



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR AND FOURTH QUARTER ENDED DECEMBER 31, 2008

The following Management Discussion and Analysis (“MD&A”) of Quadra Mining Ltd. and its subsidiaries (“Quadra” or the “Company”) has been prepared as at March 5, 2009 and is intended to be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2008. This MD&A contains ‘forward looking information’ and reference to the cautionary statement at the end of this MD&A is advised. Additional information relating to the Company, including its Annual Information Form, is available on the SEDAR website at www.sedar.com. The Company is a reporting issuer in all provinces and territories of Canada and its common shares are traded on the Toronto Stock Exchange under the symbol: QUA.

All financial information in this MD&A is prepared in accordance with the Canadian Generally Accepted Accounting Principles and all dollar amounts, except per share amounts, are expressed in thousands of United States dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Quadra is a mining company that owns and operates the Robinson copper mine (“Robinson Mine”) near Ely, Nevada. In addition, Quadra holds a 100% interest in the Carlota mine (“Carlota”), a heap leach - SX/EW copper operation in Arizona. The Company also owns the Sierra Gorda project (“Sierra Gorda”), a late stage exploration property in northern Chile, through option agreements that were exercised in the second quarter of 2008, along with a 99% interest in the Malmbjerg molybdenum project (“Malmbjerg”) in Greenland. The strategic plan of the Company includes growth by optimising operations, developing projects, and pursuing merger and acquisition opportunities.

2008 AND FOURTH QUARTER HIGHLIGHTS:

- Earnings for the year ended December 31, 2008 were \$39 million or \$0.61 per share (basic) compared to earnings of \$135 million or \$2.80 per share (basic) in 2007. The reduction in earnings was a result of a substantial fall in copper prices in the second half of 2008 and particularly in the last quarter and to a \$96 million or \$1.52 per share non cash write down of the Malmbjerg project.
- For the fourth quarter of 2008, the Company recorded a net loss of \$126 million or \$1.94 per share (basic) due to the \$96 million Malmbjerg write down and the impact of the significant decline in copper prices.
- The Company generated cashflow from operating activities (before working capital changes)* of \$166 million in 2008 compared to \$163 million in 2007.
- The Company met its 2008 revised production guidance of 160 million pounds of copper and 130,000 ounces of gold by producing 160 million pounds of copper and 138 thousand ounces of gold.
- The Robinson Mine generated net revenue of \$488 million in 2008 from the sale of 147 million pounds of copper and 127 thousand ounces of gold in concentrates compared to net revenue of \$494 million generated from the sale of 134 million pounds of copper and 108 thousand ounces of gold in 2007.
- The cash cost per pound of copper produced* at Robinson was \$1.15 per pound in 2008 compared to \$1.49 in 2007.
- Earnings for the year ended December 31, 2008 included a gain of \$38 million related to the Company’s copper put options. For the first half of 2009, the Company has put options for 35 million pounds of copper at a strike price of \$2.50/lb.
- Robinson continues to have one of the best safety records in the United States with a Total Recordable Injury Rate of 0.8 compared to the U.S. national average of 3.4.
- The construction of the Carlota mine was substantially completed on budget and on schedule. Leaching activities commenced in early October and the first production of copper cathode was achieved in December 2008.

- The Company made scheduled and accelerated option payments of \$25 million to complete all payments due on the eight original Sierra Gorda option agreements.
- The Company completed a bought-deal equity financing for gross proceeds of \$191 million and used the proceeds to retire its \$150 million senior credit facility.
- The Company ended the year with cash and cash equivalents and marketable securities of \$122 million.
- On February 6, 2009 the Company announced the proposed acquisition of Centenario Copper Corporation via a plan of arrangement. Upon closing of the transaction, each share of Centenario would be exchanged for 0.28 Quadra shares, resulting in the issuance of approximately 14.4 million Quadra common shares.

* See “**Non-GAAP Financial Measures**” for additional information.

FINANCIAL PERFORMANCE

Earnings

Earnings for the year ended December 31, 2008 were \$38,609 or \$0.61 per share (basic) compared to earnings of \$134,545 or \$2.80 per share (basic) in 2007. The reduction in earnings was a result of a substantial fall in copper prices in the second half of the year and particularly in the last quarter (see “**Market Trend and Fundamentals**”) and a \$95,682 write down of the Malmbjerg project, offset by higher sales volumes from the Robinson mine, increased gold prices, and derivative gains related to the Company’s copper put options. The write down of the Malmbjerg project is a result of the significant recent declines in molybdenum prices, the weak credit and financial markets, and the suspension of activities at the project.

For the fourth quarter of 2008, the Company posted a loss of \$126,080 or \$1.94 per share (basic) compared to earnings of \$5,491 or \$0.15 per share (basic) in the fourth quarter of 2007. The loss in the fourth quarter of 2008 was a result of the \$95,682 impairment charge for the Malmbjerg mineral property, and the impact of the significant decline in copper price across the quarter. The copper price fell from \$2.91/lb. on September 30, 2008 to \$1.33/lb. at year-end resulting in adjustments to provisional sales prices recorded in the third quarter and lower provisional prices for fourth quarter shipments (see “**Fourth Quarter Revenues**”).

Operating income for 2008 decreased to \$161,275 from \$218,649 in 2007, due to sharp decline in copper prices in the fourth quarter of 2008 offset by increased production and higher sales volumes from the Robinson mine, and increased gold prices.

For the fourth quarter of 2008, the Company reported an operating loss of \$93,422 compared to operating income of \$15,085 in the fourth quarter of 2007. The 2008 fourth quarter operating loss includes negative provisional pricing adjustments of \$65 million related to third quarter sales, and a \$15 million leach pad inventory write down at Carlota. All of the Company’s fourth quarter shipments were valued for accounting purposes at the period end copper price of \$1.33/lb. (see “**Fourth Quarter Revenues**”).

Revenues

All of the Company’s 2008 revenues relate to sales of copper concentrates from the Robinson Mine. The Carlota Mine produced 0.8 million lbs. of copper cathode in the fourth quarter of 2008 but did not sell any product. Revenues from sales of Robinson’s concentrate are generally recognized at the time of shipment based on metal prices at that time; however, under the Company’s current sales contracts which follow normal industry practice, final pricing for copper sales is generally set least four months after the time of shipment. As a result, quarterly revenues include estimated prices for sales in the quarter, based on copper prices at quarter-end, as well as pricing adjustments for sales that occurred in previous quarters, based on the actual price received and the price at quarter end for sales from previous quarters that were not settled in the quarter.

In 2008, revenues from concentrate sales were \$487,501 compared to \$493,848 in 2007. Sales volumes increased with 147.2 million pounds of copper and 127 thousand ounces of gold sold in 2008, compared to 134.2 million pounds of copper and 108 thousand ounces of gold in 2007. The impact of increased sales volumes was offset by a substantial fall in copper prices in the second half of the year and particularly in the fourth quarter of 2008. Revenues in 2008 were also positively impacted by a \$12 million reduction in refining and treatment charges (which are netted against revenues on the statement of operations).

Fourth Quarter Revenues

In the quarter ended December 31, 2008, revenues from concentrate sales were (\$7,058) compared to \$81,667 for the fourth quarter of 2007. The negative fourth quarter revenues were a result of the negative provisional price adjustments of \$85 million, that exceeded the initial provisional revenues of \$78 million recorded on fourth quarter shipments. In the quarter, the Company sold 29.2 million pounds of copper and 22,844 ounces of gold, compared to 28.9 million pounds of copper and 27,089 ounces of gold in the fourth quarter of 2007. As a result of the declining copper price across the quarter, 2008 fourth quarter revenues include negative pricing adjustments of \$65 million related to third quarter sales. In addition, the Company recorded negative price adjustment of \$20 million related to the fourth quarter shipments which were revalued for accounting purposes at a price of \$1.33/lb. at December 31, 2008.

