QUADRA MINING LTD.
Q2 2008 CONFERENCE CALL
August 14th, 2008 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 financial results, as well as update you on the Robinson operation, the Carlota project, exploration at our Sierra Gorda project in Chile and the Malmbjerg project in Greenland. With me today on the call are Jack Miller, COO and Stuart McDonald, CFO. 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.

The second quarter of 2008 was again very positive for the Company with new production records for both copper and gold, as well as, the lowest unit costs recorded in a quarter. We are thus ahead on all our financial metrics as compared to the same period in 2007. Clearly continued high metal prices during the quarter have had a lot to do with the excellent financial result, but the performance at Robinson played no small part as well.

To summarize the most studied of our financial results.

- Earnings for the quarter were $65.0 million or $1.10 per share. For the six month period 2008, earnings were $2.53 per share compared to $1.87 per share for the same period in 2007.
- Net revenues were $180.5 million for the quarter compared to $141.1 million a year earlier.
- Our EBITDA was $105.6 million or $1.79 per share (basic) compared to $74.0 million or $1.57 per share (basic) for the same period in 2007. What is probably more noteworthy is that our EBITDA for the six months ended June 30, 2008 of $222.6 million was approximately the same as the EBITDA for the entire year of 2007. Again – please be reminded that

EBITDA is a non-GAAP measure but nevertheless a popular metric for evaluating financial performance.

- With the addition of a bought deal financing for gross proceeds of $171.6 million, we were able to completely eliminate our debt, originally incurred for development of the Carlota project, and its associated cash sweep, leaving our quarter end cash position with $262 million on hand.

As already mentioned, the main drivers for the quarterly earnings were the continued strong metal price environment record production results and the volume of sales. Unlike the previous two quarters that were significantly influenced (both positively and negatively) by the mark to market adjustments made to provisionally priced sales – this quarter saw relatively little impact with the copper price almost the same at the end of the quarter as at the beginning. We did have to record a one time expense of $15.9 million related to the settlement of our $150 million first lien debt. This included the cost of deferrals, the premium for early termination and the amortized fees associated with putting the debt in the first place. Had we not incurred this write down – our earnings on a per share basis would have been $1.37 (basic).

ROBINSON: Looking at our core operation, this was obviously an excellent quarter for Robinson with the mine producing 44.6 million pounds of copper and 42 thousand ounces of gold. As indicated both copper and gold production were new quarterly records for the mine, exceeding any previous quarterly production as operated by Quadra or by any previous owner of the mine come to that.

We always talk about there being a relationship between safety and production– a good mine is a safe mine and a safe mine is a good mine. Robinson continues to prove this point by operating with an exemplary safety record with a Total Reportable Incident Rate of 0.8 compared to the U.S. national average of 3.4 for our industry. Robinson this month also achieved 1 million man-hours without a lots time accident.

In the second quarter 2008, Robinson continued to process ore primarily from the hypogene zone in the Veteran pit. This zone has continued to deliver higher than average head grades for both copper and gold than historically encountered. The higher associated recoveries resulting from the blending and reagent strategies developed late in 2007continued through the second quarter.

Based on the performance to date and our increasing confidence in our technical accomplishments, we revised our 2008 guidance increasing copper production from 130 million to 150 million pounds of copper and 100,000 ounces of gold to 115,000 ounces for the year.

I'm sure everyone listening today is aware by now of the inherent variable mineralogy of the Robinson ore bodies and that as a result metal production varies from quarter to quarter. Looking forward to the rest of the year, we will be back into the supergene zone and are expecting to see the trends previously observed in the Veteran pit however, we will continue our blending strategies to reduce the impact of this material on recovery.

With record copper production and a significant revenue stream from our by-product gold production, our cash costs per pound produced continued to improve significantly in Q2 as compared to the same period in 2007. For the second quarter, the cash cost per pound of copper produced was $0.91 compared to $1.58 for the same period of 2007. For the first six months of the year, the cash cost per pound of copper produced was $0.96 compared to $1.39 in 2007. Q2 costs were the lowest quarterly unit costs that the mine has recorded since we assumed ownership in 2004. This despite continued inflationary pressures on all input costs, especially those related to energy.

The on site costs were approximately $8 million higher at $61.2 million than those for the same period in 2007. The increase primarily relates to the cost of fuel and mill supplies as well as mine equipment maintenance and increases in royalty costs, which are of course directly related to higher metal prices.

