



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER ENDED JUNE 30, 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 August 13, 2008 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the three and six month periods ended June 30, 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 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 Copper Project (“Carlota”), a heap leach - SX/EW copper project under construction in Arizona. The Company also has a 100% interest in the Sierra Gorda project (“Sierra Gorda”), a late stage exploration property in northern Chile, and a 98% 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.

SECOND QUARTER AND RECENT HIGHLIGHTS:

- Earnings for the quarter ended June 30, 2008 were \$65,006 or \$1.10 per share (basic) compared to earnings of \$36,556 or \$0.78 per share (basic) in the second quarter of 2007.
- The Company generated cash flow from operating activities (before working capital changes)* of \$91,942 for the second quarter compared to \$43,398 in the second quarter of 2007.
- The Robinson Mine generated net revenue of \$180,570 in the second quarter from the sale of 38.7 million pounds of copper and 35,403 ounces of gold in concentrates compared to net revenue of \$141,139 generated from the sale of 32.3 million pounds of copper and 23,607 ounces of gold in the second quarter of 2007.
- The Robinson Mine produced 44.6 million pounds of copper and 42,348 ounces of gold in the second quarter of 2008, both of which were quarterly records for the mine. Annual production guidance for 2008 was subsequently increased to 150 million pounds of copper and 115,000 ounces of gold.
- The cash cost per pound of copper produced* was \$0.91 per pound in the second quarter, compared to \$1.58 per pound in the second quarter of 2007. The reduction in unit costs was achieved despite continuing inflationary pressure on input costs.
- Robinson continues to have an excellent safety record with a Total Recordable Injury Rate of 0.8 compared to the U.S. national average of 3.4.
- The Company completed an updated Technical Report which includes a significant new mineral resource estimate for the Sierra Gorda Project. The Company made scheduled and accelerated option payments of \$24.9 million to settle eight of the option agreements and, as a result, now has a 100% ownership interest in the Sierra Gorda project.
- Pumping rights to 319 litres per second of water near the Sierra Gorda project were acquired in exchange for \$10 million in cash and 1,231,916 common shares valued at \$30 million.
- Construction at Carlota continued on schedule with the first production of copper cathode expected in the fourth quarter of 2008.
- The Company acquired an additional 15.7% interest in International Molybdenum Ltd. (“InterMoly”) in exchange for 650,529 Quadra common shares valued at \$16.3 million, which brings the total interest in the Malmbjerg molybdenum project to 98.2%.

- The Company completed a bought-deal equity financing for gross proceeds of \$171,656 and used the proceeds to retire its \$150 million senior credit facility. Additional gross proceeds of \$19,757 were received in July 2008 from the exercise of the underwriters' over-allotment option.
- The Company ended the quarter with \$262 million of cash on hand.

* See "Non-GAAP Financial Measures" for additional information.

FINANCIAL PERFORMANCE

Earnings

Earnings for the quarter ended June 30, 2008 were \$65,006 or \$1.10 per share (basic) compared to earnings of \$36,556 or \$0.78 per share (basic) in the second quarter of 2007. Earnings for the first six months of 2008 were \$144,817 or \$2.53 per share (basic) compared to \$79,667 or \$1.87 per share (basic) for the same six month period in 2007. The increased earnings in 2008 are primarily due to higher copper and gold prices in the current year and higher metal sales volumes

Operating income for quarter ending June 30, 2008 increased to \$103,533 compared with \$72,618 in the second quarter of 2007. Operating income for the first six months of the year increased to \$219,422 in 2008 from \$137,590 in 2007, due primarily to higher sales volumes and higher average metal prices.

Revenues

All of the Company's revenues are generated by the Robinson Mine. Revenues from sales of concentrate are generally recognized at the time of shipment based on metal prices at that time; however, under the Company's current sales contracts (and industry practice), final pricing for copper sales is generally set at 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.

In the quarter ended June 30, 2008, revenues from concentrate sales were \$180,570 compared to \$141,139 for the second quarter of 2007. In the second quarter of 2008, the Company sold 38.7 million pounds of copper and 35,403 ounces of gold, compared to 32.3 million pounds of copper and 23,607 ounces of gold in the second quarter of 2007. Revenues from concentrate sales for the first six months of 2008 were \$378,602 compared to \$277,594 for the same six month period of 2007. For the six month period ended June 30, 2008, the Company sold 77.6 million pounds of copper and 67,717 ounces of gold, compared to 72.9 million pounds of copper and 54,845 ounces of gold for the same period in 2007. The increase in revenues in 2008 is primarily due to higher metal prices and higher sales volumes in the current year.