At September 30, 2008, the end of the previous quarter, accounts receivable included approximately 51.0 million pounds of copper provisionally valued at \$2.91 per pound. During the fourth quarter, 38.2 million pounds of copper that had been provisionally valued at September 30, 2008 was settled at an average final price of \$1.83 per pound. In the fourth quarter, the Company shipped approximately 31.1 million pounds of copper at an average provisional price of \$2.02 per pound. At December 31, 2008, receivables include 43.2 million pounds of copper which has been provisionally valued at \$1.33 per pound. At March 5, 2009, the copper price was \$1.65 per pound (see **“Liquidity Outlook”**).

Cost of Sales and Expenses

Cost of sales increased to \$254,511 in 2008 from \$232,951 in 2007, primarily due to the increased operating costs at the Robinson Mine (see **“Robinson Operating Costs”**).

As a result of the significant decline in copper prices in the fourth quarter of 2008, the Company recorded a writedown of \$15,249 to adjust the value of the Carlota leach pad and cathode inventory to its net realizable value. The cost of this initial inventory was higher than future anticipated costs, due to lower head grades and higher unit costs in the initial stage of mining. The net realizable value of this inventory was based on an estimated average copper price of \$1.62 per pound (an estimated copper price over the remaining production period).

Amortization, depletion and depreciation increased to \$19,071 in 2008 from \$11,949 in 2007. The increase is a result of the amortization of additional capital assets acquired during 2008 and 2007.

Royalties and mineral taxes increased to \$34,018 in 2008 from \$27,780 in 2007 primarily due to increased royalty payments to Franco Nevada as a result of increased copper and gold production in 2008.

General and administrative expenses increased to \$16,463 in 2008 from \$10,274 in 2007, due to increased activities at the corporate office.

Stock-based compensation expense increased to \$9,076 in 2008 from \$5,386 in 2007. Stock-based compensation expense is based on the amortization of the fair value of options granted, as calculated on the date of the grant. Options granted in 2008 had a higher initial fair value than 2007 option grants, however, at the end of the year, these stock options were substantially out of the money.

In June 2008 the Company retired its \$150 million first lien secured credit facility which resulted in a loss on settlement of debt of \$15,940 in the second quarter of 2008. This loss was comprised of a \$4,500 prepayment premium that was paid to the lenders, a \$7,500 loan amendment fee that was paid in the first quarter of 2008, and \$3,940 for amortization of debt issue costs that were capitalized for accounting purposes in 2007. In 2007, the Company retired its \$50 million second lien secured credit facility and incurred a loss on settlement of debt of \$11,039, which was comprised of a \$5,000 prepayment premium paid to the lenders and \$6,039 for the amortization of debt issue costs.

At the end of 2008, the Company reviewed the carrying value of the Malmbjerg mineral property in light of the significant decline in the price of molybdenum during the fourth quarter of 2008, the ongoing deterioration of global equity and credit markets, and the suspension of the Company’s activities at the project. As a result of the review, and in accordance with Canadian GAAP, it was determined that the Malmbjerg mineral property was impaired and a write down of \$95,682 was recorded in the fourth quarter of 2008.

For the year ended December 31, 2008, the Company recognized a derivative gain of \$31,088, which primarily relates to the increase in value of the Company's copper put options, partially offset by a decrease in the fair value of fuel futures contracts (see section below "**Financial Instruments**"). In 2007, the loss on derivatives of \$15,293 was primarily related to the settlement of copper and gold forward sales contracts.

The Company realized a foreign exchange loss of \$3,674 in 2008 compared to a gain of \$6,457 in 2007. The current year loss relates to the impact of the weakening Canadian dollar on the Company's Canadian dollar cash holdings. In 2008, net interest and other income totalled \$4,321 compared to an expense of \$807 in 2007. The increased income relates primarily to the change in the fair value of deferred gold consideration payable which resulted in an expense of \$4,755 in 2007 and \$1,535 in 2008.

The Company recorded an income tax expense of \$17,240 in 2008, compared to \$47,780 in 2007. The 2008 tax provision includes a future income tax recovery of \$17,798 related to the write down of the Malmbjerg property. The tax expense for 2008, excluding the tax impact of the Malmbjerg write down, has been recorded based on an effective tax rate of 23% (2007: 26%). This lower effective tax rate is primarily due to the utilization of U.S. Alternative Minimum Tax credits which were earned in prior years.

Fourth quarter Cost of Sales and Expenses

Cost of sales for the fourth quarter of 2008 was \$59,105 compared to \$55,359 in the same quarter of 2007. The increase in cost of sales for the fourth quarter was mainly due to the increase in concentrate sale volume and operating costs at the Robinson Mine.

In the fourth quarter of 2008, and due to the significant decline in copper prices, the Company recorded a writedown of \$15,249 to adjust the value of the Carlota mine's leach pad and cathode inventory to its net realizable value. The cost of this initial inventory was higher than future anticipated costs, due to lower head grades and higher unit costs in the initial stage of mining. The net realizable value of this inventory was based on an estimated average copper price of \$1.62 per pound (an estimated copper price over the remaining production period).

At the end of 2008, the Company reviewed the carrying value of the Malmbjerg mineral property in light of the significant decline in the price of molybdenum during the fourth quarter of 2008, the ongoing deterioration of global equity and credit markets, and the suspension of the Company's activities at the project. As a result of the review, and in accordance with Canadian GAAP, it was determined that the Malmbjerg mineral property was impaired and a write down of \$95,682 was recorded in the fourth quarter of 2008.

The Company also recognized a derivative gain of \$37,434 in the fourth quarter of 2008, which primarily relates to an increase in value of the Company's copper put options, partially offset by a decrease in the fair value of fuel futures contracts of \$6,667 (see section below "**Financial Instruments**").

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the operating results of the most recent eight quarters (unaudited):

SUMMARY OF QUARTERLY RESULTS								
	2008 (As restated)**				2007 (As restated)**			
\$000's	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Statement of Operations								
Revenues - initial provisional price	80,796	184,719	183,046	170,174	110,012	127,985	129,832	127,533
Revenues - price adjustments	(84,560)	(64,398)	1,550	33,567	(22,215)	12,847	17,766	19,330
Refining and treatment charges	(3,294)	(4,364)	(4,026)	(5,709)	(6,130)	(6,245)	(6,459)	(10,408)
Revenues - total*	(7,058)	115,957	180,570	198,032	81,667	134,587	141,139	136,455
Operating income (loss)	(93,422)	34,320	104,001	116,376	15,085	65,002	73,094	65,468
(Loss) earnings before income taxes	(159,278)	33,626	81,000	100,501	6,964	64,181	51,606	59,574
(Loss) earnings	(126,080)	20,772	65,354	78,563	5,490	49,042	37,098	42,915
Basic (loss) earnings per share	\$ (1.94)	\$ 0.32	\$ 1.11	\$ 1.42	\$ 0.10	\$ 0.90	\$ 0.79	\$ 1.13
Diluted (loss) earnings per share	\$ (1.94)	\$ 0.31	\$ 1.06	\$ 1.39	\$ 0.10	\$ 0.87	\$ 0.77	\$ 1.11
Financial Position								
Cash and cash equivalents	107,797	266,384	262,155	305,292	263,586	285,210	278,462	224,252
Total Assets	851,967	1,057,458	981,687	855,961	789,219	758,900	687,457	531,266
Total Liabilities and non-controlling interest	120,435	179,198	128,735	287,474	290,840	270,671	263,687	318,461
Shareholders' equity	731,532	878,260	852,952	568,487	498,379	488,229	423,770	212,805
Production Statistics - Robinson mine								
Copper production (million lbs)	34.5	38.6	44.6	42.0	32.4	30.7	32.2	36.6
Copper sales (million lbs)*	29.2	40.4	38.7	38.9	28.9	32.5	32.3	40.5
Average final settlement price per pound	\$ 2.45	\$ 3.44	\$ 3.81	\$ 3.64	\$ 3.24	\$ 3.52	\$ 3.37	\$ 3.29
Gold production (ozs)	26,913	30,629	42,348	37,738	27,048	24,138	25,893	31,040
Copper grade (%)	0.68	0.64	0.72	0.68	0.59	0.66	0.59	0.67
Gold grade (g/t)	0.44	0.42	0.51	0.45	0.38	0.39	0.36	0.46
Copper recovery	68.1%	78.7%	81.8%	78.6%	66.1%	58.1%	74.1%	75.0%
Gold recovery	52.2%	65.8%	75.2%	72.6%	59.2%	52.5%	64.0%	63.1%
Onsite costs	59,659	61,102	61,229	55,580	57,273	52,656	53,716	45,424
Offsite costs	13,089	16,409	15,303	17,892	15,891	16,284	15,681	20,666

