



**QUADRA MINING LTD.**  
**Q1 2006 CONFERENCE CALL**  
**May 11<sup>th</sup>, 2006 - 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 2006 financial and operating results and update you on the company's current activities and future plans. My name is Paul Blythe, President and with me today on the call are Bill Myckatyn, Chief Executive Officer, Derek White, Chief Financial Officer, and Jack Miller, Chief Operating Officer. We will 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.*

Quadra recorded revenues of approximately \$84 million and an operating income of approximately \$33 million driven by the very much higher copper prices that we saw during the quarter. This has had its consequences in terms of the hedges that we put in place at the end of last year with our operating income more than offset by our hedge position, because of both realized and unrealized losses and in particular the latter. To remind you Canadian GAAP requires that derivatives including forward sales are marked to market quarterly. This requirement has resulted in an unrealized loss of \$59 million and a net loss of approximately \$39 million or \$1.28 per share for the first quarter. In terms of the next few months, we will continue to be exposed to the unrealized losses as long as the copper price keeps rising.

Bringing you up to date on our hedges, as of March 31, 2006, we had 114M pounds of copper still to be settled under our current hedge program. Of this, 46M pounds has already been produced and shipped and there is about 17M pounds sitting in inventory awaiting shipment. This leaves approximately 51M pounds that we have to produce and that will be settled at an average hedge price of \$1.70 per pound. So, taking into consideration our expected production profile, copper produced after about the end of August will be unhedged. This is a month later than previously advised as a result of changing the production schedule and moving the higher grade production out.

Looking at the Robinson operation, the first quarter is best described as average. When we gave our guidance for the year, production did not break down evenly quarter by quarter due to the geometry and the variability of the grade profile and we expected to see a lower grade ore earlier on in the year. However, as announced in early April, copper production at 25 million pounds was somewhat below plan of 28.7 million pounds due to lower copper recoveries and lower mill operating time.

In February 2006 we completed mining from the Tripp Pit and moved to the Veteran Pit. Having left the geotechnical issues in Tripp we ran into a rather different set of issues in the form of the metallurgical characteristics of the ore in Veteran. In March, the first ore encountered in the first two and highest benches of the Veteran Pit had an exceptionally high iron level in the form of pyrite, at least compared to the ore previously mined. This made processing more challenging and resulted in the lower than planned copper and molybdenum recovery.

As many of you know, Robinson is a skarn deposit, meaning that the minerals were deposited in a limestone environment which can and in the case of Robinson does lead to very varied mineralogy. The ground has also been moved around a lot by nature over the last 100 million years or so, resulting in substantial faulting with associated geotechnical issues. As a result it is not a simple deposit to mine or process and production fluctuates in accordance with the variable head grade.

In order to better understand what we will be encountering in the Veteran Pit and to mitigate any impacts, we implemented a look ahead blast hole and diamond drilling and metallurgical program during the quarter - this will include evaluation of iron distribution and of recovery. The drilling is substantially complete, but the analysis and test work has a way to go. We are targeting to have a better view by the end of the second quarter and if there is no change in recovery at depth, copper production this year could be 10-15% below our initial plan.

For now, copper and gold production guidance for the year remains unchanged - however, we have revised our mine plan and adjusted our mining sequence. The original plan for 2006 called for one third of the total annual copper production in the second quarter but the higher grade ore is now scheduled to be mined in the third and fourth quarters.

The same mineralogical issues that gave us lower copper production also affected molybdenum production. We produced 144,000 pounds of molybdenum during the quarter and the metallurgical issues could impact our ability to make our guidance of 1.0 – 1.6 million pounds for the year. The plant is now fully commissioned and has demonstrated its ability to meet commercial specifications so if the recovery issues can be addressed, we feel we could still make close to the lower end of plan.

Costs at Robinson are primarily a function of tons of material mined and tons of ore milled, so that the quarter over quarter total operating costs

are relatively constant while the unit costs fluctuate based on the pounds of copper produced. The onsite and offsite costs for the first quarter however were both somewhat higher than our expectations - in part due to site specific events and in part due to the unprecedented volatility experienced throughout the sector. The onsite costs at approximately \$40 million were about \$4.5 million over plan primarily due to equipment maintenance costs and in particular premature engine failures on two of our new haulage units as well as some rebuild costs on the smaller equipment purchased last year from our contractor. These overages are not expected to continue through the year. Offsite costs were about \$6 million higher than expected in part due to the need to re-handle and re-dry some concentrate that failed to meet moisture specifications, a problem that has now been resolved, but mostly due to the impact of the price participation portion of the smelting and refining costs. 10% of the copper price above 90¢ goes to the smelters, and at the prices we have seen, the cost to the producer is substantial. We expect to see the impact of these price participation costs continue.

