April.

Concurrently with the secondary crusher evaluation, the mine will continue to test various blasting techniques to improve the fragmentation and increase our throughput. To date increased blasting has proven to be positive and is considered an intermediate tool to increase our mill tonnage.

I will answer questions in the question-and-answer period at the end of the session for those wishing more details. I would now like to turn the call over to Rod to discuss financial details.

Thank you.

Rod Shier

Thanks, Jim.

For the year ended December 31st, 2012 the company recognized net revenue after pricing adjustments and smelter charges of $229.5 million based on an average provisional copper price of $3.61 per pound compared to net revenues after pricing adjustments and smelter charges of $66.5 million based on an average provisional copper price of $3.55 for the year ended December 31st, 2011. The increase in revenue from the prior period is a result of a full year of production versus a partial year as the mine commenced production in the summer of 2011.

The mine shipped and sold a total of 59.2 million pounds of copper, 19,900 ounces of gold, and 402,000 ounces of silver for the year ended December 31st, 2012, compared to a total of 17.3 million pounds of copper, 6,400 ounces of gold, and 131,000 ounces of silver during the year ended December 31st, 2011.

Cost of sales for the year ended December 31st, 2012 was $191.2 million, which resulted in a gross profit of $38.2 million compared to cost of sales of $50.3 million, which resulted in a gross profit of $16.2 million for the prior year. The increase in cost during the year is a result of the company capitalizing eight months of operating expenses in 2011 as the mine was in construction mode for part of the year.

General and administration expenses for the year ended December 31st, 2012 were $4.2 million and very comparable to the $4.6 million for the year prior. Non-cash share-based compensation reflected in the expense of $2.4 million for the year ended December 31st, 2012 compared to an expense of $3.8 million for the year ended December 31st, 2011. The decrease in non-cash share-based compensation was a result of the full vesting of stock options issued in prior periods.

For the 2012 year ended the company recorded finance income of $1.6 million and finance expense of $8.4 million compared with finance income of $1.3 million and finance expense of $6.2 million for the year ended December 31st, 2011. The increase in finance expenses in 2012 is a result of a portion of interest expense being capitalized in 2011 prior to the commencement of mill operations.

For the year ended December 31st, 2012 the company recognized a non-cash unrealized foreign exchange gain of $4.8 million compared with a non-cash unrealized foreign exchange loss of $8.3 million for the year ended December 31st, 2011, which relates to the company's debt as it's denominated in U.S. dollars.

During the year the company recognized a non-cash unrealized loss on the interest rate swap of $3.6 million as compared with a non-cash unrealized loss on the interest rate swap of $9.4 million for the year ended December 31st, 2011, 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 of a non-cash in nature as outlined in the company's statement of cash flows.

The company also started paying B.C. mineral tax in 2012, and recorded an income tax expense of $1.3 million, and also recorded a deferred income tax recovery of $2.8 million compared to nil for the prior year. This all resulted in net income attributable to the shareholders for the year ended December 31st, 2012 of $19.7 million or $0.20 per share, and compared to a net loss of $12.7 million or $0.13 per share for the prior year. If we take out all the non-accounting cash items or the non-cash items, the company reported an adjusted earnings for the year ended December 31st, 2012 of $27.9 million or about $0.28 per share compared with adjusted earnings of $8.6 million or $0.09 per share for the year ended December 31st, 2011.

As at December 31st, 2012 the company had cash on hand of about $24.3 million, excluding restricted cash of $6 million, and had a working capital of about $11.8 million. On the hedging front, I'd like to remind everyone on the line today that we have no commodity hedging in place, and we're able to secure extremely attractive 12-year project debt financing of about $300 million that carries an interest rate of a little over 2 per cent.

I'll now turn the call back over to Jim.

Jim O'Rourke

Thank you, Rod.

In conclusion, 2012 continued to be a year of ramp up with many challenges. We have successfully overcome most of these. The mine has continued to improve steadily and is working at a rate that we're very comfortable with at this time, although the mill is the bottleneck in terms of our copper production, and we are working diligently to overcome that situation.

I would now like to open the lines for questions, and I believe Maliki would now be turning this to the questions.

