



QUADRA MINING LTD.
Q1 2009 CONFERENCE CALL
May 12th 2009, 11.00am ET

Good morning ladies and gentlemen. I'd like to welcome you to this conference call, during which we will discuss Quadra Mining's First Quarter 2009 financial results, as well as update you on the Robinson and Carlota operations, the progress being made at the recently acquired Franke Mine and our development projects, Sierra Gorda in Chile and Malmbjerg in Greenland. With me today on the call are Stuart McDonald, CFO, Jack Miller COO and Derek White, our Executive Vice President, Corporate Development. We will all be available to answer any questions following my overview.

During the course of this conference call, we may make forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ from those expressed or implied by such statements. Statements relating to production, revenues, growth, profits, and operating expenses depend on future market conditions and risks, and are considered forward-looking, thereby providing no guarantee that they will be realized. In this regard, I also refer you to the cautionary statement relating to forward looking information included in the Press Release and MD&A. Those statements apply to this call as well. Please also note that all monetary amounts are US\$ unless otherwise stated.

Whether we reached the turning point or not remains to be seen, but the first quarter of 2009 certainly saw improving copper prices, with copper rising from \$1.33 at the end of 2008 to \$1.83 per pound at the end of March, a trend that has continued into this quarter, with copper in the range of \$2.05 - \$2.15 over the last several days.. Even so the price did not really begin to recover until well into February and the average realized price for the quarter was only \$1.56 per pound.

Looking at our financial results, notwithstanding this price environment, we generated \$55 million in cash flow from operations, before working capital adjustments and \$46 million of operating income. Earnings were \$27 million or \$0.40 per share (basic) and were affected by a derivative loss of \$8.8 million, a GAAP phenomenon caused by the decrease in the fair market value of our put option floor as a result, ironically, of the increase in copper price. The same increase in copper price meant that this loss was more than offset by an increase of \$21 million in accounting revenues as a result of mark to market adjustments. Our cash position remained pretty much unchanged at the end of the quarter at \$111 million, compared to \$108 million at the end of the previous quarter. At year-end we had a payable to customers for provisional payments of about \$20 million and by the end of the first quarter this had moved to a receivable of \$10 million. Offsetting settlement of the payables that we started the quarter with was

\$17 million of cash received from the exercise of put options.

Our EBITDA was \$43million or \$0.65 per share basic compared to \$117 million or \$2.11 per share (basic) for the same period in 2008. [As in previous earnings calls, I'd remind you that EBITDA is a non-GAAP measure but is of course a popular metric for evaluating financial performance].

Moving on to an operational overview, **Robinson** continued to perform in line with plan during the first quarter producing 36.7 million pounds of copper and 34,600 ounces of gold.

A total of 12 million tonnes of ore and waste were mined during the quarter. This compares to an average quarterly production rate of about 18 million tonnes in 2008. The decrease in waste mined during the quarter was included in the plan and is a result of the change in mine plan discussed last quarter, and the work required for commencement of mining in the Kimbley/Wedge area of the Ruth pit. This work included pioneer work and equipment relocation, including our BE 495 electric rope shovel, the major piece of stripping equipment at Robinson.

The reduced mining rate, coupled with other factors including strong gold by-product credits and reduced input costs including fuel, tires and labour, led to cash costs for the quarter of 80 cents per pound. This compares to cash costs of \$1.01 in the same period of 2008 and a unit cost of \$1.15/lb for the year. As mining picks up in the Wedge / Kimberly pit we expect costs to return to more typical levels and we leave our cash cost guidance

of \$1.30 per pound in place together with a total cost including capital of \$1.50 per pound.

Looking at offsite costs, these are in the same range as last year at \$13 million for the quarter, with a rise in TC/RC costs offset by a reduction in ocean freight.

We are maintaining our production and capital cost guidance for 2009 with Robinson expected to produce approximately 140 million pounds of copper and 100,000 ounces of gold with capital expenditures of \$35 million primarily related to the Ruth pit development.

Turning to progress at **Carlota**, the operation performed in line with expectations producing 6.6 million pounds of cathode copper, 5.9 million pounds of which were sold during the quarter, contributing to our revenue stream for the first time.