Capital costs for the year will definitely be higher than the \$6 million we put forward as guidance. We have elected to spend additional capital to improve our filtration capacity and to lower the moisture of the concentrate. We have also had an opportunity to purchase the previously leased concentrate storage and trans-shipment facility. The last new capital component is the site wide exploration programme that we have put in place. The result

is that total expenditures for 2006 are now expected to be in the range of \$14 million.

One of the biggest non-technical issue that we face is the same one that much of the industry is seeing, and that is the lack of experienced operating, technical, and maintenance personnel and the associated levels of turnover that are well above those have become used to over the last decade. We are fortunate to have the experienced workforce that we do from the local area of Ely but overall staffing continues to be a challenge. This has required us to change our thinking across all areas of human resources, including recruiting, retention, and training and these employment initiatives and incentives will likely remain a main focus for a long time to come.

Our annual update of the reserves at Robinson showed a 27% increase, adding some two years to the mine life. This reserve was a result of applying updated economics, both prices and costs, to the existing resource model. The new reserves were based on a US\$1.15 per pound copper price. While the exercise increased the size of the Ruth Pit (which will be mined after the Tripp-Veteran pits), it had no impact on the Tripp-Veteran pit as the limits of the existing drill data base had effectively been reached, so that it really didn't matter what higher copper price was used. This re-emphasized what we already felt was very much a priority and that was a step out drill program to further define the deposit's potential.

During the first quarter we analyzed the substantial drill data base we have at Robinson and were able to identify at least at a very preliminary stage, some very significant upside opportunities in addition to increasing the sulphide reserves. The two most important were the potential for copper heap leaching, and the impact of including molybdenum revenues on the reserve. To evaluate all of these optimization opportunities, the Board has approved a two year, \$5.8 million exploration programme. This 'New Robinson' initiative has its own dedicated team which has already begun work. Just to make it clear, this is separate from the investigative programme going on in the Veteran pit, and with a much bigger and longer term objective.

Moving on to Carlota, we have made advances on a number of fronts during the quarter. M3 Engineering out of Tucson, Arizona has been reviewing the engineering studies and re-estimating costs in conjunction with our in-house technical group. We have been drilling, both to confirm the status of the material that we were not convinced was necessarily ore, even though it was included in the reserve (and for which we will pay should it prove up) and to better define the first several years of ore - the latter being a normal course activity at this stage in a project's development. We have also been working with the regulators on the various submissions required within the permit structure before we can begin construction, again a normal course activity. Infrastructure development includes power supply negotiations and proving up of the water supply. These activities clear the way to

complete the necessary financing to move the project forward.

We have also endeavored to look after our social obligations by getting to know and keeping our neighbors in Globe/Miami informed of our activities. We will continue to include the community as we proceed and look forward to working in a region that has a long history and association with mining.

As you may recall, two core permits had been challenged in court and had reached appeals court levels. The litigation concerning the waste water discharge permit is unlikely to be resolved until well into 2007 with no change in status since we last reported to you. However we are pleased to report that on April 6<sup>th</sup> the Arizona Court of Appeals has upheld the air quality permit issued by the Arizona Department of Environmental Quality, affirming a November 2004 decision by the Arizona Superior Court which likewise upheld the ADEQ Permit.

At our Sierra Gordo Project in Chile, we have continued with the detailed work required to understand the deposit and to develop concepts and strategies for the next drill program. We ran some unsmoothed pit shells on our current database to attempt to quantify the potential there and the pit shells demonstrate good potential for mineable oxide and sulphide deposits. A 17,500 metre drill program scheduled to begin in June, 2006 is a two-part program that will target potential additional oxide resources from step out and conceptual drilling, with a particular emphasis on mineralisation that may trend under

alluvial cover to the north-west of the existing oxide resources, and a potential deep high-grade sulphide core area below the currently defined oxide and sulphide mineralization. Expenditures for 2006 are expected to total approximately \$4 million.

In summary, at Robinson we expect to have a better understanding of the metallurgy and the mineralogy of the Veteran Pit by the end of the second quarter. Meanwhile we will continue our focus on increasing mine productivity and cost reductions while at Carlota, we continue to push towards development during the second half of the year.

On a closing note, as you may have seen from the separate press Mr. Bill Myckatyn is retiring as CEO. Subject to shareholder approval at the AGM, Sandy Laird will step down as Chairman and Bill will take his place, in a non-executive capacity. Sandy will continue on the Board as a director and I will take on the combined positions of President and CEO. Bill and I founded Quadra in 2002 and Sandy has chaired our Board since we went public in April 2004. Both have been instrumental in moving the Company forward to what it is today and I'd like to take this opportunity to thank them both for all of their efforts and support and look forward to continuing to work with them, the rest of the Board and the management team in pursuing our Strategic Plan.

Thank you for listening and we'd be pleased to take any questions that you may have.