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 * followed by the 1 on your touchtone phone. You will hear a three-tone prompt acknowledging your request, and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press the * followed by the 2. If you are using a speakerphone, please lift the handset before pressing any keys.

One moment, please, for your first question.

And your first question comes from Matt Murphy from UBS. Please go ahead.

Matt Murphy – Analyst, UBS

Morning. I had a question just with the new crusher plan. What you see as the likelihood of this going forward? I know the studies are ongoing, but should we be considering that this is highly likely to go ahead?

Jim O'Rourke

Well, as I mentioned earlier, we're doing testing on blasting techniques, and so far these have been very successful. We also have a contractor, a small contractor at the site crushing our harder material to minus two-inch. And we plan to blend that in to also ensure that we can make our tonnage.

With regard to the pre-crush crusher, I think we're very keen on it in the sense of a long-term plan. And I think I mentioned that it would be about the end of the year before we could have it up and running. Our plan is to continue studies in the next few weeks, and also to present it to the board in mid-April.

Matt Murphy

And would it have any implications on your planned mining rates or downstream on your floatation capacity or do you think it can all handle that throughput?

Jim O'Rourke

Well I think what's very telling was that we did do that 70,000-tonne test run during March 8th and 9th, and we did get up to 1,750 tonnes per hour. And all of the facilities handled it. We would have some minor modifications to the ball mill circuit in that right now, of course, our problem is to get it through the SAG mill, and as a consequence we have 18-millimetre openings on our screen at the discharge of the SAG mill to produce coarse product for the ball mills. And we would change those screen panels to probably around 15 millimetres to lighten the load on the ball mill. And we believe we would operate in that range.

Matt Murphy

Okay. And then just wondering where you talk about potentially funded from cash flow or I guess… depending on how quickly you're looking to implement this. Have you had any conversations with potential debt financers?

Rod Shier

Right now, Matt, as Jim said, they're continuing to study it and just trying to nail down what our final cost is. And as the mine ramps up it continues to give off cash flow, so once we know what the final number is then we'll be able to make an assessment, and we'll be doing that, as Jim says, when we go to the board in another month or so.

Matt Murphy

Sure. Okay. Sorry.

Jim O'Rourke

Looking at the cash flow draw down, Matt, the big payments actually for the facility start in about July-August.

Matt Murphy

Right. Okay. Okay, and then just wondering if you can give any additional colour on what the big sources of improvement were between your December availability and say February?

Jim O'Rourke

Well, I believe the main ones were the… number one, of course, early in the year we had difficulties with freezing in the tailing pond last year. And that was completely overcome by adding water this winter. We also had difficulties with the grates last year, and in August we put in the modified final design ones from a new supplier, and these... we're in our third change now, so these have been working successfully. And I think that accounted for about 12 per cent of our downtime.

Also the other one was last year we experienced some difficulty with electrics on the ball mill motors, and it was an electronic problem. And as it turned out it was a software program problem. And that was resolved in about… well midyear I guess, and we've had no problems with that since.

We have still had some problem in the latter part of the year with extra downtime for liner changes as a result of metal filler rings, both at the feed-end and discharge-end of the mill. And these have had to be cut out with oxygen lamps, and very, very time consuming, creating a lot of downtime. And we've since replaced those with rubber filler rings, and we believe this problem is also behind us.

I guess the last one, what I didn't mention, was the tailing line. And we did have excessive wear on the tailing line, which did plague us in the early part of the year. Once we realized the problem we've been replacing parts on a routine maintenance basis with rubber line parts.

Matt Murphy

Oh, yeah. And so the 82 per cent referenced in the press release, was that the average on the year or is that a December number?

Jim O'Rourke

That was the average for the year.

Matt Murphy

Oh, okay. Okay. Okay, that's helpful. Thanks a lot.

Jim O'Rourke

Okay.

Operator

Your next question comes from Mark Turner from Scotiabank. Please go ahead.

Matt Turner – Analyst, Scotiabank

Yeah, good morning. Thanks, guys. Just a few more questions on the pre-crusher. Can you maybe just give a little more detail in terms of the timing and the steps of the approvals? Because I assume when you mention that you have to take it to the board, sort of in April here, that's probably the joint operating board. Does Mitsubishi then have to take that back to their board level to be approved? And then just what does that mean in terms of when you would first expect to be spending capital on it?