The offsite costs were almost the same as compared to the second quarter of 2007 but slightly decreased for the six month period of 2008 compared to the same period of 2007. The reduction in offsite costs continues to be a result of lower TC/RC charges. We also benefited from the higher grade concentrates produced at Robinson which leads to lower freight costs on a per pound basis.

Exploration results from the reserve expansion drill program conducted in 2007 are still being compiled but initial results indicate the potential for an expansion of the Veteran pit beyond the current mine plan. As such, we could see another pushback providing two more years of ore mined from this pit. At this point we see this as following the Ruth pit development.

Currently, the primary source of ore is expected to be from the Ruth pit from 2010 until the end of the mine life. However, recent hydrological work in the Ruth pit area and the surrounding aquifer systems has indicated that there is a significantly greater amount of dewatering that may be required than can be accomplished inside of our current water use permits. The excess water would have to be disposed of, an activity which could be considered a major modification to our permits. Major modifications generally take some time to resolve with the regulators.

We are assessing a range of options and alternatives that would keep us on track for Ruth, but we are also considering the expansion of the Veteran pit as a potential alternative. We expect to have finalized our strategy by the reporting period for the next quarter.

One issue that we thought was easing but seems to have come back and affects both Robinson and Carlota is the ongoing global shortage of quality, large, off-road tires. While we’re able to source tires, we aren’t seeing the sort of durability that we were looking for in the product from newer players in the business and are again potentially vulnerable to supply issues. We have already pushed out the useful life of tires a long way through operating practices and there is probably little more room in this direction. At this point, we believe that we have the tires that we need for continuous operation, but we are having to de- weight some of our haul trucks in the summer months, effectively increasing our haulage costs.

CARLOTA: Turning to progress at **Carlota,** construction is progressing well and activities during the second quarter included the completion of SX-EW platform concrete work, the continuation of mechanical and electrical installation activities and leach pad liner installation. Pre-production mining moved 12.6 million tons of ore and waste in the quarter ended June 30, 2008 and we are on schedule to commence leaching this quarter with the first shipment of cathode copper expected in the fourth quarter.

The acid market moved dramatically over the last quarter, with substantial increases in the reported spot market. We own outright 12,000 tons of acid and have supply lined up to the end of 2009. While we are not thrilled with the prices, we have no concerns at this point with the availability of supply per se. Our read is that the market is doing what markets do and adjusting to the situation. As a cautionary note, you should always bear in mind that there is no structured terminal market for acid and that reported spot prices should sometimes be taken with a pinch of salt.

SIERRA GORDA: Turning to **Sierra Gorda**, during the second quarter we advanced the project on three fronts, which we reported on by press release just prior to the last earnings call.

To quickly recap –a new 43-101 Technical Report was published with an indicated mineral resource estimate of 10.6 billion pounds of copper and 474 million pounds of molybdenum and an inferred mineral resource estimate of 5.5 billion pounds of copper and 211 million pounds of molybdenum. This means that we have increased the resource estimate by a factor of four from the previous report, published in July 2005.

We accelerated option payments totaling $22.5 million to secure the acquisition of the principal core mineral properties and now have a 100% ownership interest in the project.

We also acquired significant water rights bringing our total to 448 lps or perhaps half of the water required to support a 200,000 to 250,000 tonnes per year copper project [or 120,000 tonnes/day mill capacity]. While there are no hard numbers in place, our current thinking is that the Sierra Gorda project could comprise both an oxide heap leach operation as well as a large primary sulphide production facility.

Clearly Sierra Gorda is **the** major pipeline project for Quadra and one that we plan to move forward on in a prompt but orderly manner.

Our next step, which is well under way, is to prepare what we are calling a scoping study, that is a study that defines the potential scope of the project, including size, cost, schedule, execution and financing. To do this, we have an approved budget of $37 million through to Q1 2009. Work in progress includes drilling to move more of the resource to Measured and Indicated, metallurgical studies, infrastructure studies and cost and project execution studies. As well, the requisite Environmental Impact Study is in preparation. As mentioned when we announced the resource, the potential for by-product gold is significant. Approximately 16,000 samples for fire assay Au analysis have been dispatched to labs in Santiago with results expected by late October. Block modeling will commence once all results have been returned so we are hoping to have the gold resource component in place by year end or early in the next quarter.

