QUADRA MINING LTD.
Q2 2006 CONFERENCE CALL
August 14th 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 second 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 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 generated revenues of approximately $142 million compared with approximately $56 million from the same quarter of 2005. This reflects an increase of 153% and is a record albeit over our relatively short life as a public company... Our operating income of approximately $83 million for this quarter likewise reflects a pretty substantial increase compared to our operating income of $11 million for the same quarter in 2005.

Clearly, these increases are driven mostly by the much higher copper price that we saw across the quarter, touching $4 per pound as it did in May. A lessor but not insignificant factor was the higher volume of concentrate sales.

As in the previous quarter, the hedge programme that we put in place in November last year had a major impact on earnings and cashflow, as a result of both realized and unrealized losses. Realized losses were approximately $64 million and unrealized losses as required by the mark to market requirement of GAAP were about $37 million. Although we reported unrealized losses in previous quarters, these were not even close to sufficient to cover the effect of the surging copper price that we saw during the quarter, the impact was that we netted a loss of approximately $15 million or $0.40 per share. The hedge programme covers all of our projected final settlements of copper sales in 2006. As of the end of the second quarter, there was an open position on 73 million pounds of copper. Of this, only 25 million pounds of copper related to our current hedge program remains to be produced, with the balance in transit or sold and awaiting final settlement, which typically occurs 3-4 months after delivery of concentrate. Looking at our production profile for the upcoming quarter, we expect that by the end of August, the remaining hedged material will have been produced and that the sales of virtually all of this material will have reached final settlement in 2006. All further production, covering the balance of the third quarter and the fourth quarter is unhedged.

Looking at Robinson, we produced 27.8 million pounds of copper and 12,500 ounces of gold during the quarter. Molybdenum production of 70,000 pounds was very low, a result of low head grades and metallurgical issues.

We are now seeing consistent production performance on a routine basis in the mine, with a very satisfactory average mining rate of 220,000 tonnes per day. As well as ensuring that we stay on plan for the rest of the year, this has allowed us to access multiple ore faces and provide a blended feed to the mill. This is proving important in the context of the iron issue that appeared as we transitioned to the Veteran pit. As we discussed last quarter, variable levels of iron as pyrite were having a significant effect on recovery. We embarked on a metallurgical programme using drill core and blasthole chips and this short range programme was completed during the quarter. The results of the programme to date have indicated that we can continue to expect lower than originally planned recoveries for the rest of the year. Incidentally, we have decided to expand this programme to cover the entire Veteran pit, with the drilling component of this expanded programme two holes short of being complete.

We are exploring different improvement strategies, including the blending of ore that I mentioned previously, but nevertheless we feel that it is prudent to revise our 2006 copper production guidance downwards by approximately 15% to 125 – 130 million pounds from the 145 to 150 million pounds that we provided as guidance in November last year.

Gold production guidance for the year remains the same but we are also revising molybdenum production guidance and cost guidance. We are finding that the grade of molybdenum in the ore in the Veteran pit is proving to be more variable and unpredictable than we expected. We therefore feel that, other than to state we do not expect to reach or come close to our original guidance of 1.0 – 1.6 million pounds, it is not useful to issues a new number at this time.

With respect to costs, industry wide inflationary factors continue to impact operating costs, particularly maintenance and supply costs and as long as copper prices remain high, cost pressures will also continue from increased price participation charges and royalty payments. We are suggesting that our costs will be about 20% higher than our original guidance as long as the present copper price is sustained. In assessing this increase, you should bear in mind that price participation accounts for 18¢ per pound more than when copper was at $1.70 and that and royalty payments are 5¢ per pound more. The actual on site cost are expected to be 14% above guidance, driven primarily by maintenance costs with major contributions from labour, fuel and supply costs, particularly tires.

Until this quarter, royalties have been recorded as contributions to a reclamation trust as part of an original agreement between Kennecott and Magma- a trust that became fully funded during the second quarter. Royalty payments are now paid directly to a third party and are expensed as part of our onsite operating costs. This full funding has occurred earlier than expected due to the high copper price. As a side note, our total funds available for reclamation are now $35 million between the reclamation bond with the BLM and the Kennecott trust.