Jim O'Rourke

Well I think I mentioned earlier the cash draw down curve indicates the outflow of cash for it is fairly low until you reach about July and August when you have a lot of activity on site. With regard to the first part of the question in terms of approval process, as you would expect, we are completing studies as we proceed, and those studies are forwarded typically with our joint venture partner. We have technical sessions well ahead of the board meeting where we discuss the technical and financial ramifications of any expenditure. And those will progress between now and the board meeting.

Matt Turner

Okay. So I guess… But do they have to take it back then to a board level or some sort of discussion, I guess, at Mitsubishi Corporate? I'm just trying to I guess get a sense if there's any timeframe or delay there what that could be, just given that in the second half of this year is when you expect to be having more of the harder Pit 3 ore coming back feeding the mill, and just getting a sense of if there is any delay in the approvals process what sort of impact that could have in the second half.

Jim O'Rourke

Well I think I mentioned earlier that on the short term we are extremely impressed with this improved blasting. And also having the small crushing plant crushing some of our harder ore. And they do about in the order of close to 5,000 tonne a day so that we would have some finer feed to feed into it during the period.

Matt Turner

Okay. So with the combination I guess of the better fragmentation and the crushing in the second half I guess you're still then confident for your full year guidance. And then maybe around that, if something does change is there sort of a plan to maybe update guidance more periodically or sort of more frequently than last year?

Jim O'Rourke

Yes, we could do.

Matt Turner

Okay. Just sort of one other question still on the crusher, on the debt, and don't think you answered it specifically, but is there any sort of covenants or anything that restricts you from potentially lending from somebody outside of what the syndicate was before or is there even potential to lend from Mitsubishi directly, like similar to the $10 million that you loaned I guess in 2008 there from them?

Rod Shier

Good question, Mark. I think those are all good options. With this pre-crusher, if we go forward with it, is a non-budgeted item. We've already had our budget approved by the banks. So this would be a capital expenditure that we would have to go back to the banks with as well to get their approval. And if you did look outside, which is a potential, that you would again have to go to the banks for approval for that as well.

Matt Turner

Okay. Thanks. Just one last question before I take up too much time here. The assay results from the second half drilling, I guess some of the areas that you're focusing on sort of more near-term around Pit 2, can we still expect those before the end of this quarter or is that likely early next quarter now?

Rod Shier

Yeah. Yeah. No. I believe we'll be able to get those out before the end of this quarter.

Matt Turner

Perfect. Thank you, gentlemen.

Operator

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

Stefan Ioannou – Analyst, Haywood Securities

Hi, guys. Thanks very much. Just you sort of answered it in the last question, but just to confirm, just for the guidance for this year, I know back in late December you were talking 80 million pounds at $1.80 to $2.00 a pound cash costs. So are you basically saying that you think that this upfront better use of explosives is going to get you to sort of that 35,000-tonne-a-day average for the year, and then obviously if and when the pre-crusher comes in, call it early… by early 2014, that's when you're going to see an improvement over 35,000 tonnes a day? Is that fair?

Jim O'Rourke

I think that's reasonable, yes. With regard to both the super blast, if you will, and also the small crushing plant…

Stefan Ioannou

Okay.

Jim O'Rourke

… we would be optimistic that we'll get to our 35.

Stefan Ioannou

Okay. So just I mean in terms of the super blast and the small upfront, I guess, contractor crusher, is that sort of fully operational on a day-to-day basis right now? Are both those things happening in terms of the normal production schedule right now or is that something that's going to be implemented over the next weeks or months?

Jim O'Rourke

No. The crushing plant is operating today and will continue to operate. With regard to the blasting, that's in our plan right now.

I guess one other thing I should say is that we recently hired a new Vice President of Operations for the mine. He'll be located at the site, and he has a very strong processing background, and we expect that he's going to be fully focused on making sure we get that tonnage and also our copper production, of course.