At March 31, 2008, the end of the previous quarter, account receivable included approximately 44.4 million pounds of copper provisionally valued at \$3.82 per pound. During the second quarter, 30.5 million pounds of copper that had been provisionally valued at March 31, 2008 was settled at an average final price of \$3.81 per pound. In the second quarter, the Company shipped approximately 38.7 million pounds of copper at an average provisional price of \$3.82 per pound. At June 30, 2008, receivables include 51.8 million pounds of copper which has been provisionally valued at \$3.91 per pound.

Cost of Sales and Expenses

Cost of sales for the quarter ended June 30, 2008 was \$60,546 compared to \$57,103 for the second quarter of 2007. For the six months ended June 30, 2008, cost of sales increased to \$127,766 from \$119,337 in the same period of 2007. The increases in cost of sales were mainly due to the increased onsite costs (see "Robinson Operating Costs") and sales volumes. Amortization, depletion and depreciation for the second quarter of 2008 was \$4,765 compared to \$3,118 for the second quarter of 2007. For the first six months of 2008, amortization, depletion and depreciation was \$9,687 compared to \$6,683 in the same period of 2007. These increases are a result of the amortization of additional capital assets acquired during 2008 and 2007.

Royalties and mineral taxes for the second quarter of 2008 were \$10,901 compared to \$7,811 for the second quarter of 2007. For the six months ended June 30, 2008, royalties and mineral taxes were \$20,095 compared to \$13,016 in 2007. These increases in royalties and mineral taxes were primarily due to higher metal prices and sales volumes.

General and administrative expenses for the second quarter of 2008 were \$3,573 compared to \$2,243 for the second quarter of 2007. General and administrative expenses for the first six months of 2007 increased to \$8,147 from \$4,535 in 2007, due to increased staff levels and activities at the Company's corporate office.

Stock-based compensation expense for the second quarter of 2008 was \$3,976 compared to \$2,896 for the second quarter of 2007. For the six months ended June 30, 2008, stock-based compensation expense was \$5,187 compared to \$3,279 in the same period of 2007. The increased expenses are a result of the higher average fair value of each option granted in 2008.

During the second quarter of 2008 the Company retired its \$150 million first lien secured credit facility and incurred a loss on settlement of debt of \$15,940. This loss is 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.

During the second quarter of 2007, the Company retired its \$50 million second lien secured credit facility and incurred a loss on settlement of debt of \$11,039. This loss was comprised of a \$5,000 prepayment premium paid to the lenders, and the write-off of unamortized debt issue costs of \$6,039.

The Company realized a foreign exchange gain of \$861 in the second quarter of 2008 related to its Canadian dollar cash holdings compared to \$2,888 in 2007. The loss on derivatives was \$1,200 in the second quarter ended June 30, 2008 compared to \$10,267 in 2007. The derivative loss in the second quarter of 2008 related primarily to the decline in value of copper put options, whereas the derivative loss in the second quarter of 2007 primarily related to copper forward sales contracts which were settled in June 2007. For the six months ended June 30, 2008, net interest and other income totalled \$4,085 compared to \$1,822 for the same period in 2007. The increase is due to a gain of \$1,888 realized on the sale of marketable securities in the first quarter of 2008.

The Company recorded an income tax expense of \$15,459 for the three month period ended June 30, 2008, compared to \$14,216 for the second quarter of 2007. The tax expense for the first six months of 2008 has been recorded based on an estimated annual effective tax rate of 21% (2007: 28%). The lower forecasted effective tax rate for 2008 is mainly due to the utilization of U.S. Alternative Minimum Tax credits that were earned in prior years, but were not previously recognized as a tax benefit due to the uncertainty of realization.