A total of 6.2 million tonnes of ore and waste were mined during the quarter as ramp up activities continued. The mining focus remains on installing the Pinto Creek diversion channel, with the intent on having this in place by October when the rainy season starts. This channel is required to carry the creek water around rather than through the pit. Once complete, we will be able to then access higher grade ore and move to nameplate capacity of about 70 million pounds per year in 2010. The process plant was focused on balancing plant reagents to handle increased solution flows from the leach pad. At this point, the ore continues to exhibit the leaching characteristics and acid consumption in line with the expectations of the

Technical Report, with low consumption and high recovery levels.

Carlota's onsite costs for the three month period ended March were \$18 million which is in line with the Company's expectations. Cash cost per pound is not really a useful metric at this stage.

Overall, we are on plan at Carlota and have reiterated guidance of 50 million pounds of cathode copper expected to be produced in 2009 at a total cash operating unit cost of \$1.50/lb. This operating cost assumes an acid price of \$200/ton and a diesel price of \$2.80/gallon although we are seeing significantly lower acid prices in the market, as well as lower diesel costs.

Moving on to our development projects,

At **Sierra Gorda**, we have continued to move forward with metallurgical test work, geologic modeling for the resource estimate, and engineering studies required for the scoping study which is expected to be complete in the second quarter of 2009. Environmental studies related to monitoring and baseline data collection also continued. The scoping study will provide us with the project framework and a basis for establishing value. All of this will help us in our discussions with potential partners.

At **Malmbjerg** there is little new news. We have continued with environmental studies and relationship building at the social level. As with Sierra Gorda - and with the development license in place - we are exploring partnership options.

On April 8th, 2009 - as a subsequent event to the quarter, we announced that the transaction agreement to acquire **Centenario** Copper Corporation and their essentially mechanically complete Franke copper mine in Northern Chile, successfully closed.

In late March we announced that we had received a signed commitment letter for \$37.5 million from West LB in connection with a syndicated project loan facility to finance the development of the Franke mine. The legal documentation of the facility is still in progress at this point.

On April 7th, the Company reached an agreement with Centenario's original lenders to collapse their copper hedge positions with the proceeds applied against the existing long-term debt with the remaining loan balance to be guaranteed by Quadra and repaid by May 8, 2009. This has now been extended until May 14th while the details of the new \$37.5 million loan are finalized.

The bank financing, combined with the CDN\$ 86 million bought deal equity financing that closed in mid April, would provide Quadra with the funding required for the completion of the Franke project. The transition at site has been going well and we are moving forward with bringing the project into production. Previous funding issues had delayed full mechanical completion and commencement of mining at the level required to meet the original schedule. Commissioning has now commenced, including crushing and water testing of the SX/EW plant. The mining contractor is currently preparing crushed rock overliner for the leach pad

and is drilling on the ore body for final definition of underground workings, after which stripping will commence.

There are always risks and challenges in the start-up phase, as well as problems to solve. However we believe these can be managed and expect that the operation will start ramping up by the middle of the year.

With the addition of this project, Quadra will soon have a third operating asset to complement Robinson and Carlota and augment production by another 70 million pounds of cathode copper per annum. At full capacity, our three assets should yield approximately 280 – 300 million pounds of copper annually, transforming the Company into a player in the mid-tier space.

As a general comment on the copper market, we are beginning to find some sustained price support as a sharp decrease in the availability of copper scrap and continued strong growth in demand from China more than offset weakness in the rest of the world. While some Chinese demand is related to consumer restocking and State Reserve Bureau buying, we believe that overall demand in China is increasing and this demand combined with earlier cuts in global supply, relatively tight scrap markets (although not as tight as the first quarter) and the beginning of a recovery in growth in the rest of the world will continue to keep the copper market tight for the remainder of the year.

With that, we believe that the Company is well positioned to sell copper into this rising market and with a strong balance sheet and a comfortably

manageable debt facility, we will continue to pursue further acquisitions with an emphasis on producing assets.

With that - I will conclude our formal remarks, thank you for listening and hand the floor over to the operator so that we can take any questions you may have.