Stefan Ioannou

Okay. Sure. So I guess without the blasting sort of in place right now on a day-to-day basis, is it fair to assume that the throughput in Q1 will be notably lower, sort of something on the order of Q4 of last year or...?

Jim O'Rourke

Yes, that's true. I mean this… as I mentioned earlier, I mean, these tests were completed sort of March 8th and 9th with regard to the pre-crushed material. And also the blast just followed shortly after that. So it's fairly new information from our point of view. And we'll aggressively pursue it.

Stefan Ioannou

Okay. Great. Thanks very much, guys.

Operator

Your next question comes from Aleem Ladak from PI Financial Corporation. Please go ahead.

Aleem Ladak – Analyst, PI Financial Corporation

Hi. Good morning, everyone. A lot of my technical questions have been answered, but one more on the technical side. The new crusher is expected to feed to the SAG mill ore with a P50 of one-inch minus. Could you remind me what is currently... the particle size that's currently being fed to the SAG mill?

Jim O'Rourke

This is one of our problems of course, and one of the reasons for our erratic... I would have to say erratic feed rate to... or processing rate. And this has been quite well pointed out with these cameras. Our minus one-inch material now varies from sort of the 22-per-cent range up to sort of 45 maybe, maximum. And with our blasting this has come up into the 50-per-cent range, and it seems to be an area where we do get higher tonnage. I didn't point out, but also we monitor the plus 4-inch material. And again, that varies from typically 5 per cent to 30 per cent.

Aleem Ladak

Okay. So if I heard you right then the drilling and the blasting is actually… you're achieving the particle size distribution feed to the SAG mill then, right, currently?

Jim O'Rourke

That's correct.

Aleem Ladak

Okay. One more quick question, sort of historically speaking. In February you said you achieved 93-per-cent design availability. Could you give us an indication of the throughput levels on a daily basis, like on the calendar-day basis then?

Jim O'Rourke

When are you talking about? Last year or this year or...?

Aleem Ladak

February 2013 when you claimed you achieved 93 per cent availability.

Jim O'Rourke

That's true, we did. Yeah. And the tonnage in the early part of the year, it can vary from 22,000 tonne a day to, you know, in the order of 31.

Aleem Ladak

Okay. And finally, a last financial question just to confirm, the restricted cash level is $6 million as of the end of the year?

Rod Shier

That's correct.

Aleem Ladak

Okay. And then the cash level was $24, right?

Rod Shier

Yeah, that's right. So in total we had about $30 million. $6 million is restricted, and that's just part of project debt covenants.

Aleem Ladak

Okay, great. That's it for me.

Operator

Your next question comes from Adam Low from Raymond James. Please go ahead.

Adam Low – Analyst, Raymond James

Morning.

Jim O'Rourke

Good morning.

Adam Low

Most of my questions I think have already been answered. One thing I am curious about, what kind of proportion of Pit 2 versus Pit 3 ore are you expecting this year, and how does that compare to what that proportion was in 2012?

Jim O'Rourke

What we're trying to maintain, Adam, is no more than 40 per cent Pit 3 material. But this was really based on the tonnage and trying to get a mix there that would give us the tonnage. With our modifications on the blasting, modifications with regard to adding this crushed material, we have a lot more flexibility, I believe. But as I said earlier, these revelations, if you will, came about sort of a few weeks ago, and we're really trying to get geared up and focused on what the plan will be to ensure that we do get the 35,000 tonne per day.

Adam Low

Are you guys able to maintain that 60-40 ratio pretty consistently throughout the year or are there various push backs and pre-strip requirements that might make that a little bit variable throughout the year, and what would those be?

Jim O'Rourke

Maybe I misspoke. I said maximum of 40 per cent from Pit 3 was our target to ensure that we got the tonnage. Our history was that with straight Pit 3 ore we weren't getting the tonnage. But in this recent super blaster or whatever you want to call it, we blasted I guess close to 200,000 tonnes, and we've been processing it, and we've been hitting our design tonnage. And mainly it appears because we have a lot of minus one-inch material. But this is sort of new grounds for us in the sense that typically the mills are based on work index, and although this material has a high work index, it appears that if it has a high percentage of minus one-inch then it still goes through the SAG mill well.