SUMMARY OF QUARTERLY RESULTS

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

SUMMARY OF QUARTERLY RESULTS								
	2008		2007				2006	
<i>\$000's</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Statement of Operations								
Revenues - initial provisional price	183,046	170,174	110,012	127,985	129,832	127,533	117,300	83,253
Revenues - price adjustments	1,550	33,567	(22,215)	12,847	17,766	19,330	(9,912)	(5,474)
Refining and treatment charges	(4,026)	(5,709)	(6,130)	(6,245)	(6,459)	(10,408)	(8,215)	(9,856)
Revenues - total*	180,570	198,032	81,667	134,587	141,139	136,455	99,173	67,923
Operating income	103,533	115,889	14,649	64,527	72,618	64,972	30,713	24,005
Earnings before income taxes	80,465	102,420	10,810	63,739	50,772	59,876	56,375	26,960
Earnings	65,006	79,811	7,990	48,755	36,556	43,111	50,960	20,634
Basic earnings per share	\$ 1.10	\$ 1.44	\$ 0.15	\$ 0.90	\$ 0.78	\$ 1.13	\$ 1.34	\$ 0.55
Diluted earnings per share	\$ 1.05	\$ 1.41	\$ 0.14	\$ 0.86	\$ 0.76	\$ 1.12	\$ 1.32	\$ 0.54
Financial Position								
Cash	262,155	305,292	263,586	285,210	278,462	224,252	47,774	37,864
Total Assets	1,006,669	881,478	789,219	758,900	687,457	531,266	335,966	328,426
Total Liabilities and non-controlling interest	137,479	296,405	290,840	270,671	263,687	318,461	170,850	214,592
Shareholders' equity	869,190	585,073	498,379	488,229	423,770	212,805	165,116	113,834
Production Statistics - Robinson mine								
Copper production (million lbs)	44.6	42.0	32.4	30.7	32.2	36.6	35.3	33.3
Copper sales (million lbs)*	38.7	38.9	28.9	32.5	32.3	40.5	34.1	19.6
Average provisional price per pound	\$ 3.82	\$ 3.49	\$ 3.21	\$ 3.46	\$ 3.43	\$ 2.66	\$ 3.25	\$ 3.39
Gold production (ozs)	42,348	37,738	27,048	24,138	25,893	31,040	27,646	20,425
Copper grade (%)	0.72	0.68	0.59	0.66	0.59	0.67	0.67	0.69
Gold grade (g/t)	0.51	0.45	0.38	0.39	0.36	0.46	0.41	0.32
Copper recovery	81.8%	78.6%	66.1%	58.1%	74.1%	75.0%	61.0%	63.4%
Gold recovery	75.2%	72.6%	59.2%	52.5%	64.0%	63.1%	53.7%	57.9%
Total onsite and offsite costs	76,532	73,472	73,164	68,940	69,397	66,090	64,166	67,219

* 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 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 are expected to vary from quarter to quarter in the future.

Quarterly earnings during 2006 and the first two quarters of 2007 were impacted by derivative losses and gains related to outstanding forward sale contracts for copper and gold. There have been no forward sale contracts outstanding since the second quarter of 2007. In the third quarter of 2006, the Company recorded a net gain of \$14 million from a termination fee related to the Company's unsuccessful attempt to acquire Equatorial Mining Limited.

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

The increase in the cash balance in the first and second quarters of 2007 is related to debt and equity financings that were completed in these periods.

REVIEW OF OPERATIONS AND PROJECTS

ROBINSON MINE (NEVADA)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Copper production (Million lbs)	44.6	32.2	86.6	68.8
Gold production (ozs)	42,348	25,893	80,086	56,933
Waste mined (Tonnes 000's)	14,462	15,470	29,994	31,719
Ore mined (Tonnes 000's)	3,704	3,455	7,064	6,523
Ore milled (Tonnes 000's)	3,454	3,468	6,995	6,770
Onsite costs	\$ 61,229	\$ 53,716	\$ 116,809	\$ 99,140
Offsite costs	\$ 15,303	\$ 15,681	\$ 33,195	\$ 36,347
Total onsite and offsite costs	\$ 76,532	\$ 69,397	\$ 150,004	\$ 135,487
Capital expenditure	\$ 14,157	\$ 7,127	\$ 21,046	\$ 11,166
By product credits				
- Gold and silver	\$ 36,024	\$ 17,477	\$ 66,651	\$ 37,153
- Molybdenum	\$ 100	\$ 1,109	\$ 647	\$ 1,109
Copper grade (%)	0.72	0.59	0.70	0.63
Gold grade (g/t)	0.51	0.36	0.48	0.41
Copper recovery	81.8%	71.4%	80.3%	73.3%
Gold recovery	75.2%	64.0%	74.4%	63.9%
Mill Operating Time	92%	94%	93%	91%

During the three month period ended June 30, 2008, a total of 18.2 million tonnes of ore and waste were mined from the Veteran area of the Tripp–Veteran pit. Copper production in the second quarter of 2008 was 44.6 million pounds, compared to 32.2 million pounds in the second quarter of 2007. The increased copper production in the second quarter 2008 is the result of improved head grade and recovery. Head grades were better than estimated in the reserve model and there is no certainty that this positive trend will continue in the future. Ore blending and reagent strategies developed in 2007 were the main contributors to the improved recoveries and mill throughput in the first six months of 2008.