Question and Answer Session

Tom Meyer, Raymond James

Good morning, Paul. Maybe I'll just touch on with the M&A comment first and if you could possibly speak, broadly if you need to, but should we be looking—you mentioned producing assets but should we be looking at equity, like listed equities where we see clear still depressed valuations or perhaps castoffs from some of the larger entities, potentially one that may be on care and maintenance right now? What is the current thinking along those lines?

Paul Blythe, President & Chief Executive Officer

Good morning, Tom. Yeah, we're always looking down two roads in M&A: One is what I would characterize as a building block approach. Obviously Centenario is an example of that where we bring in, you know, 30,000 tonnes, 60, 70 million pounds more or less. There's no magic number on that. And the second obviously is that we can do a deal that's more company transforming and that's something that we drive for too.

In terms of where we're looking, yeah, we're looking at listed entities. And we do see opportunities for, as you categorized them, castoffs from I guess the majors and intermediates, particularly those that have got debt issues. Obviously those require cash. Folks that have debt issues aren't that interested in paper. So we're exploring on a broad front. We'd like to maintain the momentum we've got and push on towards at least 500 million pounds.

You know, at any given time we've got ten concepts on the table. Obviously I'm not going to tell you what they are but we have ten concepts on the table that cover a broad range of ideas that would allow us to move forward, deliver on growth to get us up to that range of production.

Tom Meyer, Raymond James

Okay. And then on to Franke, just looking at the fact pattern in the releases over, ah, I guess from the Centenario release in November and this most recent update, I think Centenario in November restated that you need another \$25 or \$26 million. In February when you announced the transaction I think you indicated perhaps another \$25. In this disclosure, in this 1Q disclosure it looks like another \$100 million is required in total for 2009. What have you seen, like what has changed from November 2008 to I guess the end of 1Q 2009?

Paul Blythe, President & Chief Executive Officer

I think there are two issues: one is the payables that continue to leak in, the other is the debt repayment. When we did the original deal copper was \$1.80 I think, \$1.60; clearly the value of those hedges were substantially higher than it was when we collapsed them. So that added a fairly significant number to the bill to. So, you know, it's a case of first the bad news it's costing more and second, the good news, it's costing more because the copper price has gone up significantly.

Tom Meyer, Raymond James

Okay. And then finally, the West LB financing, I understand there's potential hedges required with that. Is that a high-margin West LB product that you'll have to buy and can you go out conventionally and just buy some out-of-the-money put options to cover off any hedging requirements?

Paul Blythe, President & Chief Executive Officer

We're looking at a number of different options on how to handle that. And we obviously have probably not dissimilar views to yourself on where copper is going to go and obviously we need to protect the upside as we... So put options is one concept. A collar structure is another concept. And we're working that through with West LB at this point. But we very much recognize that we need to protect the upside in how we put those hedges in place.

Tom Meyer, Raymond James

Okay, thanks very much. I'll pass it on.

Paul Blythe, President & Chief Executive Officer

Thanks, Tom.

Operator

Thank you. The next question is from Orest Wowkodaw from Canaccord Adams. Please go ahead.

Orest Wowkodaw, Canaccord Adams

Hi, good morning. A couple of questions.

You state in your release that you're looking for a start up at Franke midyear; what are your expectations for capital production volumes this year?

Paul Blythe, President & Chief Executive Officer

Good morning, Orest. We're not going to put any guidance until we—we really only took control of the project in April. We've got our team working hard on commissioning and on developing the mine plan and execution plan going forward and until we've got that in place we're not going to put out any guidance. We are looking for first cathode sort of early in the third quarter but beyond that we will be providing guidance once we're comfortable

that we've got the whole story pegged out and all the issues resolved.

Orest Wowkodaw, Canaccord Adams

Okay. And at Robinson you're leaving your cost guidance at \$1.30 a pound for the year. It was \$0.80 in Q1. Are you being overly conservative or should we expect that costs will be above \$1.30 later this year to try to make up that average?

