FINAL TRANSCRIPT

Copper Mountain Mining Corporation

Third Quarter Results

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PRESENTATION

Operator

Good morning, ladies and gentlemen. My name is Ryan (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Copper Mountain Mining Corporation Third Quarter Earnings Conference Call.

All lines have been placed on mute in order to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question at this time simply press *, and the number 1 on your telephone keypad. If you would like to withdraw your question press the # key.

I would now like to turn the call over to Chief Financial Officer, Rod Shier. You may begin.

Rod Shier – Chief Financial Officer, Copper Mountain Mining Corporation

Thank you, Ryan. After opening remarks by management, in which we will review the business and operation results for Q3 2012, we'll open the lines to all participants for questions, as noted by Ryan.

Please note that the 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 outcome to differ materially 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, Chief Executive Officer, for his remarks.

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

Thank you, Rod. Good morning, everyone, and thank you for joining us. Today we're going to discuss the third quarter operational and financial results for Copper Mountain Mining Corporation.

I'll briefly review the mine's operational results for the period and provide you an update on various activities, after which Rod will provide you financial commentary on the quarter.

The mine operated steadily during the quarter at an average rate of about 171,000 tonnes per day moved. During the last month of the quarter, the mine averaged 179,000 tonnes per day moved, an improvement over the year-to-date rate of 154,000 tonnes per day. This improvement was mainly attributable to the commencement of mining activities in Pit 2 on the updated mine plan, plus increase in sideboards on the haul trucks, which increased our truck factor from about 198 tonnes per truck to 224 or about 13 percent. During the quarter we mined a total of 3.5 million tonnes of ore and 11 million tonnes of waste.

The mill was slightly higher than last quarter, averaging about 32,000 tonnes per operating day. The operating time averaged 83.5 for the quarter, which was below plan. This was mainly affected from the poor results in July, where we had a number of difficulties, which we've discussed previously. But in September the mill throughput averaged 35,000 tonnes per operating day and 88 percent operating time.

Mill production was adversely affected during the first part of the quarter due to the failure of the SAG mill grates, ball mill motor modifications, and tailing line maintenance. These interruptions resulted in lower than planned production and higher cost mainly in July.

Following the planned mill maintenance shutdown at the start of August whereby newly-designed grates were installed in the SAG mill and other repairs and modifications were made to the outstanding issues, unscheduled downtime has decreased, providing confidence the mill can reach its 92 percent availability.

Subsequent to the planned maintenance shutdown in early August, the Company has obtained design capacity, and is guiding in the fourth quarter at a target of throughput of 35,000 tonnes per day.

Just point out briefly that the new grates that were installed at the start of August were scheduled to operate for about three months. Those were installed on August 2nd, and they plan to be changed out in the 20th this month. So they've demonstrated that that problem appears to be behind us.

The head grade averaged 0.3 percent copper with mill recovery at 76.57 for the period. During the same period, the operational produced 12.5 million pounds of copper, 4,300 ounces of gold, and 77,000 ounces of silver. Total cash costs per pound sold net of precious metal credits was $3.25 per pound for the third quarter, which reflects the lower copper production for the period. Site cash costs per pound produced net of precious metal credits were 2.75 for the period.

The scheduled downtime that affected the operating time at the start of the quarter resulted in lower than planned production for the quarter and higher costs. Therefore, these costs contain shortfalls from the previously-listed unexpected interruption, and we expect significant unit cost reductions going forward.

Looking forward to the fourth quarter, we've seen significant improvements in tonnage rate and availability in the mill, and have reached targeted production rates on a consistent basis. I'll be available to answer specific questions in the question-and-answer period on the matter for those wishing more details at the end of the call.

I'd like now to turn the call over to Rod to discuss the financial results.

Rod Shier

Thank you, Jim. During the third quarter of 2012, the Company recognized revenue of 47.6 million after pricing adjustments and smelter charges.

Based on an average provisional copper price of 3.37 per pound, this compares to revenues of about 21.8 million after pricing adjustments in smelter charges, and that was based on a provisional price of 4.08 a pound for the three months ended September 30, 2011.