Considering a couple of other elements of the Robinson operation, as previously discussed, manpower has been a significant issue. We are seeing stabilization of skilled manpower and the fruits of our training programme in the form of improving safety and mine performance but we continue to see recruitment, training and retention as key to the future of the mine.

While we have continued to encounter iron as pyrite as mentioned already, with the reported impact on recovery, we have seen an improvement in concentrate grade. I mentioned in our last conference call that we averaged approximately 24% in the first quarter. During the second quarter our con grade has been averaging between 26% and 27%. This obviously has cost implications with respect to freight and smelter treatment charges.

We did have some unexpected downtime at the mill with some electronic issues with the SAG and ball mills resulting in an availability rate of 89% but by June, these issues had been resolved and availability had improved to 95%.

Moving to Equatorial, as a subsequent event to the quarter, we announced our offer to purchase the 100% outstanding shares of Equatorial Mines Ltd. As you know our strategic plan has always been to grow the company through optimizing operations, developing projects and by pursuing merger and acquisition opportunities and this was an exact fit to that strategy.

The principal asset of Equatorial is their 39% interest in the El Tesoro mine in Chile which produced 98,000 tonnes (215 million pounds) of copper as cathode, of which about 38,000 tonnes (84 million pounds) was attributable to Equatorial. The Company also has significant water rights in the region including 209 liters per second dedicated to El Tesoro and an additional 320 liters per second which is available for other projects.

This is still a work in progress. We have now submitted our bidder's statement as required by the Australian Stock Exchange (ASX) regulators and our bid should be open for acceptance by shareholders at the end of the week - which will be at the end of the two week statement review period.

Moving on to Carlota, the bid for Equatorial precluded us putting in place a financing plan, obviously a precondition to making a decision. During the second quarter we continued to move forward on basic engineering, project execution planning, permit compliance and evaluating the implication of the industry wide cost pressures on both operating costs and capital expenditures on the project.

We completed testing of the water supply and installation of an additional well and are comfortable that the primary permitted source of water is more than adequate. Nevertheless, we will continue to look for alternative sources to ensure that the project has minimum impact on the eco-system.

We reviewed the equipment options for the project and it was determined that purchasing new equipment would be most appropriate and orders have been placed for a Hitachi EX 5500 hydraulic shovel, seven Komatsu 830e haul trucks, four Komatsu 375 Dozers and the rectifier for the SE/EW Plant. The used equipment in Australia that was part of the Carlota purchase will be sold. A primary driver for this decision was the improved availability of new equipment. When we were putting the transaction together in the fall, there did not appear to be any equipment available in any reasonable delivery time. This has changed, although the situation is still tight.

We commenced a 25,000 drill program at our Sierra Gorda project in Chile during the second quarter – a two part RC and core drill program to advance the project towards a pre-feasibility study. The two key components of the programme are to step out test areas of our land package that are under cover and to evaluate the potential for deep sulphides.

Should the Equatorial transaction close, this could have several impacts on Sierra Gorda. The first is potential access to a water supply and the second is funding advantage of not having to pay the withholding tax of 18% on funds that are re-invested in Chile.

Summing up, While we have felt that it is appropriate to revise production estimates for the year from Robinson, we believe we've provided the base case scenario and obviously will be pushing hard to do better than this. We are moving towards the higher grade ore that we deferred from earlier in the year but the reality is that the recovery is proving very variable in the mineralogical setting of Veteran. We are comfortable with the numbers that we have issued.

Clearly, we misread the copper price situation in putting in place our hedge programme and will continue to see this impact through the balance of the year. We're finally reaching the end of this programme, with only 25 million pounds to produce over the next several months. All production from late in the third quarter and into the fourth is unhedged leaving us fully exposed to current spot prices. This will obviously or at least hopefully give us more interesting numbers from an earnings point of view.

A decision will be made within the next few months on Carlota and obviously we are hopeful of a positive outcome regarding the Equatorial acquisition.

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