* Revenues from sales of concentrate are recognized at the time of delivery which is generally upon loading of a ship at the port of Vancouver, Washington. Due to the timing of shipments, the amount of product sold in a quarter may differ from quarterly production volumes at the Robinson Mine in Ely, Nevada. Revenues are initially recognized based on metal prices at the time of shipment; however, final pricing is not determined until a future period. Price adjustments are recorded at each quarter-end prior to final settlement. Copper sales volumes are reported based on the volume of pounds actually paid for by the customer (payable pounds). Payable pounds are generally 3-5% lower than the metal volume actually delivered, and the amount of the deduction varies depending on concentrate grade.

**The restatement of the quarterly results relates to the retroactive adoption of a new accounting standard, CICA HB 3064 "Goodwill and Intangible Assets" (see "Change in Accounting Policy")

The quarterly performance of the Robinson Mine varies as a result of changes in head grade, metal recovery and waste stripping requirements. Due to the complex nature of the Robinson ore body, volatility in metal prices, and industry cost pressures the results have varied from quarter to quarter, and this is expected to continue in the future.

Quarterly earnings for the first two quarters of 2007 were impacted by derivative losses and gains related to outstanding forward sale contracts for copper and gold. There were no forward sale contracts outstanding since the second quarter of 2007.

In the third quarter of 2007, the Company retired its \$50 million second lien facility and recorded a loss on settlement of \$11 million. The \$150 million senior credit facility was retired in the second quarter of 2008, resulting in a loss on settlement of \$16 million.

The decline in the cash balance in the fourth quarter of 2008 is due to the decline in copper prices, and the resulting impact of settlement of provisional price adjustments.

In the fourth quarter of 2008, the Company recorded a \$96 million write-down related to the impairment of the Malmbjerg mineral property.

SELECTED ANNUAL INFORMATION

	2008	2007	2006
		(As restated)	(As restated)
Statement of operations (\$000's)			
Revenues	487,501	493,848	393,257
Earnings	38,609	134,545	11,924
Basic earnings per share	\$ 0.61	\$ 2.80	\$ 0.33
Diluted earnings per share	\$ 0.60	\$ 2.72	\$ 0.32
Financial positions (\$000's)			
Total assets	851,967	765,622	322,495
Total long-term financial liabilities	46,442	205,465	37,061
Dividends	n/a	n/a	n/a

REVIEW OF OPERATIONS AND PROJECTS

ROBINSON MINE (NEVADA)

	Three months ended December 31		Year ended December 31	
	2008	2007	2008	2007
Copper production (Million lbs)	34.5	32.4	159.7	131.9
Gold production (ozs)	26,913	27,048	137,628	108,119
Waste mined (Tonnes 000's)	13,527	13,600	57,784	59,296
Ore mined (Tonnes 000's)	3,362	3,451	14,396	14,380
Ore milled (Tonnes 000's)	3,358	3,753	13,842	14,171
Onsite costs	\$ 59,659	\$ 57,273	\$ 237,570	\$ 209,071
Offsite costs	\$ 13,089	\$ 15,891	\$ 62,693	\$ 68,523
Total onsite and offsite costs	\$ 72,748	\$ 73,164	\$ 300,263	\$ 277,594
Capital expenditure	\$ 13,681	\$ 6,127	\$ 49,426	\$ 24,150
By product credits				
- Gold and silver	\$ 18,072	\$ 20,925	\$ 115,103	\$ 78,454
- Molybdenum	\$ 177	\$ 1,132	\$ 1,403	\$ 2,922
Copper grade (%)	0.69	0.59	0.68	0.63
Gold grade (g/t)	0.48	0.38	0.46	0.40
Copper recovery	68.1%	66.1%	76.7%	67.4%
Gold recovery	52.2%	59.2%	66.8%	59.7%
Mill Operating Time	94%	95%	94%	92%

During 2008 a total of 72.2 million tonnes of ore and waste were mined from the Veteran area of the Tripp-Veteran pit compared to 73.7 million tonnes in 2007. Copper production in 2008 was 159.7 million pounds, compared to 131.9 million pounds in 2007. The increase in copper production in 2008 was a result of higher than planned head grades as well as the operating practices and blending strategies developed during the year that delivered higher than anticipated copper and gold recoveries. Annual production performance for 2008 exceeded all production results since the mine commenced operations under the ownership of Quadra and based on records at hand, of any previous operator over the long history of the mine.

Gold production in 2008 increased to 137,628 ounces from 108,119 ounces in 2007. The increase in gold production is primarily the result of higher head grade and recovery.

Copper production in the fourth quarter of 2008 was 34.5 million pounds compared to 32.4 million pounds in the fourth quarter of 2007. Fourth quarter 2008 production was in the higher elevation supergene area of the Veteran pit and blending opportunities were limited, resulting in lower recoveries than the third quarter of 2008. Gold production in the fourth quarter of 2008 was 26,913 ounces compared to 27,048 ounces in 2007.

Robinson Operating and Capital Costs

Operating costs are comprised of onsite and offsite costs (see “**Non-GAAP Financial Measures**”). Onsite costs are primarily driven by the volume of waste and ore moved, payroll costs, equipment maintenance costs, and royalties. Onsite costs in 2008 were \$237,570 compared to \$209,071 in 2007. This increase primarily relates to \$10.1 million for the cost of supplies (particularly fuel), \$6.4 million in gainshare payments to employees related to the improved mill performance, and a \$10.0 million increase in royalty costs due to increased royalty payments to Franco Nevada as a result of increased copper and gold production in 2008.

Onsite costs in the fourth quarter of 2008 were \$59,659 compared to \$57,273 in the fourth quarter of 2007. This increase is mainly related to a \$4.5 million increase in royalty costs, \$2.3 million for the cost of supplies, partially offset by a \$4.4 million decrease in equipment maintenance costs.

Offsite costs are primarily driven by smelting and refining charges, the volume of concentrate transported, and rail and ocean freight rates. Offsite costs in 2008 were \$62,693 compared to \$68,523 in 2007. This decrease is primarily due to lower rates for smelting and refining, which have fallen as a result of surplus smelting capacity, partially offset by higher volumes of concentrate shipped and by increased average ocean freight rates. Although average ocean freight costs for the 2008 year were higher than 2007, there were significant declines in ocean freight costs in late 2008. Offsite costs in the fourth quarter of 2008 were \$13,089 compared to \$15,891 in the fourth quarter of 2007, with the decrease attributable to lower smelting and refining costs and lower ocean freight rates.

The cash cost per pound of copper produced, including stripping costs, was \$1.15 in 2008 as compared to \$1.49 in 2007. The reductions in the cash costs per pound have primarily been driven by increased copper production and increased gold by-product revenue, partially offset by higher onsite costs in 2008. The cash cost per pound of copper produced is a non-GAAP term and consists of onsite and offsite costs, less by-product revenue, divided by the pounds of copper produced in the period (see “**Non-GAAP Financial Measures**”).