MALMBJERG: Moving on to **Malmbjerg,** our molybdenum project in Greenland, during the second quarter we increased our ownership interest in International Molybdenum Plc by 15.7% and now hold 98.2% of the company. We continued to advance permitting and engineering studies but are still waiting for the exploitation license from Greenland's Bureau of Minerals and Petroleum (the BMP). Upon approval of our application by the BMP, it will be submitted to the Danish-Greenland Joint Committee for final approval. We are hoping that the Joint Committee will hold an approval meeting in October, but obviously there are processes here that we do not control. In the mean time, we have revised the 2008 project budget down from $22 million to $12 million and are moving forward with a modified program. 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.

We won't be finalizing the cost and schedule analysis required to produce a NI 43-101 Technical Report until we have an exploitation permit, as clearly, without the latter, the project doesn't pass a key economic hurdle. However, preliminary results indicate that capital costs could be $1 billion. Given the size of the project and the commitment to Sierra Gorda, our thinking at this point is that Quadra would seek a partner or partners to advance the project through to production.

In wrapping up, we ended the second quarter with unrestricted cash of $262 million and no debt (save the capital leases) and are in an excellent position to pursue M&A opportunities. Robinson continues to deliver, we are poised to start up our second mine Carlota and we're moving forward with our two pipeline projects.

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

Operator

The first question is from Tom Meyer from Raymond James. Please go ahead.

Tom Meyer, Raymond James

Can you be specific as to when Robinson enters the supergene like maybe just by month of this year?

Paul Blythe, President & Chief Executive Officer

Yeah, it's not an exact crossing of the line where one day we're in hypogene and the next we're in supergene. We are stripping the next pushback as we speak and as we progress down towards ore we start encountering supergene, so there's no exact day as it were when we're in the supergene. In this quarter it could be 25 percent will be supergene and in the next quarter 60 percent or something like that.

Tom Meyer, Raymond James

Okay. And then you mentioned that you've got about 12,000 tonnes of acid. How much did you pay for that?

Paul Blythe, President & Chief Executive Officer

About $250 a tonne.

Tom Meyer, Raymond James

Okay. And then just finally, just the water, the potential need for a new water disposal permit at Robinson, and you mentioned you may have some wiggle room with extending the Veteran mine life; what would be the absolutely earliest that you would be able to get a permit for that?

Paul Blythe, President & Chief Executive Officer

It really depends on a number of outcomes, particularly what the nature of the permit is. We have three different options on the go at the moment and we're in formal discussions with the regulators, and I'm really not in a position to answer what the timing of that would be until we have a clear picture of A) our view and B) their view of the way forward here.

Tom Meyer, Raymond James

Okay, thanks. I'll pass it on.

Paul Blythe, President & Chief Executive Officer

Thanks, Tom.

Operator

Thank you. The following question is from Onno Rutten from UBS Securities. Please go ahead.

Onno Rutten, UBS Securities

Good morning, Paul, and good morning everyone. Just connecting to Tom's questions on the supergene, you also of course deploy much more of a lending strategy these days; could you give an indication of how much hypogene ore you have lying around to absorb that supergene material?

Paul Blythe, President & Chief Executive Officer

Well we have a mine plan—we don't actually have any hypogene lying around per se, we have a sequential mine plan and we try to make sure that we have enough of the two main ore types that have given us success with our blending strategy to make that happen. Now at some point we can't control events to make sure we have all the components of the blend we need and as we get into the supergene zone we just don't have access to all three materials (inaudible) hypogene we use in this blending process. So the mine plan is set up to try and give us the best shot we can at getting a blend.

Onno Rutten, UBS Securities

So you're accessing the hypogene and supergene faces simultaneously essentially.

Paul Blythe, President & Chief Executive Officer

In the pushback we're in now, where we're mining now, we're in hypogene. We don't finish that when we start encountering supergene. So we're mining hypogene and supergene at the same time.

Onno Rutten, UBS Securities

Okay.

Paul Blythe, President & Chief Executive Officer

Does that make sense? Eventually we get to the bottom of the pushback we're in and then there's no more hypogene and then we've just got the supergene in the next pushback and as we get through that we start encountering hypogene in the next pushback. Frankly you really need to picture them to be able to wave your arms to...