The mine shipped and sold a total of 12.1 million pounds of copper, 3,400 ounces of gold, and 81,800 ounces of silver for the three months ended September 30,

2012. This compares to a total of 5.8 million pounds of copper, 2,000 ounces of gold, and 44,600 ounces of silver during the three months ended September 30, 2011.

Cost of sales for the third quarter was 49.2 million, which resulted in a gross loss of 1.5 million. Compared to cost of sales of 11.2 million, which resulted in a gross profit of 10.7 million for the three months ended September 30, 2011.

The increase in costs during the quarter is a result of the Company expensing all three months of mining the milling costs, which included the additional repair and maintenance items expensed during the quarter that were required to achieve design capacity, as compared to the period ended September 30, 2011, in which two months of expenses were deferred as the Company was still in the early start-up phases of mill operation.

General and administrative expenses for the three months ended September 30, 2012, were 1 million compared to 900,000 for the three months ended September 30, 2011. Noncash share-based compensation reflected an expense of 800,000 for the three months ended September 30, 2012, compared to a recovery of 200,000 for the three-month period ended September 30, 2011. The increase in noncash share-based compensation was a result of vesting of stock options issued in prior periods.

During the quarter, the Company recorded finance income of 300,000 and finance expense of 1.8 million as compared with finance income of 100,000 and finance expense of 700,000 for the three months ended September 30, 2011. As a side note, finance expense primarily consists of interest on loans and the amortization of financing fees.

For the three months ended September 30, 2012, the Company recognized a noncash unrealized foreign exchange gain of 9 million. This compares with a noncash unrealized foreign exchange loss of 24.8 million for the three months ended September 30, 2011.

During the quarter, the Company recognized a noncash unrealized gain on the interest rate swap of about 0.07 million as compared with a noncash unrealized loss on the interest rate swap of 7.2 million for the three months ended September 30, 2011. The noncash unrealized gain in foreign exchange for the period was attributable to a portion of the Company's long-term debt that is denominated in US dollars.

The noncash unrealized gain on the interest rate swap for the quarter was a result of the revaluation of the interest rate swap entered into by the Company as part of the project loan, which was required by the project lenders. It should be noted that these adjustments to income are required under IFRS, and are of a noncash nature, as outlined in the Company statement of cash flows.

For the quarter, the Company reported an income and resource tax expense of about $90,000 as compared with an income and resource tax expense of zero for the three months ended September 30, 2011. This all resulted in net income attributable to shareholders for the third quarter of 2012 of 2.7 million or $0.03 per share as compared to a net loss of 17 million or $0.17 per share for the three months ended September 30, 2011.

For the nine months ended September 30, 2012, net income attributable to shareholders is 17.6 million or $0.18 per share compared to a net loss attributable to shareholders of 18.3 million or $0.19 per share for the nine months ended September 30, 2011.

If we take all the accounting noncash items out, the Company reported an adjusted loss of 8.7 million or about $0.09 per share for the three months ended September 2012, compared with adjusted earnings of 9.5 million or $0.10 per share for the three months ended September 30, 2011. For the nine months ended September 30, 2012, the Company reported adjusted earnings of 20.5 million or about $0.21 per share compared with adjusted earnings of 5.2 million or $0.05 per share for the nine months ended September 30, 2011.

As at September 30, 2012, the Company had cash on hand of approximately 20.4 million, and a working capital of approximately 25.3 million.

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 as well.

I'll now pass it back to Jim.

Jim O'Rourke

Thank you, Rod. Well, in conclusion, the start of the third quarter was very challenging, and we faced interruptions which adversely affected the operations.

Following the planned shutdown at the start of August whereby the newly installed grates were completed in the SAG mill and electrical modifications were made in the ball mills, as well as repairs to the tailing line, the mill has obtained design capacity.