Capital expenditures at the Robinson mine were \$49,426 in 2008, which primarily related to development of the Ruth pit and the development and exploration drilling program, and also included normal replacements and upgrades and tailings dam work. Capital expenditures in 2008 were higher than the prior year amount of \$24,150, due to increased development activity at Ruth, including dewatering and drilling.

Robinson Production Outlook

The Company has evaluated alternate mine plans for Robinson to allow for continuity of operations through the current global economic downturn and beyond. As a result, management has developed, and is proceeding with a new mine plan that is expected to result in significant capital and operating cost savings and increased copper production in 2009 and 2010 when compared to previous plans.

In 2009, the Company expects annual production of 140 million pounds of copper and 100,000 ounces of gold. Due to the continued complex nature of the Robinson ore body, metal production is expected to vary from quarter to quarter. Gold production is expected to be lower in 2009 than in 2008 due to anticipated lower gold grades in the Kimbley and Wedge pits.

The new mine plan alters the sequencing with mining now transitioning from the existing Veteran pit to 2 small satellite pits (“Kimbley” and “Wedge”) in 2009 and then to the Ruth pit in 2010. Ruth will be mined in two stages, in a way that effectively deals with dewatering as well as delivering the blending balance required for optimum metallurgical results. This plan was developed based on additional information acquired from recent hydrological drilling and piezometer testing. The completion of the drilling and metallurgical program that commenced in 2007

supports the new plan, providing the appropriate ore sequencing for a blending strategy. Under this new plan the extension of the Veteran pit will be deferred until after the ultimate Ruth pit has been completed.

The Company has also developed contingent operating plans intended to allow the Company to maintain appropriate cash balances at lower copper prices. Depending on the outlook for metal prices and costs, Quadra may limit its activities to mining out the existing Veteran pit and deferring the development of the Ruth pit, or to suspending operations.

In February 2009, the Company filed an updated NI 43-101 Technical Report for the Robinson Mine. The following table shows the proven and probable mineral reserves for the Robinson Mine as of January 1, 2009 (metric units except for gold troy ounces). The reserves were prepared under the supervision of Scott Hardy, P.Eng., and Juris Ore, both of Quadra Mining Ltd. Mr. Hardy is the designated Qualified Person as defined by National Instrument 43-101. The reserve estimate was updated to reflect 2008 mining, changes to the resource model, and changes to the ultimate pit designs and operating plans. An updated resource model incorporating results from 2006 through 2008 exploration drilling was utilized in calculating the updated reserves estimate. The reserves also reflect updated pit designs as well as changes to anticipated metal prices, recoveries, operating conditions, operating costs. The reserve estimate allows for mining at Robinson until 2017.

Total Robinson								
Reserve Classification	Ore kt	Copper Grade%	Gold Grade g/tonne	Contained Metal		Waste kt	Total kt	Strip Ratio
				Copper kt	Gold oz (000's)			
Proven	117,976	0.55%	0.23	644	884			
Probable	3,717	0.42%	0.18	16	21			
Proven and Probable	121,693	0.54%	0.23	660	905	374,849	496,542	3.08

Note: Mineral reserves are based on a variable economic cutoff grade, or net value calculation, which includes all operating costs. This value is converted to recoverable copper pounds per ton cutoff grade and applied to resource material remaining inside the pit designs as of January 1, 2009. Resource materials classified as "Measured" and "Indicated" within the pit and above the cutoff are called "Proven" and "Probable" reserves. The reserves are based on long term metal prices of \$2.00 per pound of copper and \$800 per ounce of gold.

Robinson Cost Outlook

Onsite costs in 2009 are expected to be approximately \$195 million, which is significantly lower than 2008 costs of \$238 million due to the lower waste stripping requirements in 2009 under the new mine plan, as well as lower expected fuel and royalty costs. In October, the Company acquired NYMEX heating oil futures for 7.8 million gallons at an average price of \$2.51/gallon. The futures contracts mature between December 2008 and November 2009, and were intended to reduce the impact of diesel price volatility over this period (see **Financial Instruments**). As a result, 2009 fuel costs are expected to be lower than those experienced in 2008. .

Capital expenditures and bonding in 2009 are expected to be \$35 million related primarily to development and dewatering of the Ruth pit, and an addition to the mill which is expected to improve copper recoveries in future years.

CARLOTA MINE (ARIZONA)

The Company holds a 100% interest in the Carlota Mine, a heap leach – SX/EW copper mine located in the Globe/Miami mining district of Arizona. Mine construction commenced in 2007 and was substantially completed at the end of September 2008, on schedule and budget. As of December 31, 2008, a total of \$220 million had been spent on construction, purchase of equipment and other project development costs. In the fourth quarter of 2008, the Company also capitalized costs of \$22 million related to building the initial leach pad inventory.

Approval of the modified Aquifer Protection Permit from ADEQ was received on October 10, 2008. Application of leaching solutions to the run-of-mine leach pad began immediately upon receipt of the permit and the harvesting of the first copper cathode from processing plant and supporting infrastructure was achieved 60 days later.

As of December 31, 2008 a total of 8.0 million tonnes of ore had been mined and placed on the leach pad for processing, which is estimated to contain approximately 32 million lbs. of recoverable copper. A total of 0.8 million pounds of copper cathode was produced in December 2008 by the conclusion of the testing and commissioning period.

Carlota Outlook

Ramp up activities in the processing plant will be completed in 2009. Cathode copper production is expected to be approximately 50 million pounds in 2009, due to the lower initial head grades as per the mine plan, which focuses on developing the ultimate pit wall benches required to support the Pinto Creek diversion channel. The Company began shipping cathode copper in January, and will begin recognizing revenues on the statement of earnings in the first quarter of 2009.

Total cash operating costs at the Carlota mine are expected to be approximately \$75 million in 2009, resulting in unit cash operating costs of about \$1.50 per pound. These operating cost forecasts exclude royalty payments and assume an acid price of \$200/ton and a diesel price of \$2.80/gallon. Recent information indicates that sulphuric acid supply and prices are softening.

The Company expects to incur \$25 million of capital expenditures at Carlota during 2009 for the construction of the Pinto Creek Diversion and environmental bonding.

The following table shows the proven and probable mineral reserves for the Carlota Mine as of January 1, 2009 (metric units). The reserves were prepared under the supervision of Scott Hardy, P. Eng., and Jeff Hammerlind, both of Quadra Mining, Ltd. Mr. Hardy is the designated Qualified Person as defined by National Instrument 43-101. Changes from the prior National Instrument 43-101 filing relate primarily to mining of ore and waste during the 2007 and 2008 construction activities.

Carlota Probable Reserves Metric Units (0.10% Total Cu cutoff)

Deposit	Ore kt	Total Cu Grade %	Contained Cu kt	Waste kt	Total kt	Strip Ratio
Carlota-Cactus oxide	46,755	0.40	188			
Carlota-Cactus sulfide	18,190	0.64	116			
Sub Total	64,945	0.47	305	138,710	203,655	2.14
Eder North oxide	4,846	0.34	16			
Eder Junior oxide	471	0.28	1			
Sub Total	5,317	0.33	18	12,165	17,483	2.29
Total Reserve	70,262	0.46	323	150,875	221,138	2.15

SIERRA GORDA (CHILE)

In 2008, the Company incurred \$20.0 million of costs on the Sierra Gorda project related to exploration activities and work associated with the ongoing scoping study. Metallurgical sampling was completed in the third quarter and testwork is underway on both sulphide and oxide material. Conceptual engineering and cost studies, geotechnical studies, and environmental studies are also in progress. Drilling has been focussed on defining and extending deep sulphide resources in the 281 Zone area and other targets identified by previous exploration.