Adam Low

And the revised blasting techniques and the contractor pre-crushing that you guys have implemented recently here, is that being used just on the ore coming from Pit 3 or are you also doing that for ore coming from Pit 2?

Jim O'Rourke

We have modified as of a few weeks ago our philosophy with regard to Pit 2 as well whereby we've cut back a little bit on explosives in the waste material zone, and increased the powder factor in the ore zone.

Adam Low

And how should we think about the… I mean, obviously things like the additional explosives and using a contractor to do some pre-crushing weren't things that were in the original budget. What should we be thinking about those factors in terms of their additional costs?

Jim O'Rourke

It's really not significant in the overall scheme of things. It works out to about $0.25 a tonne milled, assuming we're getting our tonnage.

Adam Low

All right. That's very helpful. And what are you guys thinking in terms of the strip ratio and what it's likely to be in 2013?

Jim O'Rourke

Well, I think we mentioned that the mine is currently running at about 175,000 tonne per day. And we intend to continue with that rate. I think I mentioned earlier that we would be… we've had great success in the mine in the sense of getting good productivity. And that's typical over the winter, but our strip ratio will remain in the 3.9 to 1 range.

Adam Low

All right. Thank you. And perhaps you guys mentioned this earlier on the call and I may have missed it. Any sense as to when you guys might update the reserves for the mine plan, not just for 2013 but life of mine?

Jim O'Rourke

We're always looking at it and looking at the models and everything, but I think you're aware that our new chief engineer's been there about six months. And he's got a lot of things thrust upon his plate with regard to blasting and whatnot, and short-term planning, but definitely we'll be working on that. I can't give you a date as to when we would do it, but we will try and get it done in the near term. I can't imagine why it's going to change an awful lot, but anyway it's one thing we just have to get done.

Adam Low

Okay. And I think the last question for me, you guys did have a $2.9 million tax recovery during the quarter. Just wondered what that was related to, and I mean is it something you expect to see going forward?

Rod Shier

Yeah, that tax recovery, Adam, is related just to the timing differences. You know, this is classified as a new mine, so you get an extra bump on your capital asset, so you got more depreciation going through on your tax side right now than your accounting side. And so that'll flip back as the years go on.

Adam Low

All right. Thank you.

Operator

Your next question comes from Chris Chang from Laurentian Bank. Please go ahead.

Chris Chang – Analyst, Laurentian Bank

Most of my questions have been answered, but I guess one I have is before the spend on the crusher, what was the – can you remind me what the budget was for 2013 in terms of your capital spend?

Rod Shier

The budget for 2013 we were estimating at about $3.5 million.

Chris Chang

Okay. And you also said that coming into the year you guys had tailing lines issues. Did I hear that properly or was that what Jim said?

Jim O'Rourke

I said that we had tailing line issues last year.

Chris Chang

Okay.

Jim O'Rourke

And it's on a routine maintenance plan now. I think one thing that's really interesting there is that in the mine area, about 75 per cent of our downtime is scheduled maintenance. Last year in the mill 25 per cent of our downtime was scheduled maintenance; 75 per cent was breakdown. So the plan is to turn that around, and I think the guys are making a lot of progress on that.

Chris Chang

Okay. What was the mill availability then in January and February – sorry, January and March then if it was still high in February?

Jim O'Rourke

February and March…

Rod Shier

March is not out yet.

Jim O'Rourke

Yeah. January would not be a good month. We did a major liner change in January. We changed all of the shell liners, which would have affected it. I don't know offhand, to be honest. We haven't provided our first quarter yet.

Chris Chang

Okay. Okay, thanks.

Operator

Your next question comes from John Hayes from BMO Capital. Please go ahead.

John Hayes – Analyst, BMO Capital

Morning. Gentlemen, thanks for the update on the project and the crusher. I just have a couple of questions after listening to the dialogue this morning. Is this secondary crusher needed to reach your 35,000-tonne-per-day design capacity?