Looking ahead, the Company is fully focused at optimizing the mine and mill operation to increase our production and decrease costs. We continue to believe we're on track, and optimistic that we will meet our guidance of the 60 million pounds for 2012, which is approximately 20 million pounds for the last quarter.

Thank you.

Rod Shier

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

Q&A

Operator

At this time, if you would like to ask a question over the phone, please press *, and the number 1 on your telephone keypad.

Your first question comes from the line of Chris Chang from Laurentian Bank. Your line is open.

Chris Chang – Laurentian Bank

Hi. Good morning, guys. I just had a quick question with regards to the repair and maintenance items that you guys had expensed in the third quarter in your cash costs?

Rod Shier

Mm-hmm.

Chris Chang

Of the 49 million, how much would you say is attributed to the repairs and the maintenance items?

Rod Shier

We're normally running about $14 million a month in a normal scenario, so over the three months that's about 42 million. So you've added about 7 million, 7.5 million there.

Chris Chang

Okay. So 7...

Rod Shier

Expenses.

Chris Chang

Okay. And I guess my next question is really the recovery rate for the copper. It looks like it's tracking below on a quarterly basis, and I was wondering if you could explain why that would be the case? Is it higher—is there just higher by-products in there? Or what's really affecting the recovery rate?

Jim O'Rourke

I think the recovery rates that had been forecast were based on the feasibility study, and looking forward I believe they were a bit optimistic. But having said that, the recovery rates have come up substantially in the last month, and we're now running sort of in the 80, 84 percent range.

And this is the result of some modifications to the ball mill circuit in terms of water control on the cyclones, and we're getting a much better grind. And also the crew at the site have made some substantial changes with regard to the operation as well in that we do have cameras and automation on controlling the flotation operation.

So we've made some big improvements, but we've got more to make.

Chris Chang

Okay. And I guess the last question is on the by-product precious metal production. I mean the original forecast you had at the beginning of the year obviously is kind of probably at risk, and I was wondering if you were going to update that number or where you guys are currently tracking with regards to the grades and the recoveries for your precious metals.

Jim O'Rourke

Go ahead.

Rod Shier

Yeah. To date, Chris, we've got 13,000—we had 13,000 ounces of gold and 287,000 ounces of silver, and one of the things that has changed is as we've moved to Pit 2, when you get more Pit 2 or that relationships swings a little bit. So we revised our guidance in September, and we're still maintaining that guidance.

Chris Chang

On the precious metals? Or...

Rod Shier

Yes. We have not changed that.

Jim O'Rourke

Yeah. And as we moved a little more from Pit 2 versus Pit 3, the gold content is a little higher in Pit 2, and the silver content's a little lower, plus the gold recoveries have been a little higher than had been provided in guidance. We're probably closer to the 73, 74 percent range versus 66 in the prior guidance.

Chris Chang

Okay. All right. That's it for me for the questions.

Rod Shier

Okay.

Operator

Your next question comes from the line of John Hayes from BMO Capital Markets. Your line is open.

John Hayes – BMO Capital Markets

Thank you. I've got a couple questions. First one is on the mining costs. I was wondering if you could let us know what your mining costs are on a per tonne basis for mining, milling, and G&A for this quarter that you just reported and how did they compare to the previous quarter?

Rod Shier

Thanks, John. The way we disclose our mining cost is on a per pound basis. It's like anything else. The previous quarter, we've continued increased mill throughput. So it's your denominator. It's going to significantly affect that, right? And that's why we haven't disclosed that, but you can certainly calculate that based on the mill tonnage that's disclosed in the MD&A.

John Hayes

Yeah. Yeah. But I was wondering what's the breakdown between mining, milling, and G&A. There's just three numbers. Like what's your total mining costs…

Rod Shier

Yeah.

John Hayes

And it'd be helpful to know what the breakdown is. Like what's your mining costs…

Rod Shier

In our guidance numbers, John, we did break that down. And the relationship has not changed.

John Hayes

Okay

Rod Shier

And that was roughly—it was roughly $5 in the mill per tonne milled, $7 for mining per tonne milled, and about $0.42 for G&A and a couple of other minor things. So it was like 12.42. That relationship still is maintained.