In January and February 2004, Quadra, through its Chilean subsidiary, Minera Quadra Chile Limitada (MQCL), entered into letter agreements under which MQCL and the vendors agreed to enter into separate option agreements, which entitled MQCL to purchase the contiguous properties in Chile. The option agreements had differing terms, conditions and adjustments. In the second quarter of 2008, the Company made scheduled and accelerated payments totalling \$24.9 million to exercise these Sierra Gorda option agreements. In June 2008, the Company entered into one new option agreement for property contiguous to Sierra Gorda. Three of the Sierra Gorda option agreements are the subject of litigation (see section below “Contingencies”).

In May 2008, the Company completed an updated Technical Report which includes a new mineral resource estimate for the project. The new estimate includes an indicated mineral resource containing 10.6 billion pounds of copper

and 474 million pounds of molybdenum and an additional inferred mineral resource containing 5.5 billion pounds of copper and 211 million pounds of molybdenum. The Technical Report was prepared in compliance with requirements set out in National Instrument 43-101 by Steven Ristorcelli, P.Geo., Mine Development Associates of Reno, Nevada, assisted by Peter Ronning, P.Eng, New Caledonian Geological Consulting with the QA/QC work reviewed by Mr. Gary Lustig, P. Geo. Patrick Fahey, P. Geo, Vice President, Exploration for Quadra was also a co-author of the report.

In May 2008, the Company completed the acquisition of pumping rights to 319 litres per second of water located in Region II, northern Chile. These rights were acquired for a cash payment of \$10.0 million and the issuance of 1,231,916 common shares at a value of \$30.2 million. During the remainder of 2008, the Company acquired additional water rights located in Region II, northern Chile, for total payments of \$7.4 million.

Sierra Gorda Outlook

The Company is advancing the project towards a “scoping study”, which is intended to identify the basic project parameters including an updated resource estimate. This study is expected to be completed in the second quarter of 2009. While the Company intends to complete the scoping study, further development activities related to the project have been suspended due to the decline in the copper price. Quadra is seeking a partner, or partners, to advance this project through to production.

MALMBJERG MOLYBDENUM PROJECT (GREENLAND)

During 2008, the Company incurred development costs on the project of \$7.1 million to advance permitting and engineering studies. During 2008, the Company also increased its interest in the Malmbjerg molybdenum project, from 82.5% to 99%, through the acquisition of additional shares in International Molybdenum plc. Site activities including baseline environmental work and geotechnical studies, were completed during the period July through early September.

During the fourth quarter, the Company continued discussions with the Greenland’s Bureau of Minerals and Petroleum in connection with its application for an Exploitation License. The Danish-Greenland Joint Committee on Mineral Resources in Greenland considered the application in November 2008 and approved the granting of the permit. Certain administrative details are still being finalized and the permit should be officially issued in late March 2009.

At the end of 2008, the Company reviewed the carrying value of the Malmbjerg molybdenum project in light of the significant decline in the price of molybdenum during the fourth quarter of 2008 and the ongoing deterioration of global equity and credit markets. As a result of the review, it was determined that the Malmbjerg molybdenum project was impaired and a write down of \$95,682 was recorded to adjust Malmbjerg’s carrying value to an estimated fair value of \$5,000.

Malmbjerg Outlook

The Company expects to receive final approval of its Exploitation License in the near future. However, additional development expenditures at Malmbjerg have been suspended due to the recent declines in metal prices. Quadra is seeking a partner or partners to advance the project through to production.

AGREEMENT TO ACQUIRE CENTENARIO COPPER CORPORATION (“CENTENARIO”)

On February 8, 2009, the Company and Centenario entered into a definitive agreement whereby Quadra has agreed to acquire all the outstanding common shares of Centenario (the “Agreement”). The acquisition would be completed through a plan of arrangement under provisions of the Business Corporations Act. Pursuant to the Agreement, Centenario shareholders will receive 0.28 of a Quadra common share for each common share of Centenario, resulting in the issuance of approximately 14.4 million Quadra common shares. The proposed acquisition is subject to the satisfaction of a number of conditions, including Centenario shareholder approval, and completion of a restructuring of Centenario’s long-term debt on terms acceptable to Quadra in its sole discretion.

In connection with the Agreement, and in order to provide Centenario with liquidity support, the Company has agreed to loan Centenario \$3.5 million and subscribe to a private placement of 10,240,000 shares of Centenario at

\$Cdn0.80 per share. Completion of the loan and private placement are conditional upon, among other things, Centenario entering into a commitment letter with lenders with respect to the restructuring of Centenario's senior indebtedness on terms acceptable to Quadra.

The Company will acquire the remaining outstanding shares of Centenario through the share exchange in accordance with the Agreement. The transaction is expected to close in May 2009. Under the terms of the Agreement, all outstanding options of Centenario (including unvested options) will be exchanged for fully vested Quadra stock options exercisable for an aggregated of 592,900 Quadra common shares, based on the exchange ratio.

Centenario's principal asset is the Franke SX/EW, heap leach project in northern Chile. The Franke processing plant is designed with a nominal design capacity of 70 million pounds of copper cathode production per annum over its estimated current 8.6 year mine life. The Franke mine facilities are substantially complete and under pre-start-up testing.

Based on the currently anticipated restructured debt amount, Quadra and Centenario estimate that an additional \$25 million in funding will be required to bring the Franke project to positive cash flow, based on the current Centenario start-up schedule. This \$25 million funding requirement would be partially covered by the \$3.5M loan and private placement.

LIQUIDITY AND CAPITAL RESOURCES

The Company's source of cash flow from operations during 2008 is the Robinson Mine. The Company generated cash flow from operations (excluding working capital changes) of \$166.4 million in 2008 compared to \$162.5 million in 2007. The decrease in cash flow is driven by the lower revenues in 2008 due to the decline in metal prices in the fourth quarter of 2008.

The Company incurred capital expenditures of \$158.2 million at the Carlota project in 2008 for the purchase of mining equipment and other project construction costs. Capital expenditures at the Robinson Mine were \$49.4 million and related to normal replacement and upgrades, tailings dam work, pre-mining works for the Ruth pit and the development and exploration drilling program. The Company spent a further \$28.4 million on exploration and development of the Sierra Gorda and Malmbjerg projects. In addition, the Company spent \$42.8 million on acquisition of land and water rights related to the Sierra Gorda project in 2008.

In 2008, the Company also made a net investment of \$45.0 million in marketable securities, made environmental bonding payments of \$9.0 million, and received \$14.9 million for a refund of a security deposit. As at December 31, 2008, the quoted market price of the marketable securities had declined to \$14 million. The Company also paid \$16.9 million for the remaining deferred gold consideration to the vendors of the Carlota Mine during the year.

On June 5, 2008, the Company completed an equity financing with a syndicate of underwriters through which the Company issued 7,145,000 common shares at a price of Cdn\$24.50 per share for net proceeds of \$164.3 million. On July 8, 2008, the underwriters exercised a portion of their over-allotment option and purchased an additional 821,750 common shares at price of Cdn\$24.50, for net proceeds of \$19.0 million. The majority of the proceeds of this equity financing were used to retire the \$150 million senior credit facility. A prepayment premium of \$4.5 million was required in order to retire this debt.

At December 31, 2008 the Company had cash and cash equivalents of approximately \$107.8 million. These amounts are comprised of cash deposits and highly liquid investments that are readily convertible to cash. The counterparties include banks, governments and government agencies. The Company's cash balance declined significantly in the fourth quarter of 2008 due to the decline in copper prices, and the resulting impact of provisional price adjustments (see "**Fourth Quarter Revenues**").

At December 31, 2008 the Company had working capital of \$196.8 million as compared to a working capital of \$287.2 million at December 31, 2007. The decrease in the working capital position is primarily a result of the Company incurring capital expenditures on mineral properties in excess of the cashflow generated from operating activities. At December 31, 2008, accounts receivable and revenues includes approximately 43.2 million pounds of copper provisionally valued at \$1.33 per pound. The final pricing for these provisionally priced sales is expected to occur between January 2009 and April 2009. Changes in the price of copper from the amounts used to calculate the

provisional values will impact the Company's revenues and working capital position in the first quarter of 2009. On March 5, 2008 the copper price was \$1.65/lb.