Jim O'Rourke

At the start of March I would have said yes, John. When treating Pit 3 ore only. I think we've found that we've had a lot of difficulties in treating Pit 3 ore. And just through the SAG mill, the ball mills appear to have the capacity, but we've always had trouble getting it through the SAG mill. Early in the year we decided to do the test, and we did the test, and it was a bit of an eye opener in that the, as I mentioned earlier, the SAG mill, it went through the SAG mill no problems at all. And it means that the mill would then be ball mill limited, and we believe we got a fair amount of capacity there.

John Hayes

Okay.

Jim O'Rourke

I don't know… answered the question.

John Hayes

Yeah, mostly. So essentially now when you tie that in with your blasting, you say that both the blasting and that bit of crushing you're doing there now is adding about $0.25 a tonne to the cost?

Jim O'Rourke

Correct.

John Hayes

Is there any idea what the full sec… full secondary crushing would add to the cost per tonne?

Jim O'Rourke

Well I think in that regard, John, if we had the secondary crusher we wouldn't do the super blasting, and we also wouldn't have a small contractor on site doing the contract crushing. So it'd probably be much a trade-off.

John Hayes

Okay. So it'd probably be above what you've given us to date that it'd be about another $0.25 a tonne to run that crusher? Is that what I'm inferring from this?

Jim O'Rourke

That's a guestimate, John.

John Hayes

Okay.

Jim O'Rourke

And remember too that all of our costs to date have been based on lower tonnage, and key to our cost per tonne is the denominator, and that's the throughput.

John Hayes

Okay. So basically what I'm understand is that to get to 35,000 tonnes per day with the blend of ore that you've got there now, it's going to rely on secondary crushing of some sort or extra blasting?

Jim O'Rourke

That's right.

John Hayes

Okay.

Jim O'Rourke

For the short term. And then if we're looking at the long term and we put in the other crusher then that would resolve that issue.

John Hayes

And so you've got no issues with loading capacity then? You're up to 35 you're okay, but when you go beyond 35 you need extra fleet or are you good on that front?

Jim O'Rourke

I think we have to take a hard look at that, John, but we are doing catch up right now on our stripping, and I think, as I mentioned, we fell behind in the early days there, and we're now catching up on a lot of that. So I'm not sure. I mean, I think we have to get the detailed mine plan out and see where we are going and what we'd be doing at the higher rate.

John Hayes

Okay. So that sort of layback in Pit 3, how far through that are you before you hit the best of the Pit 3 zone?

Jim O'Rourke

Well we're starting to hit it now in the stage 2 push back.

John Hayes

Okay.

Jim O'Rourke

And that's where we did this high-energy blast. And that was sort of the start of it. And interesting enough, the grades were quite high too, so...

John Hayes

So the recoveries have been an issue from that part of the pit as well, so do you think that this helps the back end of the plant as well or is that a separate issue?

Jim O'Rourke

I think the recoveries in the range of 80 per cent for Pit 3, I think are quite reasonable. I think we're budgeted this year at 82. And typically we've been over that, so I think we're confident we'll get that.

John Hayes

Okay. And just a final question, I noticed that the working capital has declined the last couple of quarters. And I was wondering how do you see that changing over in the next two quarters in terms of production and sales?

Rod Shier

As we move forward here, John, I think we ended September with about $27 million in cash. We had about $30 at the end of this year. We're shipping, as Jim mentioned, about one shipment a month, and that was typically has been about 10,000 tonnes a month. And that's given us surplus cash flow, because we're pretty consistent on a monthly basis of cost. It's about $14.5

million a month. A 10,000-tonne shipment will give you about $20 million. So we're building money there, and our costs are fairly consistent. So that's what we're talking about in terms of this pre-crusher and seeing how we can fit it into the cash flow as we move forward.

John Hayes

Okay. So you really wouldn't want to be spending that till the back end of the year, is that what I understand?

Rod Shier

Yeah, that's a fair statement, and that's what Jim was saying is in the cash flow curve, initial ones we've seen on the crusher, it's not till your summer months, July-August, where you start to have more dollars being spent.

John Hayes

So from what I understand from that, you'd probably wait till Q2 sometime before you'd make a decision on this, like towards the end?

Rod Shier

No. As Jim was saying, I mean we're heading towards April, end of April decision on it. And that's how we're operating right now.