John Hayes

Okay. Then maybe I can move on to some production questions. Right now I'm looking at your production and you've got a stockpile of low-grade ore that continues to grow, and I was wondering what is the actual mine plan for the rest of this year? Is it 0.35, but you're maintaining that stockpile? What's the stockpile grade? I think that's important to know. And when are we going to get an updated mine plan?

Jim O'Rourke

Let me answer that. We're just going through the budgeting process right now, John, and we've had our technical meetings at the mine, and the budget will be presented to the Board in December. And we can give you some guidance after that.

With regard to the stockpiles, there's two stockpiles. We have both high-grade stockpiles and low-grade stockpiles, and that's just to balance out things for the mine. The stockpile grade, the low-grade stockpile is about 0.14 percent copper.

John Hayes

This is the stockpile that's referred to as non-current in your…

Jim O'Rourke

Correct.

John Hayes

Okay. And the high-grade stockpile would be the current stockpile?

Jim O'Rourke

That's correct.

John Hayes

Okay. Okay. So with the waste ore ratio right now, it's about 3:1. Is that what we're expecting to see in through the rest of the year?

Jim O'Rourke

Yeah. We're operating typically at about 5.1 million, 5.2 million tonnes per month moved in the pit, and we're geared up for that. That's a bit of an increase as compared to mid-year, and that's been going very well and we'll continue at that rate. Mid-year we were sort of in the 4.5 million tonne per month range, and the costs haven't changed substantially for that increase in terms of dollars per month. So as you'll appreciate, the costs per tonne mined has gone down.

John Hayes

Okay. One final question. On Pit 3 I noticed you're in the process of doing a lay-back there.

Jim O'Rourke

Right.

John Hayes

So how many tonnes have been moved out of Pit 3? And how many tonnes are left before you hit the—get back into the higher-grade zone?

Jim O'Rourke

Well, that'll be in our mine plan for next year, but we do encounter ore as we go down in—that's Stage 2 Pit 3 we're talking about now, and we are encountering ore as we go down. But in terms of what you're asking, I think, is when are we going to be in the high-grade zones? And that'll be in the next few months we'll hit part of it.

John Hayes

So that's part of what's going to get you to your 0.35 percent guidance for Q4?

Rod Shier

Yeah. That's right, John. Our guidance was 0.35 for the balance, but just remember, in our earlier mine plan this is digging in Pit 3, our guidance for the year was 0.35 and we had maintained about a 0.4 up until June. So that was forecasting a little bit lower grade for the second half of this year.

By realigning the mine plan we've been able to optimize the grade a little bit better, and we're averaging 35 for the second half of the year here for the fourth quarter.

John Hayes

Okay. Thank you. I've taken enough time.

Operator

Your next question comes from Aleem Ladak from PI Financial. Your line is open.

Aleem Ladak – PI Financial

Hi. Good morning, everyone. Two quick questions. Going back slightly to Chris' question on the precious metals. Output of the two metals was down in the third quarter. Is this relating to obtaining ore from Pit 2? Or could you give us some more colour on that?

Jim O'Rourke

On the third quarter, no. The third quarter was down mainly because of the grade-poor month of July where our production was down, as well as the operating time.

Aleem Ladak

I see. Okay. The second question I had related to also recovery. As you guys are obviously ramping up on the throughput, you did mention that you're in the recovery rate of 80 to 84 percent thus far in the fourth quarter. That relates more to because you're hitting the high grades of 0.35 percent material. Is that correct?

Jim O'Rourke

No, I think it's more related to the operation in the plant. As I said earlier, previously the ball mill circuit was operated on an expert system that really wasn't very expert, and we've modified it now to maximize or maximize the efficiency of the grind for the floatation.

So we're getting a finer grind to floatation, plus we've installed cameras on the floatation cells that monitor the froth flow, and as a result we're getting much steadier operation from the floatation cells.