Gold production for the three month period ended June 30, 2008 was 42,348 ounces compared to 25,893 ounces for the second quarter 2007. The increased gold production in the second quarter of 2008 is also a result of higher head grade and recovery compared to the second quarter of 2007.

Robinson Operating 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, supplies and equipment maintenance costs, and royalties. Onsite costs for the quarter ended June 30, 2008 were \$61,229 compared to \$53,716 in 2007. This increase is mainly related to a \$2.3 million increase in mine equipment maintenance costs, \$2.2 million for the cost of supplies (particularly fuel) and a \$2.0 million increase in royalty costs. Onsite costs for the six month period ended June 30, 2008 were \$116,809 compared to \$99,140 the same period of 2007. This increase primarily relates to a \$6.3 million increase in mine equipment maintenance activities, \$4.1 million for the cost of supplies (particularly fuel) and a \$3.8 million increase in royalty costs due to higher metal prices and increased production volumes.

Offsite costs are primarily driven by smelting and refining charges, the volume of concentrate transported, and rail and ocean freight rates. Offsite costs for the three month period ended June 30, 2008 were \$15,303 compared to \$15,681 for the second quarter of 2007. For the first six months of 2008, offsite costs decreased to \$33,195 from \$36,347 in the same period of 2007. This reduction in offsite costs is due to lower rates for treatment and refining costs and lower volumes of concentrate shipped in the current year, partially offset by increases in ocean freight rates. The mine has produced higher grade copper concentrates in the first six months of 2008, which has resulted in lower volumes of concentrate shipped, even though copper sales volumes are higher.

The cash cost per pound of copper produced for the three month period ended June 30, 2008 was \$0.91 compared to \$1.58 for the same period of 2007. The cash cost per pound of copper produced was \$0.96 for the six month period ended June 30, 2008, compared to \$1.39 for the first six months of 2007. These reductions in cash cost per pound are primarily due to the increased copper production in the current year, coupled with higher by-product revenues. 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**”).

Robinson Production Outlook

The Company recently increased its annual production guidance for Robinson to 150 million pounds of copper and 115,000 ounces of gold in 2008.

Due to the inherent variable mineralogy of the Robinson ore body, metal production is expected to vary from quarter to quarter. As such, mill recoveries in 2008 are expected to follow the trends previously observed in the Veteran pit, with higher recoveries from the hypogene material, and lower recoveries from the supergene material. Ore was mined primarily from hypogene sources in the first half of the year, and it is expected that there will be an increasing proportion of supergene in the second half of the year.

Exploration drilling in 2007 focused on the potential for additional reserves in the Veteran pit. Studies are underway to analyse the results of this drilling and to assess the economics of expanding the Veteran pit beyond the current mine plan. Additional drilling will be done in 2008 to follow-up some exploration targets near the Tripp-Veteran and Ruth pits. Current drilling activity is now focused on collecting metallurgical samples and on development drilling in the Ruth pit.

Recent hydrological work relating to the Ruth pit area has identified that additional permitting will be required in order to dispose of excess water from the surrounding aquifer system, above amounts permitted under Robinson’s water use permits. This will potentially be a permit major modification. The timing of the permitting process is uncertain and could delay the development of the Ruth Pit which, under the current mine plan, is scheduled to be the primary source of ore from 2010 onwards. The Company is currently studying alternate mine plans (including a potential expansion of the Veteran pit) in order to minimize the impact of any delay in Ruth pit development.

The global shortage of quality off-road tires remains a concern. The Company continues efforts to secure adequate quantities of suitable quality tires.

Robinson Operating Cost Outlook

Based on recent prices, the total 2008 fuel costs at Robinson are expected to be approximately \$10 million higher than the costs incurred in 2007. All operating supplies will continue to be under upward pressure until energy costs stabilize.

