



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003

Quadra Mining Ltd. (the "Company") was formed as a private company on May 15, 2002 with the goal of becoming a mid-tier base metals development and operations mining company and has carried on business development and acquisition activities during the year ended 2003.

### *Results of Operations*

For the twelve months ended December 31, 2003, the Company had a net loss of \$391,770 compared to a net loss of \$37,861 for the seven and half months ended December 31, 2002. Total revenues for the year ended December 31, 2003 of \$24,332 resulted from largely consulting services provided by the Company during the year to a third party. Costs incurred during these periods primarily related to business development and professional fees related to the acquisition bid of the Highland Valley and Robinson Mine operations. These costs related largely to legal, financial and technical consulting services required to make the acquisition bid. The increased loss for the current period represents the increased activity level of the company in 2003 as compared to the seven and half months ended December 31, 2002.

### *Financial Condition, Liquidity and Financial Resources*

The Company was incorporated with \$100,000 in share capital. During 2002, it acquired computer equipment totaling \$6,261. The working capital balance at December 31, 2002 was \$56,472, represented by cash of \$63,640 and current liabilities of \$7,168.

The Company had a working capital deficit at December 31, 2003 of \$370,549 represented by current assets of \$280,112 and current liabilities of \$650,661. The cash balance of \$250,000 related to amounts in trust as part of the Special Warrants sale which closed on January 5, 2004. The outstanding receivables of \$30,112 were for consulting work performed in the year ended December 31, 2003, while the majority of current liabilities of \$400,661 relate to amounts payable for professional services received in relation to the potential acquisition of the Robinson Companies and of an interest in the Highland Valley Copper Partnership.

On January 5, 2004, the Company sold and issued 1,000,000 Special Warrants. The Special Warrants were sold at a price of \$2.00 per Special Warrant for aggregate proceeds of \$2,000,000. Each Special Warrant is exercisable into one common share for no additional consideration by the holders of the Special Warrants at any time and will be automatically exercised for common shares immediately prior to 4:00 p.m. (Vancouver time) on the date which is the earlier of (a) the completion of the initial public offering and (b) 12 months following the issuance of the Special Warrants.

Also, in connection with the proposed, but not completed, purchase by the Company of an interest in the Highland Valley Copper Partnership, Quadra Mining Limited was paid a fee of US\$2,500,000 on March 2, 2004. Ten percent of this fee was paid to Macquarie North America Ltd. as an advisory fee and the remainder was added to the Company's working capital.

On April 8<sup>th</sup>, 2004 the Company completed an initial public offering ("IPO") and raised gross proceeds of \$144,936,000. The net proceeds were \$135,739,840 after underwriter commissions and expenses of \$9,196,160. The Company also paid US \$14,106,916 to acquire the Robinson Mine and US \$18,062,704 as a security deposit for a reclamation bond with the United States Bureau of Land Management.

### *Future Prospects*

The Company intends to restart operations at the Robinson Mine in the fourth quarter of 2004 and intends to fund the estimated cost of the restart with the funds raised in the IPO. While the Company's main focus is the Robinson Mine restart, the Company will progress with the evaluation of the Chilean properties it has under option and will evaluate other opportunities within its mandate.