Onno Rutten, UBS Securities

Yeah, I think I have a concept, just wondering whether that 60 percent in Q4 of supergene versus hypogene is going to be the peak in this cycle. Do you expect that to go up even further in Q1 or will by that time the hypogene take the overhand again?

Paul Blythe, President & Chief Executive Officer

Yeah, well the supergene pushes on into Q1 and don't have the numbers at hand as to what the ratio is in Q1, but we'll certainly make sure next time around in view of the interest that we give some ratios here as best we can.

Onno Rutten, UBS Securities

Okay. But it's embedded in your guidance obviously.

Paul Blythe, President & Chief Executive Officer

Yeah, it's embedded in the guidance. The fundamental part of the planning process is to try and minimize the effect of supergene, but there's only so many cards we have to play with here.

Onno Rutten, UBS Securities

Okay. And then stepping back on the permitting implications that your ratios at Ruth might have, what's the root cause here for encountering this much water?

Paul Blythe, President & Chief Executive Officer

The whole area is limestone so there are very substantial aquifer systems within that limestone. And it's been a continuing work in progress. We began with the feasibility study that we inherited within the project and it's becoming clear now that that may have understated the amount of water in the surrounding aquifer systems. Clearly you have (inaudible) the surrounding aquifers down to some extent to ensure that you can, you don't encounter excess water in the pit. And the other part of it is that we've changed the design of the pit fundamental and we're now looking at a bigger pit and more production from that pit, so that has more of an impact on the surrounding aquifers.

Onno Rutten, UBS Securities

Oh, and that's why in the past when mining took place at Ruth not that much water had to be taken out, because now you're essentially deepening the pit. Is that correct?

Paul Blythe, President & Chief Executive Officer

Yeah. I mean nobody's been mining in the Ruth pit since 1974, which was, it was the last (inaudible) for Kennecott when they were there. And it was much more operation than we're envisioning now.

Onno Rutten, UBS Securities

Okay. And then lastly, were there any tax effects on that (inaudible) of the debt in Q2? You reported $15.5 million in costs; were there any tax benefits accrued with that?

Paul Blythe, President & Chief Executive Officer

I'll pass it over to Stuart.

Stuart McDonald, Chief Financial Officer

No, we do get a tax deduction for the fees that we paid, so we will get some tax savings from it, but that's all factored into our effective tax rate that we've used for the quarter of 21 percent. So yeah, there'll be some small benefits from it.

Onno Rutten, UBS Securities

To the tune of 21 as well or...?

Stuart McDonald, Chief Financial Officer

Yep. On an accounting basis 21 percent. Yep.

Onno Rutten, UBS Securities

Okay, perfect. Thank you.

Operator

Thank you. The following question is from Mike Collison from Dundee Securities. Please go ahead.

Mike Collison, Dundee Securities

Good morning. Just a quick question on the CapEx. I got that you spent or you booked about $157 million in new, um, added to property plant and equipment in mining properties, but you've only booked 99.8 of it in cash. Take the depreciation and is the rest of that in shares issued?

Stuart McDonald, Chief Financial Officer

Yeah, that would be the bulk of the difference is we did issue shares for, obviously for the water acquisition at Sierra Gorda. That would be the big one. And the other share issuance was to buyout some minority shareholders at InterMoly. So those were the two share issuances that went into that capital asset line item on the balance sheet.

Mike Collison, Dundee Securities

Okay, great. Thanks very much.

Stuart McDonald, Chief Financial Officer

Thank you, Mike.

Operator

Thank you. Once again, please press star one at this time if you have a question. The following question is from Mark Kaufmann from AG Capital. Please go ahead.

Mark Kaufmann, AG Capital

Hello. Thank you for taking the question. About a year ago Michael Kayman(sp.) recommended that you fire Baker & Mackenzie because of the malpractice or negligence they committed on your Sierra Gorda litigation. I notice on what's publically available from the Chilean court sites that you appear to have done just that, you appear to have fired Baker & Mackenzie and hired a law firm by the name of Bowfiel & Muir(sp.). Is there a reason why you fired Baker & Mackenzie? Do you believe that you may lose the Sierra Gorda litigation and that they committed malpractice.

Paul Blythe, President & Chief Executive Officer

I think the answer is no, no, and no. A) no, we didn't fire Baker Mackenzie. We elected to use different counsel to deal with the various litigations. B) We don't expect to lose the property. And C) we have no issues with Baker Mackenzie in terms of malpractice.