Liquidity Outlook

The Company's future profitability and cash position is highly dependent on the price of copper and gold. With the commencement of cathode copper production at Carlota, the Company will have a second source of revenues commencing in the first quarter of 2009.

The Company's working capital position at December 31, 2008 includes 43.2 million pounds of copper provisionally valued at \$1.33 per pound. Future changes in the price of copper will impact the final settlement price of these sales and the Company's cash position. The Company holds copper put options which, at \$1.54/lb. copper (February 28, 2009), would provide cash proceeds of approximately \$34 million during 2009 (see "**Financial Instruments**").

In light of the recent significant decline in copper prices, the Company has evaluated alternate mine plans for Robinson with the objective of maintaining appropriate cash balances at lower copper prices, and at the same time maximizing the Company's ability to deliver metal into future higher metal price environments. On January 29, 2009 the Company announced that it is proceeding with a new mine plan for Robinson that will result in reduced costs and increased copper production in 2009 and 2010.

Assuming the closing of the Centenario acquisition, the Company expects to invest \$25 million of cash into Centenario, based on the current business plan for the Franke mine.

The Company requires a copper price in the range of \$1.50/lb for 2009 in order to maintain an appropriate cash balance and facilitate continuous production at its operations going forward. In the event of sustained lower metal prices, and in order to maintain an appropriate cash balance, the Company may need to reduce or suspend operations. In addition, if the Company's view of copper prices changes, the Company may elect to suspend mining operations in order to conserve mineral reserves and cash.

Commitments and contractual obligations

(\$000's)	Payment Due By Period						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
Reclamation liabilities	-	-	-	-	-	95,941	95,941
Minimum lease payments (capital and operating)	13,165	16,005	7,904	2,142	515	-	39,731
Total	13,165	16,005	7,904	2,142	515	95,941	135,672

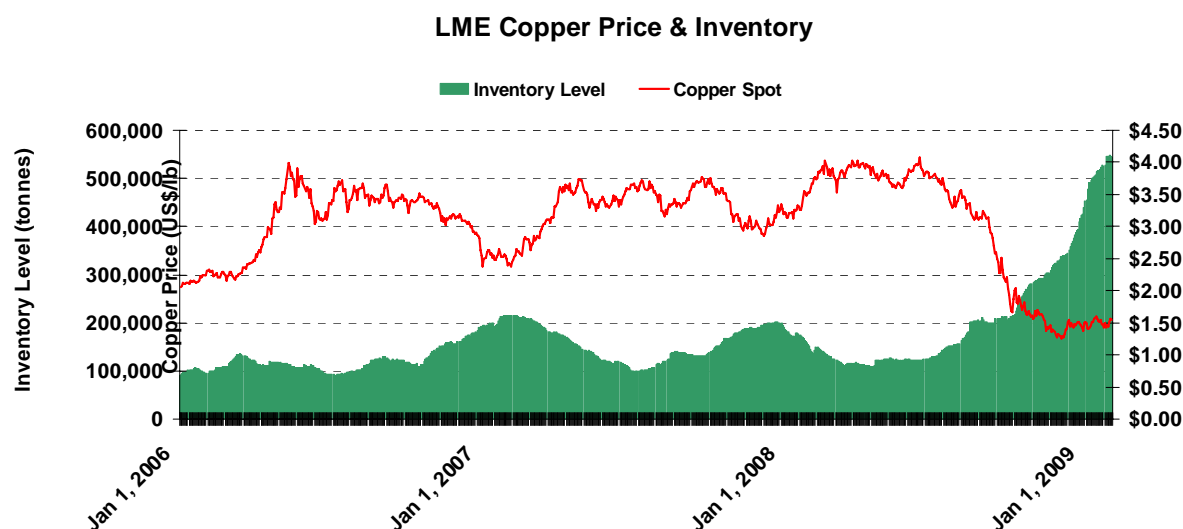
Reclamation liabilities

The Company has estimated total future reclamation costs of \$95.9 million (undiscounted), which primarily relate to the closure of the Robinson and Carlota Mines. The Company has estimated the fair value of this liability to be \$41.0 million at December 31, 2008 based on the estimated discounted future payments. To secure a portion of the closure costs related to the Robinson Mine and Carlota, the Company has posted environmental bonds and held cash in a reclamation trust totalling \$55.4 million as at December 31, 2008. The Company revises the reclamation plan and cost estimate for the Robinson Mine annually as required by US Bureau of Land Management and adjusts the amount of the bond accordingly.

MARKET TRENDS AND FUNDAMENTALS

Between 2006 and mid 2008, the growing demand for copper, particularly in China, coupled with an inability of the copper industry to increase supply due to a lack of immediate development projects, together with a weakening U.S. dollar led to a substantial increase in the copper price. The subsequent global credit and consumer confidence crises and the resulting global economic downturn have led to a collapse in the price of copper. The outlook for copper is entirely dependent on the global economy.

The following graph shows the inventory level, as published by the London Metal Exchange (“LME”), of copper and the spot price of copper from 2006 to February 28, 2009.



The copper price has remained volatile during the last year, with the spot price ranging from a low of \$1.26 per pound to a high of \$4.07 per pound during the twelve month period ended December 31, 2008. At December 31, 2008 the closing spot price was \$1.32 per pound. At February 28, 2009, the closing spot price was \$1.54 per pound.

The reference price of copper metal is determined by trading on the LME, where the price is set in U.S. dollars at the end of each business day.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s revenues and cash flows are subject to fluctuations in the market price of copper and gold. In addition, there is a time lag between the time of initial payment on shipment and final pricing, and changes in the price of copper and gold during this period impact the Company’s revenues and working capital position.

In recognition of the volatility of copper prices the Company instituted a floor price protection program that covered the estimated period through Carlota production ramp up (June 2009). Under this program, the Company purchased copper put options at various times during 2007 at a total cost of \$11.5 million and in 2008 the Company spent an additional \$2.5 million on copper put options. During 2008 a total of 159 million pounds of copper put options expired unexercised. However in the fourth quarter of 2008, the Company received proceeds of \$11.1 million from the exercise of put options for 21 million pounds of copper.

At December 31, 2008 the following copper put options were outstanding:

Expiry	Pounds (millions)	Strike price	Fair value
January to March 2009	17.8	\$ 2.50	19,568
April to June 2009	17.2	\$ 2.50	18,913
Total	35.0	\$ 2.50	38,481

Under the terms of the derivative contract, if the average LME cash price for the month is less than the strike price, the Company will receive the difference in price for the contracted number of pounds. The counter-parties consist of several international financial institutions. The Company monitors its counter-party exposures and does not believe there are any issues at the current time.

The change in fair value of these copper put options is recorded as a derivative gain or loss on the statement of earnings. For the year ended December 31, 2008, the Company recorded a \$27.3 million gain on derivatives resulting from an increase in fair value of the put options.

In October 2008, the Company entered into NYMEX heating oil futures contracts for 7.8 million gallons at a strike price of \$2.51/gallon. The settlement of these contracts occurs between December 2008 and November 2009. The contracts were acquired at no cost but are subject to a margin call. The Company will pay or receive cash based on the difference between the strike price and the actual cost of NYMEX heating oil in the month of settlement. As at December 31, 2008, 0.7 million gallons of NYMEX heating oil had been settled at a price of \$1.42 and a loss of \$0.7 million was recorded. As a result of the declined NYMEX heating oil at December 31, 2008, the Company recorded a \$7 million loss related to the reduction of fair value of the NYMEX heating oil future contracts.

CONTINGENCIES

- (a) The Company has been served with four lawsuits that have been filed in Chilean courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada. The lawsuits were filed on August 13, 2007, April 2, 2008, June 20, 2008 and July 10, 2008. Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the legal claims are without merit.