Aleem Ladak

Okay. Great. And my last question is on the mill itself. You guys have been saying that it has been operating much better in the fourth quarter relative to the third quarter. Would you guys be willing to quantify some of the results you've had in, let's say, the month of October in terms of maybe design availability or throughput rate?

Jim O'Rourke

Well, the throughput rate has been fluctuating a bit, but I can say that we've been as high as 42,000 tonne a day. Currently until we make some improvements in the—and refinements in the floatation circuit and we're making some more in other parts of the grinding circuit, we're limiting it to about 1,700 tonne an hour.

Aleem Ladak

Okay. Great. And then just to confirm based on a previous question, we can expect some 2013 production guidance after December, so pretty much the first quarter of next year, right?

Jim O'Rourke

That's correct.

Aleem Ladak

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

Operator

Your next question comes from Mark Turner from Scotiabank. Your line is open.

Mark Turner – Scotiabank

Thanks, guys. Yeah. My question I guess was just previously answered there. So I was just looking for clarity on what you're meaning when you're saying the mill has achieved design capacity. And I'm just—maybe if you can just address it again? Do you mean that it's 35,000 tonnes per day on a calendar day? Or that's on sort of an operating day that you've seen over the past month and maybe the mill availability is still not quite where you're hoping at the 92 percent?

Jim O'Rourke

Yeah. The mill availability has been, in the last number of months, sort of in the 88 range, so it's still about 4 percent to go. And with regard to the tonnage, the tonnage has been fluctuating quite a bit, but generally operating in the plus 35,000 tonne a day range.

Mark Turner

Okay. Thanks. Thank you very much. That's the only question I had.

Operator

Your next question comes from the line of Stefan Ioannou from Haywood Securities. Your line is open.

Stefan Ioannou – Haywood Securities

Great. Thanks, guys. I think most of my questions have been answered too, but just to clarify on the grade going forward. It was 0.3 copper in Q3, and of the 0.35 number that we've been talking about, is that what you expect the average to be for Q4 then? Or for the entire year?

Jim O'Rourke

For Q4.

Stefan Ioannou

That's the Q4 number. Okay. Okay. And then just going forward, sort of obviously you’re sort of just turning the corner here with the throughput and getting the mill up and running properly at Copper Mountain. I mean is there much going on in the background with regards to the next growth step for the Company?

Jim O'Rourke

Well, we continue to do exploration and continue to drill and we've—I guess we're drilling about, what is it?

Rod Shier

Twenty thousand.

Jim O'Rourke

Twenty thousand metres this year.

Stefan Ioannou

Mm-hmm.

Jim O'Rourke

And this has been very helpful. So we're continuing to modify our mine plan, and I guess with our budget we'll have both the next year's mine plan, plus the five-year plan in further detail and then a new life of mine plan as well.

But in terms of exploration, the drilling in the Pit 2 area has been very successful this year, and we've had a substantial increase over the current reserve.

Stefan Ioannou

Okay. And then I mean is there, again, I know it's early days, but are there any sort of initiatives formally underway in terms of the growth beyond the Copper Mountain project itself in corporate stuff?

Jim O'Rourke

We continue to look at opportunities.

Stefan Ioannou

Yeah.

Jim O'Rourke

But we haven't seen anything that we think would be accretive enough to go after.

Stefan Ioannou

Okay. Okay. Thanks very much, guys.

Operator

Your next question comes from the line of Adam Low from Raymond James. Your line is open.

Adam Low – Raymond James

Good morning.

Jim O'Rourke

Good morning, Adam.

Adam Low

First question I have is regarding the stockpile. I just wanted you to elaborate a little bit further from John's questions. So you gave us the grade of the low-grade stockpile, but I was wondering what the tonnage is?

Rod Shier

The tonnage. Yeah. Off the top of my head, Adam, I don't have that number, but I can certainly—yeah. I don't know that one. I can give you the value, but certainly that's in the statements, as you know.

Adam Low

Okay. Maybe I'll follow up with you guys later on that one.

Rod Shier

Yeah.