CARLOTA COPPER PROJECT (ARIZONA)

During the quarter ended June 30, 2008 the Company incurred capital expenditures of \$46.8 million at Carlota. Construction activities included the completion of SX-EW platform concrete work, continuation of mechanical and electrical installation activities, pre-production mining and leach pad liner installation. Pre-production mining moved 12.6 million tons of ore and waste in the quarter ended June 30, 2008. At quarter-end, Carlota staffing was at 181 of a planned 230.

During the six months ended June 30, 2008, the Company incurred capital expenditures of \$84.7 million for construction, purchase of equipment, and other project development costs. Total capital expenditures on the project to date are \$177.8 million. In addition, the Company has also capitalized interest and financing costs of \$7.0 million during the first six months of 2008.

Carlota Outlook

Construction is proceeding on schedule with commencement of leaching in the third quarter and the first production of copper cathode expected in the fourth quarter of 2008. Commercial production is expected to be achieved in early 2009.

The original budgeted construction cost was \$218 million (including \$29 million of working capital). The Company expects actual costs to be approximately \$225 million, with \$4.4 million of the increased cost relating to a modification of the design of the mine site with respect to water run-off. Management has implemented this design change to obviate the need for a National Pollution Discharge Elimination System (NPDES) permit, which is the subject of litigation (see section below “**Contingencies**”).

The Company has a contract for the supply of sulphuric acid at market prices. The Company has fully secured acid to meet requirements to the end of 2008 and believes that sufficient quantities will be available to meet its requirements in 2009. The Company currently has title to 12,000 tonnes of acid.

As a result of recent inflationary pressures, future operating costs are expected to be higher than forecasted in the October 2006 Technical Report. Assuming a fuel price of \$3.50/gallon and acid costs of \$300/ton, the life of mine cash cost of copper produced is expected to be approximately \$1.40 per pound (excluding royalty).

SIERRA GORDA (CHILE)

During the quarter, the Company made scheduled and accelerated payments totalling \$24.9 million to settle eight of the Sierra Gorda option agreements. In June 2008, the Company entered into one new option agreement for property contiguous to Sierra Gorda. The Company now has a 100% ownership interest in the Sierra Gorda project, and has two option agreements for additional peripheral ground. 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.

On May 8, 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 in exchange 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 six month period ended June 30, 2008, the Company incurred costs of \$9.7 million for exploration of the Sierra Gorda project. Drilling is currently focussed on defining and extending deep sulphide resources in the 281 Zone area and other exploration targets identified by previous exploration.

Sierra Gorda Outlook

The Company’s board has approved a \$37 million development program through the end of March 31, 2009 to advance the project towards a “scoping study”, which is intended to identify the basic project parameters. Work required will include definition drilling along with metallurgical, geotechnical, environmental, infrastructure, cost and engineering studies. The acquisition of additional water rights for the project will also continue.

MALMBJERG MOLYBDENUM PROJECT (GREENLAND)

In 2007, the Company acquired 82.5% of the outstanding shares of International Molybdenum Plc (“InterMoly”) which holds the rights to the Malmbjerg molybdenum project. In May 2008 the Company acquired an additional 15.7% interest in InterMoly in exchange for 650,529 Quadra common shares, which brings the Company’s total interest in the Malmbjerg molybdenum project to 98.2%.

On-site drilling and evaluation activities, together with engineering and cost studies were commenced in 2007 in order to generate the information required to make a development decision for the project. In March 2008, the Company submitted an application for an exploitation license to Greenland’s Bureau of Minerals and Petroleum (“BMP”). During the six months ended June 30, 2008, the Company incurred development costs on the project of \$2.7 million to advance permitting and engineering studies.

Malmbjerg Outlook

The Company is continuing to finalize the cost and schedule analyses required to produce a NI 43-101 Technical Report. Based on preliminary estimates, the capital cost of the project could be approximately \$1 billion (including contingency).

The Company has been in continuing discussions with the BMP in connection with its application for an exploitation license. When the BMP's review has been completed, the application will then be submitted to the Danish-Greenland Joint Committee on Mineral Resources in Greenland for approval. The Company does not have a firm date for completion of the BMP review.