Paul Blythe, President & Chief Executive Officer

Well certainly the costs are not linear quarter by quarter. Just looking at last year the average was \$1.50 and I think the first quarter was \$1. You know, there's a number of factors that go into the cost. And we look pretty carefully at what guidance we put out there at any point in time. Yeah, that is a low cost and the key issue there is the low waste stripping. You know, we averaged 18 million tonnes last year of total mining and we did 12 million this quarter. You know, 6 million tonnes of waste is a significant portion of the cost. Now there are other drivers. There's fuel, there's where we are in the maintenance cycle and so on as well. We're not being, we don't think, overly conservative. We're not in the business of tossing out wildly optimistic guidance having said that but we don't think we're being overly conservative at this point from what we know now.

Orest Wowkodaw, Canaccord Adams

Okay. But is it fair to assume then that your guidance implies that costs will be above the \$1.30 average then for Q2?

Paul Blythe, President & Chief Executive Officer

Yeah, I think that's the way the math works.

Orest Wowkodaw, Canaccord Adams

Okay, thank you.

Operator

Thank you. Once again, please press star one on your telephone keypad if you have a question.

Our next question is from Onno Rutten from UBS Securities. Please go ahead.

Onno Rutten, UBS Securities

Yeah, good morning, Paul, and good morning everyone. Just to dig a bit further there regarding any cash costs at Robinson, how is the profile going to evolve with regards to copper and gold production as you go through all these transitions at the mine?

Paul Blythe, President & Chief Executive Officer

Well, as always, it's going to vary quarter by quarter and, you know, obviously we were above—

if you take the guidance we put out and divide by four, clearly we were above that for the quarter. So it will vary quarter by quarter. We're not going to put out quarterly guidance. We don't think it's useful. You know, the mine plan is a pretty dynamic thing. We're at the point we believe we will meet the guidance for the year and that's really where our heads are. I don't think it's useful from our point of view to kind of push it out quarter by quarter. We've always indicated it's quite variable.

Onno Rutten, UBS Securities

Yeah, okay. And the strip ratios, real steep pick-ups then in the next few quarters as you dig into these new (inaudible)?

Paul Blythe, President & Chief Executive Officer

The what pick-up?

Onno Rutten, UBS Securities

The strip ratio.

Paul Blythe, President & Chief Executive Officer

Yeah, the strip ratio. We will be doing—we'll be getting back to, from this quarter on we'll be back in more normal levels of stripping.

Yeah, you have to bear in mind that we had to get the pit set up to mine and we had to move the equipment across and that's why there was a

deficit, but our normal rate is what it was last year and we'll be back to that for the rest of the year.

Onno Rutten, UBS Securities

And you will only capitalize Ruth and not Kimbley Wedge. That will be expensed I presume.

Paul Blythe, President & Chief Executive Officer

I think by and large there's a little bit of capitalization. Stuart, do you want to address that?

Stuart McDonald, Chief Financial Officer

Yeah, we're capitalizing the pre-stripping at all the pits and we capitalize all the costs until we start moving ore. So at Kimbley Wedge pit that ore will start moving in the second quarter and so (inaudible) capitalization. Ruth pit comes on much later in the year so there will be more capitalization going through for Ruth pit for the remainder of the year.

Onno Rutten, UBS Securities

Okay, perfect. And quickly, just some bookkeeping: were there the tax effects on the leach pad revaluation at Carlotta?

Stuart McDonald, Chief Financial Officer

Yeah, it's Stuart here again. Yeah, the tax effect on that is the same as our overall tax rate for the quarter, so 19 percent.

Onno Rutten, UBS Securities

And then the same for the derivative losses?

Stuart McDonald, Chief Financial Officer

Correct. Yeah.

Onno Rutten, UBS Securities

Yeah? Okay. And then the last question on the West LB, is this purely a documentation legal type of delay that you're incurring there on the depth or are there technical due diligence required, etcetera?

Paul Blythe, President & Chief Executive Officer

We had a commitment letter so all of those issues were resolved a while ago.

Onno Rutten, UBS Securities

It's just the paperwork.

Paul Blythe, President & Chief Executive Officer

Rather a lot of paperwork inevitably involved in the syndicated project debt.

Onno Rutten, UBS Securities

Okay. Okay, very well. Thank you.