Adam Low

The realized price during the quarter, you guys achieved 3.37. The actual LME average price during the quarter I think was closer to about 3.50. It looks like maybe you guys hit some of the low points in the quarter when the sales were actually made. Just wondered if you could confirm that? And where perhaps most of the shipments made in July and August?

Rod Shier

Yeah. That's the average based on provisional prices, right?

Jim O'Rourke

Our settlements are three months after the…

Rod Shier

So the settlements will be happening later.

Adam Low

Mm-hmm. Okay. The 0.35 you're expecting in 4Q for the head grade, what have you achieved through the first half of 4Q?

Jim O'Rourke

First half of 4Q?

Adam Low

Essentially are you on track with the 0.35 the first half of 4Q? Or do grades have to go up in December?

Jim O'Rourke

No, I think the grades even month to date have pretty well followed plan.

Adam Low

Okay. And earlier in the call you guys elaborated on all the corrections you've made to the mill over the last few months. Just wondering going forward what are the major optimizations that you guys still can make to increase the efficiency of the mill?

Jim O'Rourke

Well, I think so far, Adam, the changes that have had to be made have been big. They're involved big dollars, big equipment, but I think going forward it's more optimization item, and as I mentioned earlier, these cameras, I mean they have been extremely successful in helping the recovery.

Similarly we're putting cameras on SAG mill feed, we're putting cameras on the pebble crusher discharge to measure the crush limits, the PAD (phon) feeding—coming back to the SAG mill. Things like that. We're looking at putting magnets on the ball mill discharge to eliminate the scat steel that is both utilizing a lot of power going around and around the mill, and also cutting the heck out of the liners in the ball mills.

Those, we've got one to go on in early December. They're that kind of change; more of improvements that we can see really helping us optimize the operations.

Adam Low

All right. That's helpful. And one last question for me. I was hoping you could maybe help me reconcile the long-term debt on the balance sheet. So if I look quarter over quarter, the long-term debt went from 319 million to about 307 million. And I was just looking for what caused that change because the current portion of long-term debt actually stayed about static and cash flow coming from financing activities or going out for financing activities, I should say, was fairly minimal and didn't really account for that 13 million change in the long-term debt. So just wondered what that change was due to?

Rod Shier

Well, okay. Before I answer that, I just got your other answer; 3.8 million tonnes in that low-grade stockpile.

Adam Low

Okay. Thank you.

Rodney Shier

Yeah. And on the long-term debt, don't forget it's US denominated debt, so you're going to have foreign exchange coming into effect here as well.

Adam Low

Okay. All right. Thank you.

Rod Shier

So that's going to affect your swing.

Operator

Again, if you would like to ask a question, please press *, 1 on your telephone keypad.

Your next question comes from the line of Steve Parsons from National Bank Financial. Your line is open.

Steve Parson – National Bank Financial

Yeah. Good morning. Thanks a lot. Couple questions for you. Going back to trying to understand some of the parameters for Pit 2. What percentage of Pit 2 are you feeding the mill currently?

Jim O'Rourke

It's probably up to 70 percent when you say currently. Very recently it's probably 70 percent.

Steve Parsons

Okay. And my understanding was that Pit 2 ore is quite a bit softer. To what I said, is that helping out with your grind side and consequently recovery? So you're seeing different recoveries from presumably from the Pit 2 ore?

Jim O'Rourke

Yes. I think that's affecting it somewhat, Steve.

Steve Parsons

Mm-hmm.

Jim O'Rourke

And also I don't know if you heard me, but I mentioned that we're limiting our tonnage through the mill to about 1,700 tonne an hour.

Steve Parsons

Mm-hmm. Okay.

Jim O'Rourke

And Pit 2, as you said, is considerably softer.

Steve Parsons

Right. I'm going to try my luck here a bit.

Jim O'Rourke

I guess in that regard also, we're now looking at going back and making some modifications to take a little more load off the ball mills and more on the SAG mills to get that circuit balanced out a little better now because of the softer material.