As this application is still pending, a modified program will continue with a revised \$12 million budget for 2008 (previously \$22 million). This program includes the continuation of baseline environmental work, support of the environmental review process, and geotechnical work to mitigate the risk associated with some project features, including the port and road systems required. The latter would normally comprise an early stage component of the engineering phase, but management considers it prudent to advance this work to ensure that there is minimum risk of delays during implementation. Quadra may also seek a partner or partners to advance the project through to production.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of cash flow from operations is the Robinson Mine. The Company generated cash flow from operations (excluding working capital changes) of \$187.0 million for the six month period ended June 30, 2008 compared to \$85.0 million for the same period in 2007.

The Company incurred cash expenditures of \$89.6 million at the Carlota project in the six month period ended June 30, 2008, for the purchase of equipment and other project construction costs. Capital expenditures at the Robinson Mine were \$21.9 million and related to normal replacement and upgrades, commencement of pre-mining works for the Ruth pit and the development and exploration drilling program. The Company spent a further \$12.7 million on exploration and development of the Sierra Gorda and Malmbjerg projects. During the first six months of 2008, the Company spent \$40.1 million on acquisition of land and water rights related to the Sierra Gorda project.

In the six month period ended June 30, 2008, the Company also received proceeds of \$9.5 million from the sale of marketable securities, \$14.9 million for a refund of a security deposit and proceeds of \$9.5 million from the exercise of warrants and stock options. The Company also paid \$11.5 million in deferred gold consideration to the vendors of the Carlota copper project during this period.

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 addition to retire this debt.

At June 30, 2008, the Company had cash and cash equivalents of \$262.2 million. These amounts are comprised of cash deposits and highly liquid investments that are readily convertible to cash. The counter-parties include banks, governments and government agencies.

At June 30, 2008, the Company had working capital of \$306.7 million as compared to \$287.2 million at December 31, 2007. The increase in working capital during the six month period of 2008 is primarily a result of operating cash flow from the Robinson mine net of capital expenditures on development projects. At June 30, 2008, accounts receivable and revenues includes approximately 51.8 million pounds of copper that has been provisionally valued at \$3.91 per pound. The final pricing for these provisionally priced sales is expected to occur between July 2008 and November 2008. 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 second half of 2008.

Liquidity Outlook

The Company has expansion plans, including but not limited to, construction of the Carlota project where the Company expects to incur additional capital expenditures of approximately \$48 million to complete construction in the second half of 2008. The Company expects to spend an additional \$28 million on capital expenditures at the Robinson Mine during the remainder of 2008, primarily related to the development of the Ruth pit, an exploration and development drilling program, and normal replacements and upgrades. Also, in the second half of 2008 the Company expects to spend a total of \$44 million on the approved development programs for Sierra Gorda and Malmbjerg.

The Company's future profitability and cash position is highly dependent on the price of copper and gold. The Company has implemented a price protection program to guarantee a minimum floor price for a portion of its future copper sales (see **Financial Instruments and Other Instruments**).

The Company expects to have sufficient cash on hand to complete construction of the Carlota project and to advance the planned development programs at Sierra Gorda and Malmbjerg in 2008. Future development of these projects may require additional sources of financing, depending on metal prices and the Company's development plans.

Commitments and contractual obligations

The following table summarizes the Company's commitments and contractual obligations for the next 5 years:

(\$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	
Deferred gold consideration (a)	5,678	-	-	-	-	-	5,678
Reclamation liabilities (b)	-	-	-	-	-	89,630	89,630
Tire supply contract (c)	6,600	6,600	-	-	-	-	13,200
Minimum lease payments (capital and operating)	6,738	13,244	16,123	7,823	2,532	-	46,459
Total	19,016	19,844	16,123	7,823	2,532	89,630	154,967

(a) Deferred gold consideration

As at June 30, 2008, 6,250 ounces of gold remained to be paid to the vendor as deferred purchase consideration for the acquisition of the Carlota project in 2005. This gold will be paid in the third quarter of 2008. The deferred gold liability has an estimated fair value of \$5.7 million at June 30, 2008, based on the forward price of gold for the expected payment date.

(b) Reclamation liabilities

The Company has estimated total future reclamation costs of \$89.6 million (undiscounted), which primarily relate to the closure of the Robinson Mine. The Company has estimated the fair value of this liability to be \$39.4 million at June 30, 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 \$54.8 million as at June 30, 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.