Paul Blythe, President & Chief Executive Officer

Thanks, Onno.

Operator

Thank you. The next question is from David Charles from GMP Securities. Please go ahead.

David Charles, GMP Securities

Yes, good morning. Just maybe a quick question, Paul.

I understand your conservatism in talking about Franke but could you maybe give us some colour as to what Franke has looked like since you've sort of got control of it and how it is actually going versus maybe what you were expecting before you took it over?

Paul Blythe, President & Chief Executive Officer

Sure, yeah. Good morning, David. I don't think, you know, there have been the inevitable commissioning surprises that I think you get in any project, particularly the sort of issues that Centenario was facing in the last few months. As the Australians would put it, I think you call it (inaudible).

We've got a strong team on site and so, you know, one day everything's hard and the next day that

problem is solved and you move on to the next one. But they've run rock right through the system, they've put material out on the pads, they've wet-run the SX/EW plant, the contract mine is up and running now, which was a big issue for us. So, you know, so far so good. No golly-gosh-what-are-we-going-to-do-here kind of surprises, just the normal commissioning issues at this point and we're on track I think. We're about where we expected to be is the best way to put it.

David Charles, GMP Securities

So then I would assume that once you, ah, once it gets going you could probably ramp up pretty much as you expect and by next year you should get it to full production?

Paul Blythe, President & Chief Executive Officer

Oh, absolutely. We have every expectation that we'll be up to full production by next year.

David Charles, GMP Securities

But, you know, I mean any feel whether it'll be—I would assume it'll be in the early part of the year, maybe by the end of the first quarter?

Paul Blythe, President & Chief Executive Officer

Again, same answer as before, give us a chance to get—we want a schedule that works for us and we'll give it to you as soon as we've got it, but we

have to make sure that it's going to work for us before we put it out there.

David Charles, GMP Securities

Excellent.

Paul Blythe, President & Chief Executive Officer

I mean we're pushing the thing as hard as we can and clearly this is a great time to be selling copper and we want to do that.

David Charles, GMP Securities

Excellent. Thank you very much.

Paul Blythe, President & Chief Executive Officer

Thanks, David.

Operator

Thank you. The next question is from George Topping from Blackmont Capital. Please go ahead.

George Topping, Blackmont Capital

Hello everyone. Just on the West LB debt, is there a facility in there that would allow you to extinguish that debt thoroughly in the event that copper prices move a lot higher and you've got the cash flow to do it?

Paul Blythe, President & Chief Executive Officer

Yeah, we can pay the debt off at any time with no penalty. So that was a fundamental need or requirement that we had in it. So, yeah, we can do that.

George Topping, Blackmont Capital

Okay, good. And secondly on acid prices, you say you're getting better than expected acid prices at Carlotta and would be at Franke also; can you tell me what prices you're getting currently and if you're able to lock them in over the long term?

Paul Blythe, President & Chief Executive Officer

Well currently acid prices have moved back to their more normal status if you like, which is basically the freight plus a nominal amount of operating cost is the going rate for them, so under \$100 a tonne I think is a reasonable generality for the market.

Yeah, we're looking for opportunities to lock down our acid prices going forward at both Carlotta and at Franke and we'd certainly like to lock down as much as possible. We don't need the kind of variability that we had in the last couple of years.

George Topping, Blackmont Capital

Is that well advanced? I'm thinking particularly for Franke where the acid consumption is so high.

Paul Blythe, President & Chief Executive Officer

Discussions are progressing. You know, it's never over until it's over I guess but the progressions—we don't, we're still expecting, we're still pushing hard to get a comprehensive solution to the acid supply at Franke.

George Topping, Blackmont Capital

Okay, good. Thank you.

Paul Blythe, President & Chief Executive Officer

Okay. Thanks, George.

Operator

Thank you. There are no further questions registered at this time. I would like to turn the meeting back over to you, Mr. Blythe.

Paul Blythe, President & Chief Executive Officer

Okay. Well thank you everybody and if you have any questions, feel free to contact any of us. Thank you again.

Operator

Thank you. The conference call has now ended. Please disconnect your lines. Thank you for your participation.