Steve Parsons

Okay. And I guess I'll try my luck here a little bit. For next year, do you see the same sort of ratios, sort of 70 percent Pit 2 being possible for parts of 2013?

Jim O'Rourke

It'll be fairly high during next year, but up until mid-year anyway.

Steve Parsons

Okay.

Jim O'Rourke

What we're done, Steve, is we've tried to do the mine plan to ensure that at least 20 percent comes from Pit 2, and what we've found is that if we've got 20 percent from Pit 2 we can attain our production rates.

Steve Parsons

Mm-hmm. Okay. And Pit 2 ore, again, one of the things we don't know about it I guess as well is you said the drilling's been successful. I'm not sure if that means in terms of adding tonnes or adding grade, but what sort of grade are you seeing out of Pit 2 at the moment?

Jim O'Rourke

It's in the order of 0.35.

Steve Parson

Okay. And does it have the same sort of strip ratio as Pit 3?

Jim O'Rourke

No, it's much lower.

Steve Parsons

Got it. Okay. That certainly helps with the colour there. Just on the balance sheet, I mean the cash balance looks to be about 15 million. Obviously, you're generating pretty significant copper and presumably driving the cash flow higher. Where do you feel comfortable with that cash balance?

Rod Shier

I mean we feel comfortable where we are. I mean the mine is producing every month. I've got at the end of September a little over $20 million, and we went through a very difficult period there in June and July, and that was certainly—we're by that now, and feel we're on a cash accumulation mode now.

Steve Parsons

Great. Okay. Thank you very much. Cheers.

Rod Shier

Thanks.

Operator

Your next questions comes from the line of John Hayes from BMO Capital Markets. Your line is open.

John Hayes

All right. Thanks. I think Steve touched on a question I had on the balance sheet. Your working capital has been declining, so you feel now that all of these items, these extraneous items, are now behind you for Q4? Or is there any capital items that you've got left for the rest of the year?

Rod Shier

There's no major capital items that we have left for the rest of the year. We're going to have as part of our budget going forward in 2013, you're going to have a capital budget there. But we don't have any plans to have to put any additional money into the mine. And it's self-sustaining going forward, and it should be in the cash accumulation mode, which we feel we're comfortable with.

John Hayes

So just looking ahead briefly to 2013, are you planning any major expansions that will require any additional equipment? Or is it just pretty much what you've got there now that will do it?

Rod Shier

We're going through that budgeting process right now, John, and coming out with our revised guidance for 2013, we'd be in a position to say here what's the final annual capital budget for 2013. I mean you're always going to have some capital budget each year.

John Hayes

So just to remind me, so that will be late this year or very early next we'll see this?

Rod Shier

That's correct. Our targeting was trying to get it out before the end of the year, and we're going to do our best to do that.

John Hayes

Okay. Thanks for the follow-up answers. Thank you.

Rod Shier

Thanks.

Operator

Your next question comes from the line of Stefan Ioannou from Haywood Securities. Your line is open.

Stefan Ioannou

Hi. Sorry, guys. Just one follow-up question. I don't mean to harp on grade, but just I know in 2011 with the whole sort of slippage in terms of the mining rate with the harder ore and whatnot some of the high grade that was supposed to be mined in 2012 was hypothetically pushed into 2013, and the grades call it for 2012 are now averaging 0.35. I think in the original technical report you guys had out that the head grade in 2013 was on the order of 0.45. Is that still a reasonable number? Or do you think with Pit 2 material coming in at call it 0.35 plus other Pit 3 material, is that a number that's attainable? Or do you think it's going to be maybe closer to 0.4 or something?

Jim O'Rourke

I think we can give you that, as I say, after we've done the budget, but I think we can be fairly confident it's going to be 0.35 or above.

Stefan Ioannou

Okay. Okay. Fair enough. Thanks, guys.

Operator

We have no further questions on the line at this time.

Rod Shier

Well, thank you very much for everybody phoning in for our third quarter 2012 conference call, and have a good day.

Operator

This concludes today's conference call. You may now disconnect.

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