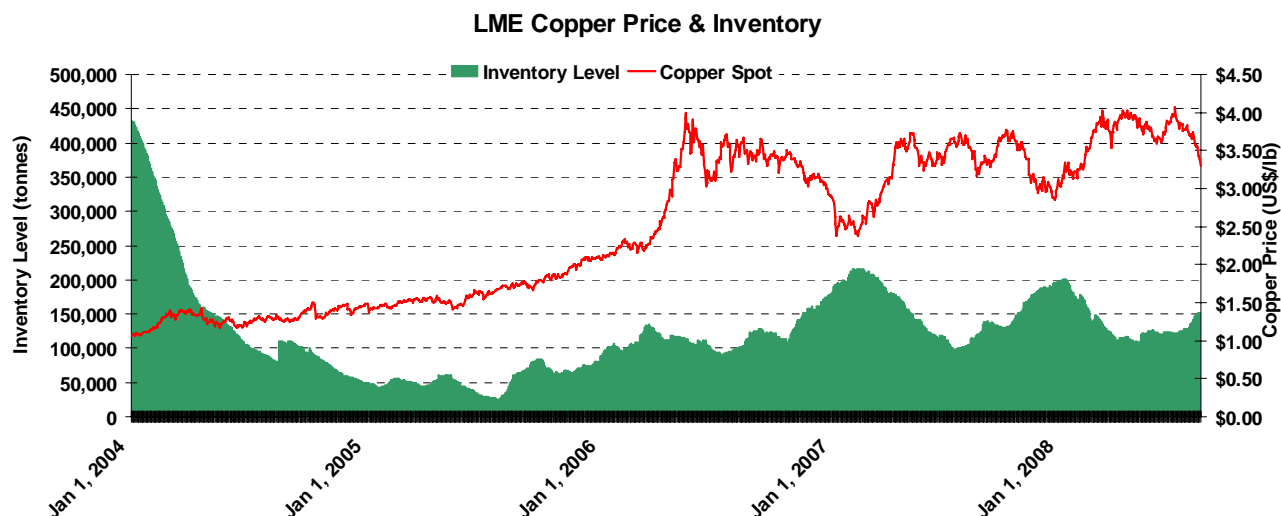
(c) Tire supply contract

The Company has a tire supply contract for a total commitment of approximately \$6.6 million per year.

MARKET TRENDS AND FUNDAMENTALS

Since 2003, 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, has resulted in decreased inventories of copper. These low inventories, together with a weakening U.S. dollar, have led to a substantial increase in the copper price.

The following graph shows the inventory level, as published by the London Metal Exchange (“LME”), of copper and the spot price of copper from 2004 to August 12, 2008.



The copper price has remained volatile during the last year, with the spot price ranging from a low of \$2.85 per pound to a high of \$4.03 per pound during the twelve month period ended June 30, 2008. At June 30, 2008 the closing spot price was \$3.98 per pound. At August 12, 2008, the closing spot price was \$3.29 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 the commodities market and in order to ensure completion of construction at Carlota, the Company has instituted a floor price protection program. Under this program, the Company purchased copper put options at various times during 2007 at a total cost of \$11.5 million and in the six month period of 2008, the Company spent an additional \$2.5 million on copper put options. At June 30, 2008 the Company had outstanding put options for approximately 110 million pounds of copper with an average strike price of \$2.39 per pound and with maturity dates spread between July 2008 and June 2009. The fair value of the outstanding copper put options at June 30, 2008 was \$1.0 million. The significant increase in the price of copper during the first six months of 2008 resulted in a \$10.2 million reduction in the fair value of the put options, which has been recognized as a derivative loss on the statement of earnings.

In 2007, the Company entered into an agreement to purchase, on a take or pay basis, 504,000 gallons per month of diesel fuel. The contract expired on January 31, 2008, and the Company recorded a related derivative loss of \$486 in the six months ended June 30, 2008.

CONTINGENCIES

- (a) In July 2007, March 2008 and July 2008, Quadra received notice that legal claims had been filed in Chilean courts against Quadra's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada ("Quadra Chile"). There are four legal claims and these claims relate to three of the ten option agreements for the Sierra Gorda mineral property.

The claimants are minority shareholders of the corporations with which Quadra Chile signed the option agreements entered into in 2004 (the "Optioners"). The claimants are seeking to nullify these option agreements on the basis that the Optioners did not have the requisite consent of their shareholders to execute the option agreements and other related arguments to support that position. Although Quadra believes that the option agreements are valid and that the allegations 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.

Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the legal claims are without merit. Eight of the options to acquire the mining properties with respect to the Sierra Gorda mineral property were exercised by Quadra Chile on April 4th, 25th, and 30th, 2008. As a result, Quadra Chile is the exclusive and full owner of such mining properties.