Mark Kaufmann, AG Capital

I noticed that in the secondary offering in the risk factor disclosure that you did through Macquarie, you essentially had a statement, a risk factor on Sierra Gorda that you may lose the litigation and you believe that if you did it would have a material adverse effect on your operations. Could you update it now that you have a second law firm looking at it in addition to Baker & Mackenzie?

Paul Blythe, President & Chief Executive Officer

I think that any situation that involves either regulators or courts there's always a risk, and that is the standard risk, that standard (inaudible) that I think you'll find in pretty much anybody's risks of doing business risks. We're quite categoric I think if you read the disclosure on those court cases which occur in the financial statements and continues (inaudible) what our view on it is and what our position on it is. That is to say we think all those cases are without merit and—

Mark Kaufmann, AG Capital

I don't think that's what your risk factor discloser said on the Macquarie offering. And I guess the final question is Bowfiel & Muir is now an independent law firm that's now representing you. Do you have an opinion for them that more likely than not they think you will prevail on Sierra Gorda? I believe that's what you'll need not to impair your assets for financial statements, either now or retroactively. Do you have an opinion for them that you more likely than not you will prevail on Sierra Gorda?

Paul Blythe, President & Chief Executive Officer

I think, again, I think our disclosure is quite clear as to what our position is. Yes, we do believe that we will prevail. I think—

Mark Kaufmann, AG Capital

No, I didn't ask you if you believed, I believed if you have an opinion of counsel saying that more likely than not you will prevail on Sierra Gorda.

Paul Blythe, President & Chief Executive Officer

You seem to have an agenda here. Do we have an opinion of counsel? Obviously we're working with counsel on this court case and clearly they're supportive of our position. I presume that you are trying to highlight the fact that these court cases are there. Perhaps you can tell us what your agenda is here?

Mark Kaufmann, AG Capital

I just think we're trying to figure out what should be on the balance sheet and what shouldn't be. I believe that if you don't have an opinion of independent counsel saying that more likely than not you're going to prevail, you have to impair. And it sounds like from what you're saying you have a management belief, but you don't have that yet supported by independent counsel, and Baker Mackenzie's view on this point could be impaired because of the malpractice. So what I was asking you is whether your new lawyers have actually given you an opinion and I believe you've said no. And that—unless you have anything else to comment, that really ended my questions. Thank you.

Paul Blythe, President & Chief Executive Officer

Next question please.

Operator

The following question is from Onno Rutten from UBS Securities. Please go ahead.

Onno Rutten, UBS Securities

Yeah, just stepping back for your closing remarks there, Paul, with regards to M&A, you're obviously coming out here with fairly strong operational performance and a strong cash balance, and asset values out there have moved substantially. Could you update us on what your current views are on M&A given that you specifically brought it up in the discussion?

Paul Blythe, President & Chief Executive Officer

Yeah, M&A is very much a part of our growth plan and our growth strategy. We have put a lot of energy into looking at opportunities. Clearly I can't discuss the opportunities. The tidal wave of negative sentiment towards commodities is both negative and positive in that regard. We're continuing to push forward on the strategic plan, we still believe the strategic plan is the right way to go, and that we should be handing down (inaudible) part of M&A that allow us to consolidate and all this sector to consolidate. So I think this is as much a time of opportunity as a time of problems, the sort of prices that we're seeing. If that's any help.

Onno Rutten, UBS Securities

And in the past you've been quite vocal on your views on the copper market going forward; no fundamental change in that outlook?

Paul Blythe, President & Chief Executive Officer

Yeah, you know, for me you have to have a view or you don't have a view. You can't change your view every time the copper price moves on you. I still stick to the position this is a supply story. The supply side hasn't responded and we're very comfortable that copper is still in good shape, as it were, from a price point of view.

Onno Rutten, UBS Securities

Okay, very well. thanks for the colour.

Operator

Thank you. This concludes today's question and answer session. I would now like to turn the meeting back over to Mr. Blythe.

Paul Blythe, President & Chief Executive Officer

Okay, thank you very much for listening this morning. And if you want any more details, please feel free to call me, Derek, or Sophie. Thank you.

Operator

Thank you, gentlemen. The conference has now ended. Please disconnect your lines and thank you for your participation.