The plaintiffs are minority shareholders in the "sociedades legales mineras" (SLM) or legal mining companies that owned certain of the mining tenements that were optioned to Quadra in 2004. In three of the cases, the plaintiffs are requesting that the option agreements to purchase the mining tenements be declared null and void. The plaintiffs in these cases are claiming that the SLM's were not authorized to sell the mining tenements. In the fourth case, the plaintiffs argue that if any of the first three cases are successful, then further option agreements are invalid by virtue of the fact that the option agreements were intended to be exercised in either all or none of the cases.

The first three lawsuits relate to three of the ten option agreements that the Company entered into with respect to its Sierra Gorda mineral property. Although Quadra believes that the option agreements are valid and that the legal claims are without merit, the outcome is uncertain. The proceedings are subject to the procedural and substantive laws of Chile, and the allegations are based on the actions of the Optioners, in respect of which Quadra has no direct knowledge. The Company intends to vigorously defend these claims, however there is no assurance that it will be successful. A negative outcome in these proceedings could have a material adverse effect on Quadra.

- (b) In January 2009, the United States Supreme Court declined to hear the Company's appeal of a 2007 ruling by the U.S. Court of Appeals for the 9th Circuit, which affects Carlota's National Pollutant Discharge Elimination System (NPDES) permit. The Company has exhausted all appeals in this matter. However, management has implemented a zero discharge change operating plan in order to obviate the need for such a permit.
- (c) The Company is subject to other lawsuits from time to time which are not disclosed on the grounds that they are not material.

TRANSACTIONS WITH RELATED PARTIES

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the year ended December 31, 2008, the Company incurred legal fees of \$570 with that entity (year ended December 30, 2007: \$890), which were at normal business terms.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing financial statements management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ materially from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting policies and estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

Mineral Properties

Mineral property development costs, including exploration, mine construction, and stripping costs, are capitalized until production is achieved, and are then amortized over the remaining life of the mine based on proven and probable reserves. The determination of the extent of reserves is a complex task in which a number of estimates and assumptions are made. These involve the use of geological sampling and models as well as estimates of future costs. New knowledge derived from further exploration and development of the ore body may also affect reserve estimates. In addition the determination of economic reserves depends on assumptions on long-term commodity prices and in some cases exchange rates.

An impairment loss is recognized for a mineral property if its carrying value exceeds the total undiscounted cash flows expected from its use and disposal. Undiscounted cash flows for mineral properties are estimated based on a number of assumptions including management's view of long-term commodity prices, proven and probable reserves, estimated value beyond proven and probable reserves, and estimates of future operating, capital, and reclamation costs. At the end of 2008, the Company reviewed the carrying value of all of its mineral properties for possible impairment, in light of the recent significant declines in metal prices and the ongoing deterioration of global equity and credit markets. Future undiscounted cash flows were estimated based on current cost assumptions and assumed future copper prices of \$1.75/lb. in 2009, \$2.50/lb. in 2010, \$3.50/lb. in 2011, \$2.50/lb in 2012-3, and \$2.00/lb. long-term. For development stage properties, a comparison to the value of similar assets was also considered.

As a result of the significant decline in the price of molybdenum during the fourth quarter of 2008, the ongoing deterioration of global equity and credit markets, and the suspension of activities at the project, it was determined that the Malmbjerg mineral property was impaired and a write down of \$95,682 was recorded in the fourth quarter of 2008.

Revenue Recognition

Sales are recognized and revenues are recorded at market prices when title transfers and the rights and obligations of ownership pass to the customer. The majority of the Company's product is sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. For sales of concentrates, final pricing is generally determined three to four months after the date of sale. The Company estimates provisional pricing for its product based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as revenue adjustments as they occur until the price is finalized. As a result, revenues include estimated prices for sales in that period as well as pricing adjustments for sales that occurred in the previous period. These types of adjustments can have a material impact on revenues.

Asset Retirement Obligations, Reclamation and Mine Closure

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. In previous years the Company has revised its estimate of the timing and amount of closure costs at the Robinson Mine, which resulted in adjustments to the liability recorded in the Company's financial statements. In 2008, the Company revised its estimate of the amount of closure costs at the Carlota Mine. Accordingly, an adjustment to the liability had been recorded in the Company's financial statements. The estimate of the total liability for future site restoration costs is subject to change based on cost inflation, amendments to laws and regulations and may also change as new information concerning the Company's operations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

Future Income Tax Assets

Management believes that uncertainty exists regarding the realization of certain future tax assets and therefore a valuation allowance has been recorded as of December 31, 2008. For 2008 the Company expects to utilize \$2.7 million of U.S. Alternative Minimum Tax ("AMT") credits, which were earned in prior years. At December 31, 2008 the Company had additional available AMT Credits of \$17.7 million, which have not been recognized due to the uncertainty of realization. The Company also has not recognized the benefit of the tax basis of Carlota in excess of the acquisition price, and non-capital losses. However, the Company has recognized a net current future income tax asset for other temporary differences created between the tax and accounting basis of assets and liabilities in the United States. Management estimates that, using long term copper prices in line with its mine plan estimates, the future taxable income will be sufficient to utilize the future tax assets which have been recognized.

CHANGE IN ACCOUNTING POLICY

Goodwill and Intangible Assets

CICA issued Handbook Section 3064 "Goodwill and Intangible Assets" which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. This standard requires expenditures incurred to provide future economic benefits to an entity, but no intangible asset or other asset acquired or created be expensed when they are incurred. It also requires the start-up costs be expensed when they are incurred unless these expenditures are included in the cost of an item of property, plant and equipment in accordance with Section 3061 "Property, Plan and Equipment". The new standard applies to fiscal years beginning on or after October 1, 2008. Earlier adoption is encouraged.

In the fourth quarter of 2008, the Company adopted this new standard. Accordingly, the deferred start up costs at the Robinson mine and the increase in value of the deferred gold consideration related to the Carlota mine that were capitalized to mineral property, plant and equipment previously should be expensed. This change in accounting policy has been applied retroactively and the financial statements for the year ended December 2007 have been restated. A summary of the effect of this change is shown below:

Effect on consolidated balance sheet as at December 31, 2007:

Increase in future income tax assets	8,259
Decrease in mineral property, plant and equipment	(23,597)
Decrease in retained earnings	(15,338)

Effect on consolidated statements of earnings for the year ended December 31, 2007:

Decrease in depreciation, depletion and amortization	(1,883)
Increase in interest and other expense	4,755
Increase in future income tax recovery	(1,005)
Decrease in earnings	1,867
Decrease in earnings per share - basic	\$ 0.04
Decrease in earnings per share - diluted	\$ 0.04

OUTSTANDING SHARE DATA

The Company had 66,000,747 common shares issued and outstanding at December 31, 2008. As of March 5, 2008 the Company had 66,000,747 common shares issued and outstanding.

CONTROL OVER FINANCIAL REPORTING

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management has evaluated the effectiveness of the design and operation of the Company's internal control over financial reporting as of the end of the period covered by this report. Based on the result of the assessment, the Company's Chief Executive Office and Chief Financial Officer have concluded that the Company's internal controls over financial reporting are effective.

Disclosure Controls and Procedures

The Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. Management has begun assessing the implications of IFRS adoption and has identified a number of significant IFRS differences that will impact the Company's financial statements. There will be changes in accounting policies related to the adoption of IFRS and these changes may materially impact the Company's financial statements in the future.

The Company has appointed a project manager to lead the conversion to IFRS. The project manager is working with other members of the finance group to execute the implementation plan. An initial diagnostic review of significant IFRS differences has been completed by the Company's external auditors as part of the project planning. While the effects of IFRS have not yet been fully determined, the Company has identified several key areas where it is likely to be impacted by accounting policy changes, including the accounting for Property, Plant & Equipment, Asset Retirement Obligations, and Business Combinations. Further detailed analysis of these areas is underway, and no decisions have yet been made with regard to accounting policy choices.