John Hayes

Okay. I think that was all my questions. Thank you very much.

Operator

Your next question comes from Terence Ortslan from TSO & Associates. Please go ahead.

Terence Ortslan – Analyst, TSO & Associates

Good morning, Jim. How you doing?

Jim O'Rourke

Good, Terry. How are you?

Terence Ortslan

Thanks. Jim, let me try to get this straight. The pit at the blast… blasted material, is it the powder factor, drilling pattern or is it the powder itself? Let me get that straight.

Jim O'Rourke

Well, it was the powder factor itself plus the technique.

Terence Ortslan

Okay. What is the powder factor, by the way?

Jim O'Rourke

Well in this case, I mentioned we used on this one 0.6 kilos per tonne.

Terence Ortslan

Okay. And what is the work index of this ore, and how much does it vary in the pit?

Jim O'Rourke

Well in Pit 3 in these areas the harder materials are both 23.

Terence Ortslan

Okay.

Jim O'Rourke

20 to 23.

Terence Ortslan

And do you charge your SAG?

Jim O'Rourke

Sorry?

Terence Ortslan

Do you charge the SAG?

Jim O'Rourke

The SAG mill?

Terence Ortslan

Yeah.

Jim O'Rourke

Well it's 17 per cent ball charged.

Terence Ortslan

Okay. And what's your steel consumption as it is? The ball and SAG?

Jim O'Rourke

It's gone down substantially. Jeez, I don't know off the top of my head, Terry.

Terence Ortslan

Okay. Just (inaudible) later. I have another question. What per cent of your copper you get paid for when you load up the… to the vessel? And how do you settle the entire amount?

Jim O'Rourke

90 per cent provisional payment. And right now we're three months after the month of arrival.

Terence Ortslan

Okay. Is that… 90 per cent is on the back pricing or is it spot?

Rod Shier

It's on the spot pricing (inaudible).

Terence Ortslan

Okay. Okay. Thanks, guys. Jim, invite me next time you have a visit, okay, to the property?

Jim O'Rourke

Okay.

Terence Ortslan

Talk later.

Operator

Your next question comes from Garnet Salmon from Jennings Capital. Please go ahead.

Garnet Salmon – Analyst, Jennings Capital

Hey. Hey, guys. Most of my questions have been answered, but just in terms of the art of magnitude estimate for the pre-crusher, you said $40 million. Is this plus or minus 25 per cent accuracy factor or...?

Jim O'Rourke

I said up to $40 million.

Garnet Salmon

Okay. So you're pretty confident that those numbers are… the final numbers will come in close to $40 million?

Jim O'Rourke

Yes.

Garnet Salmon

Okay. And also, in terms of the debt repayment for this year, what's the schedule, estimated schedule amount that you guys have in place for 2013?

Rod Shier

Garnet, it's going to be a couple of payments again, and it's going to be in the order of about $13 million will be repaid to the banks this year. And you'll see that in… I think it's… I think it's about note 7 or 8 of the financials.

Garnet Salmon

Got it. So is it fair to say that if you go ahead with this pre-crusher, this secondary crusher purchase that most of this will be funded from additional debt?

Rod Shier

I think we have to see how the additional techniques that Jim has been talking about and how that is impacting production as we go forward. Because as we said, we started with $30 million in December. We're cash flowing. Our costs are pretty consistent of $14.5 million, and most of the larger dollars aren't required until July-August timeframe. So I think it's a little premature to say that right now.

Garnet Salmon

Okay. And on the cash costs, are you still confident that you'll come in below the $2.00 per pound cash cost level for full year 2013 based on this super blast and the contracted pre-crushing?

Rod Shier

Yeah. As we've noted before, we give guidance based on the entire year, not quarter by quarter, and we see no reason why we can't make our guidance at this point in time for the year.

Garnet Salmon

Great. And a last question, what's the effective tax rate that you guys are using for 2013?

Rod Shier

Effective tax rate is about 25 per cent.

Garnet Salmon

Okay.

Rod Shier

On the federal level, yeah.

Garnet Salmon

Okay, great. Thanks. Thanks, gentlemen.