- (b) In October 2007 the U.S. Court of Appeals ordered that the NPDES permit for the Company's Carlota copper project be "vacated". The Company is appealing this decision to the U.S. Supreme Court. The Company is also modifying the design of the Carlota mine site at an additional cost of \$4.4 million. Management believes that this modification will obviate the need for a NPDES permit. This approach does have operational implications following a major storm event including potential interruptions to production and higher operating costs until the storm water is disposed of. Accordingly the Company is appealing the decision in the US Supreme Court. The permit remains valid during the appeal process.

TRANSACTIONS WITH RELATED PARTIES

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the three and six months ended June 30, 2008, the Company incurred legal fees of \$260 and \$414, respectively, with that entity (three and six months ended June 30, 2007: \$572 and \$761, respectively). All of the fees incurred were at normal business terms.

MANAGEMENT APPOINTMENT

Effective August 1, 2008, Mark Selby joined the Company as Vice President, Business Planning & Market Research.

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 commercial 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 long-term commodity prices, proven and probable reserves, estimated value beyond proven and probable reserves, and estimates of future operating, capital, and reclamation costs. Based on management's view of future metal prices and cost assumptions, the carrying value of the Company's mineral properties was not impaired at June 30, 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 concentrate is sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. The Company estimates provisional pricing for its concentrate 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 the revenues.

Currently the Carlota project is in a pre-production phase. When commercial production is achieved at the project, the Company will begin recognizing revenues from the sale of copper cathode on the statement of earnings. The proceeds from any sales made prior to commencement of commercial production will be offset against capitalized pre-production costs on the balance sheet.

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. 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 June 30, 2008. Based on a forecast of metal prices, mine production and costs for the remainder of 2008, management believes that it will be able to utilize a portion of the Company's U.S. Alternative Minimum Tax Credits in 2008. These tax credits were earned in prior years, but the tax benefit was not previously recognized due to the uncertainty of realization. The Company 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 POLICIES

Effective January 1, 2008, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”). These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

(a) Inventory – Section 3031

This standard requires that inventories be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this standard did not have a significant impact on the Company’s consolidated financial statements.

(b) Capital Disclosures – Section 1535

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

(c) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel.

(d) 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. The Company has begun assessing the implications of IFRS adoption, however, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

OUTSTANDING SHARE DATA

The Company had 65,135,108 common shares issued and outstanding common shares at June 30, 2008. As of August 13, 2008 the Company had 65,956,858 common shares issued and outstanding.

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.

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

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. The following table shows a reconciliation of these non-GAAP financial measures to the consolidated statements of operations:

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cost of sales	60,546	57,103	127,766	119,337
Adjustment for change in concentrate inventory	5,753	1,621	1,583	(7,850)
Refining and treatment charges	4,026	6,459	9,735	16,867
Royalties	6,207	4,214	10,920	7,133
Total onsite and offsite costs	76,532	\$69,397	150,004	135,487
By-product revenues	(36,124)	(18,586)	(67,298)	(39,926)
	40,408	\$50,811	82,706	95,561
Copper production (million lbs.)	44.6	32.2	86.6	68.9
Cash cost per pound of copper produced	\$ 0.91	\$ 1.58	\$ 0.96	\$ 1.39

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.

August 13, 2008

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. 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 with respect to the quantity or quality of molybdenum that may be produced at the Robinson Mine.
- ❖ 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 estimates of expected or anticipated costs, expenditures and economic returns from a mining project.
- ❖ Uncertainties related to capital cost estimates for mine construction activities.
- ❖ Uncertainties relating to the availability of adequate water resources for mining and milling operations and uncertainties related to whether the Company will be able to pump water in the expected quantities from the properties on which it holds water rights.
- ❖ Uncertainties related to the ability to obtain and retain necessary licences, permits, electricity, surface rights, water rights and title for mineral properties 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, molybdenum and other metal prices and exchange rate movements and the risks of counterparty defaults, and mark to market risk.
- ❖ 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.
- ❖ Geopolitical uncertainty and political and economic instability in countries in which Quadra operates.
- ❖ 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.
- ❖ Uncertainties relating to development projects, including whether the Carlota copper project, the Sierra Gorda project and the Malmbjerg molybdenum project can be brought into production.

- ❖ 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

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.