A more detailed review of the impact of IFRS on the Company's consolidated financial statements, and other areas of the Company, is in progress and is expected to be completed by the end of 2009. Any changes required to systems and controls will be identified as the project progresses. Draft financial statements and disclosure information will be prepared for each quarter in 2010 and reporting under IFRS will commence in the first quarter of 2011.

NON-GAAP FINANCIAL MEASURES

The cash cost per pound of copper produced, and onsite costs and offsite costs are non-GAAP financial measures that do not have a standardized meaning under Canadian Generally Accepted Accounting Principles (“GAAP”), and as a result may not be comparable to similar measures presented by other companies. Management uses these statistics to monitor operating costs and profitability. Onsite costs include mining costs, equipment operating lease costs, mill costs, mine site general and administration costs, environmental costs and royalties. Offsite costs include the costs of transportation, smelting and refining of concentrate. For financial statement reporting purposes, smelting and refining costs are netted against revenues. Costs of sales, as reported on the statement of operations, is different that the costs of production because of changes in concentrate inventory levels. The following table shows a reconciliation of these non-GAAP financial measures to the consolidated statements of operations:

	Three months ended December 31		Year ended December 31	
	2008	2007	2008	2007
Cost of sales	59,104	55,359	254,511	232,951
Adjustment for change in concentrate inventory	1,097	6,909	1,434	(1,460)
Refining and treatment charges	3,294	6,130	17,396	29,243
Royalties	9,253	4,766	26,922	16,860
Total onsite and offsite costs	72,748	73,164	300,263	277,594
By-product revenues	(18,249)	(22,057)	(116,506)	(81,376)
	54,499	\$51,107	183,757	196,218
Copper production (million lbs.)	34.5	32.4	159.7	131.9
Cash cost per pound of copper produced	\$ 1.58	\$ 1.58	\$ 1.15	\$ 1.49

Cashflow from operating activities (before working capital changes) is also not a defined term under GAAP, and consists of cash provided from operating activities less net changes in non-cash working capital.

March 5, 2009

This MD&A contains “forward-looking information” that is based on Quadra’s expectations, estimates and projections as of the dates as of which those statements were made. This forward-looking information includes, among other things, statements with respect to Quadra’s business strategy, plans, outlook, long-term growth in cash flow, earnings per share and shareholder value, projections, targets and expectations as to reserves, resources, results of exploration (including targets) and related expenses, property acquisitions, mine development, mine operations, mine production costs, drilling activity, sampling and other data, estimating grade levels, future recovery levels, future production levels, capital costs, costs savings, cash and total costs of production of copper, gold and other minerals, expenditures for environmental matters, projected life of Quadra’s mines, reclamation and other post closure obligations and estimated future expenditures for those matters, completion dates for the various development stages of mines, availability of water for milling and mining, future copper, gold, molybdenum and other mineral prices (including the long-term estimated prices used in calculating Quadra’s mineral reserves), currency exchange rates, debt reductions, timing of expected sales and final pricing of concentrate sales, the percentage of anticipated production covered by option contracts or agreements, anticipated outcome of litigation and personnel issues and the completion of the proposed acquisition in Centenario and related expenditures. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as “outlook”, “anticipate”, “project”, “target”, “believe”, “estimate”, “expect”, “intend”, “should”, “scheduled”, “will”, “plan” and similar expressions. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause Quadra’s actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to:

- ❖ Uncertainties related to the accuracy of reserve and resource estimates and estimates of future production and future cash and total costs of production and the geotechnical or hydrogeological nature of ore deposits, diminishing quantities or grades of reserves and variable metallurgical performance of these reserves.
- ❖ Uncertainties related to expected production rates, timing of production and the cash and total costs of production and milling.
- ❖ Uncertainties relating to copper, gold, molybdenum and other mineral prices, which are beyond the Company's control.
- ❖ Provisional payments on concentrate material that the Company sells; uncertainty in the final metal prices used for the computation of final settlement exists such that final settlement could be less than the cost of production plus other liquidity requirements.
- ❖ Operating and technical difficulties in connection with mining development or production activities.
- ❖ Uncertainties and costs related to Quadra's exploration and development activities, such as those associated with determining whether copper, gold, molybdenum or other mineral reserves exist on a property.
- ❖ Uncertainties related to feasibility studies and other studies that provide, among other matters, estimates of expected or anticipated costs, expenditures and economic returns from a mining project.
- ❖ Uncertainties related to the ability to obtain and retain or renew necessary licences, permits, and other government authorizations, including the necessary permits to complete the dewatering of the Ruth pit, at operating and development projects.
- ❖ Uncertainties related to the ability to obtain necessary electricity, surface rights, water rights and title for operating and development projects and project delays due to third party opposition.
- ❖ Uncertainties in obtaining additional financing that may result in delay or postponement of development projects.
- ❖ Uncertainties related to the future development or implementation of new technologies, research and development and, in each case, related initiatives and the effect of those on our operating performance.
- ❖ Uncertainties related to judicial or regulatory proceedings, including whether the permits required for development and operating activities will be obtained and whether existing permits will be challenged.
- ❖ Changes in, and the effects of, the laws, regulations and government policies affecting Quadra's mining operations, particularly laws, regulations and policies relating to:
 - mine expansions, environmental protection and associated compliance costs arising from exploration, mine development, mine operations, reclamation and mine closures;
 - expected effective future tax rates or royalties in jurisdictions in which Quadra's operations are located;
 - the protection of the health and safety of mine workers; and
 - mineral rights ownership in countries where Quadra's mineral deposits are located.
- ❖ Changes in general economic conditions, the financial markets and in the demand and market price for copper, gold, molybdenum and other minerals, diesel fuel, petroleum, steel, concrete, sulphuric acid, explosives, truck tires and other operating supplies, refining and treatment costs, transportation charges, electricity and other forms of energy, mining equipment, and fluctuations in exchange rates, particularly with respect to the value of the U.S. dollar and Canadian dollar.
- ❖ The effects of derivative instruments to protect against fluctuations in copper, gold and other metal prices, exchange rate movements, fuel price changes, and the associated mark to market risks.
- ❖ Uncertainties related to the collectibility of amounts owed to the Company by contract counter-parties including, but not limited to, sales contracts and derivative contracts.
- ❖ Unusual or unexpected formations, seismic activity, cave-ins, flooding, pressures, pit wall failures and other similar incidents (and the risk of inadequate insurance or inability to obtain insurance to cover these risks).
- ❖ Changes in accounting policies and methods used to report Quadra's financial condition
- ❖ Uncertainties associated with critical accounting assumptions and estimates.
- ❖ Environmental issues and liabilities associated with mining including processing and stock piling ore.
- ❖ Labour strikes, work stoppages, or other interruptions to, or difficulties in, the employment of labour in markets in which Quadra operates mines, or extreme weather conditions, environmental hazards, industrial accidents or other events or occurrences, including third party interference that interrupt the production of minerals in Quadra's mines or interrupt the delivery of Quadra's product to customers.
- ❖ Quadra's reliance on a single producing property and on a start-up property.
- ❖ Uncertainties related to potential future breaches of covenants and undertakings contained in agreements, by Quadra or its suppliers, that could result in a significant loss to Quadra.
- ❖ Uncertainties related to Quadra's and Centenario's ability to satisfy the conditions to the proposed acquisition of Centenario by Quadra, some of which are not in either company's control.
- ❖ Uncertainties related to the amount of funding required to bring Centenario into positive cash flow.

A discussion of these and other factors that may affect Quadra's actual results, performance, achievements or financial position is contained in the filings by Quadra with the Canadian provincial securities regulatory authorities, including Quadra's Annual Information Form. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. Quadra disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.