Rod Shier

So Garnet, just… but when you see our taxes though, like we're sheltered for taxes right now. I mean, the only tax we're going to be paying is the B.C. mineral tax right now. Because of this new mine status we get the bump up on your tax asset base for depreciation for tax purposes, and that's why you saw that…

Garnet Salmon

Tax recovery.

Rod Shier

… preferred income tax recovery.

Garnet Salmon

Right. So the effective tax rate would have been much lower than this 25 then?

Rod Shier

Oh, that's right, yeah.

Garnet Salmon

Okay. Got it. Okay, thanks.

Operator

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

Steve Parsons – Analyst, National Bank Financial

Yeah, good morning. Thank you. I'd like to follow up on a question I think John Hayes asked about recoveries, notably in Pit 3. Looks like the recoveries… obviously the recoveries have been lower than the feasibility study, and we understand why; it's been oxidized. Is there an expectation that… maybe a near-term or medium-term expectation that you will be getting into fresher rock in Pit 3, and that the recoveries will move higher or do you expect the recoveries to remain at the low level through the life of Pit 3?

Jim O'Rourke

I guess – Steve, it's Jim here. With regard to Pit 3, we do see mineralization is not… is quite dissimilar to Pit 2 in the sense that it seems to be finer grained. And also, as you mentioned earlier, of course we had that oxidation situation. But our experience in Pit 3 is that we do get the lower recoveries, and even with the areas that we've just been in, we're still getting the low 80s.

Steve Parsons

Okay.

Jim O'Rourke

Feasibility study at 89. I think there's a qualifier in it stating that the material was quite clean. And if you look at the historical results from Pit 3 it's the low 80s.

Steve Parsons

Okay. So could you remind me then, of the reserves, what portion are sort of Pit 3, and what portion are Pit 2?

Jim O'Rourke

Oh, boy. Yeah, I would…

Steve Parsons

Or how many years do you expect it to be in Pit 3? Did you expect to be in Pit 3?

Jim O'Rourke

Well, the whole plan has changed substantially, Steve.

Steve Parsons

Right.

Jim O'Rourke

The original plan to develop the super pit was to stay in Pit 3 through Phase I, II, III, IV and V. And what was happening is the optimization was chasing high-grade copper at depths. And since then in reviewing it – and we're reviewing that now, the model itself – Pit 3 had lower recovery, lower gold, harder rock. Pit 2 was softer rock, higher recovery and higher gold. So in terms of the optimization it would be quite different today with the new information in that the Pit 2 material, probably the net present value of a tonne of Pit 2 material, even though it may be lower grade, would be about equivalent to higher-grade Pit 3 material.

So we're just looking at all that right now, Steve.

Steve Parsons

Got it. Okay. On the strip ratio questions, you'd indicated you're running at a sort of 3.9 to 1. That's above the long-term life of mine average. Are you capitalizing the excess above the life of mine average?

Rod Shier

Good question, Steve. That's a great question because it's always a hot topic with mining. And we do… you do see our low-grade stockpile has some costs associated with it. But what you're going to be seeing upcoming next year or this year for all mining companies under IFRS, you are required to defer excess stripping costs. So I'm not quite sure what that's going to look like yet, Steve, because we're just starting it.

Jim O'Rourke

Steve, our plan is to show it with and without it. Under the IFRS with the new rules, they're going to require us to do it based on what our auditors are telling us. And I'm not sure we agree with it, but in order to get a clean audit statement we're going to have to abide by it. And I think...

Steve Parsons

So another question for you, just on the $2.27 total cash costs you published in Q4, did that account for all stripping? Or was...

Rod Shier

Yes, that accounts for all our costs.

Steve Parsons

Got it.

Rod Shier

But you will note there's some costs sitting in your low-grade stockpile.

Steve Parsons

Got it. Okay. That's it for me. Thanks a lot.

Rod Shier

Thanks.

Jim O'Rourke

Okay. Bye, Steve.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press the * followed by the 1. There are no further questions at this time. Please go ahead.

Rod Shier

Well thank you very much, everyone, for listening in on our December 2012 earnings conference call, and as usual, Jim and I are very open, if you have additional questions you can always call us directly.

Thank you very much. Bye.

Operator

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

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