



QUADRA MINING LTD.

Q3 2006 CONFERENCE CALL

November 8th, 2006 - 11.00am ET

Good morning ladies and gentlemen. I'd like to welcome you to this conference call during which we'll discuss Quadra Mining's third quarter 2006 financial and operating results from Robinson but also update you on the board's decision to proceed with Carlota and the company's recent drilling success at Sierra Gorda.

With me today on the call is Derek White, Chief Financial Officer, and Jack Miller, Chief Operating Officer. We will of course 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 rephrase the cautionary statement relating to forward-looking information contained in the press release and in the MD&A. Those statements apply to this call as well.

Please also note that all monetary amounts are in U.S. dollars unless otherwise stated.

This quarter we're pleased to be able to report positive earnings of \$23.5 million, or \$0.62 a share. As previously, we continued to feel the impact of our hedge program this month seeing an unrealized gain to offset the realized losses. The unrealized gain is due to the falling copper price since the previous quarter where, if you recall, we saw copper reach \$4 before falling back to (inaudible) levels.

We were helped as well by the net gain on the settlement of our auction with AMP Life to buy shares of Equatorial Mining Limited and then exercising their right to answer our call option. The net settlement was approximately \$14 million.

We've continued to work through our hedge position. At the end of the quarter there was an open derivative position of 49 million pounds of copper. All of this was produced during the quarter and is now making the way through the inventory pipeline and smelters towards final settlement.

To remind you, we hedged the final settlements or QPs, quotational periods, on each shipment that we expected to settle in 2006 and we expected at that time to settle 330 million pounds of copper. As we indicated earlier in October, there've been three events that caused these shipments to be delayed. These were: one, the change in the production schedule, which moved the high-grade ore to later in the year; two, delays in shipping due to port congestion and related issues; and three, the lower than planned recovery, a result of the non acid soluble oxide.

These delays have meant that we will only be settling about 110 million pounds in 2006 and that we've had to push out the balance of the final settlements until 2007. Moving settlements requires that we also need to move out the associated hedges, since the settlements of the QPs are used to fund the settlement of the hedges.

An impact of the port congestion issue was that sales in the quarter were only 38,600 tonnes of concentrate compared to 61,120 in the previous quarter. Net revenue is about \$68 million and operating costs were \$28 million. As we've produced just over 60,000 tonnes of concentrate, there was a substantial rise in inventory through the quarter. The port and transportation issues have now been resolved and we're able to move concentrate as normal and we expect to make serious inroads into the backlog during the fourth quarter.

The transportation logistics that I just discussed and the associated inventory build up have obviously impacted our liquidity so that we've needed to continue to access our working capital facility. In support of this we've placed new hedges as required to collateralize draw downs from the facility.

Looking at Robinson production for the third quarter, we produced 33.3 million pounds of copper. While this was less than we were looking for to make guidance, it was the best quarter this year by a good margin. Gold production has continued to exceed our expectations with just over 20,000 ounces produced. Molybdenum production of 36,000 pounds was very low as a result of low head grades and metallurgical issues.

At the risk of sounding repetitive, Robinson is a challenging skarn deposit. It was challenging for Kennecott and for BHP in their day and is no less challenging now.

Since we moved into the Veteran pit in March we've run into a series of metallurgical issues associated with complex and variable mineralogy. Earlier in the year we experienced recoveries due to high iron as pyrite and oxidized ore. As a result of this and following a look-forward metallurgical testing program, we changed our guidance downwards.

Through the second half of the third quarter we mined through a supergene layer, which had, as predicted by the block model, an average head grade of 1 percent copper. We had limited warning of what to expect in terms of recovery until we drilled off the material in preparation for blasting when we were able to do extensive metallurgical testing. This indicated that we could expect even lower than previously guided recoveries.

The database that drove the model that drives our mine plan shows acid soluble copper and total copper. We deal with the acid soluble copper by appropriate discounts based on test work and commercial results applied to recovery forecasts. As we tested the Veteran supergene material we found that we were not recovering a portion of the copper that we had expected to. Our then forecasting procedure regarded all copper that was non acid soluble as a sulphide and therefore recoverable by means of flotation. After considerable study, we've attributed the difference between the expected recovery and actual recovery to what we've termed non acid soluble oxide.

As the non acid soluble oxide was not predicted, our September copper production was approximately 4 million pounds less than forecast. As we mined through and processed this material in September, we were better able to characterize it and have used this data to revisit the block model. On this basis we recently revised our guidance for 2006 based on a forecast that now accounts for the presence of non acid soluble copper. It is not recoverable by flotation. A recovery rate as low as 56 percent as compared to an expected 70 percent is expected to continue for the next two months and we're now forecasting approximately 150 million pounds of production for the year compared to our Q2 guidance of 125 to 130 million pounds. This of course is an issue that we will be aware of going forward and we're currently refining measurement techniques.

Looking at gold and the very satisfactory production of 20,000 ounces for the quarter, I'd have to admit that it's not entirely understood why the result was so good given everything else that's happened. There's a clear head grade recovery relationship but this may not be all to the story.

Another side note is that the production of 13.3 million pounds of copper in September was the second best month in the history of Robinson and we're not seeing consistent production performance on a routine basis in the mine with a very satisfactory average mining rate of 205,000 tonnes per day.

We've been seeing some record production days at the mill and as a subsequent event of the quarter we achieved a recent one-day tonnage record of 57,953 dry short tonnes, and to remind you, the nameplate is 42,000 tonnes.

Also worthy of note is the mill's two-year safety record of no recordable loss time accidents.

With respect to costs, we did experience some increases in mining costs due to higher blasting costs associated with harder rock and increased re-handling costs with ore contaminated by wood and having to blend (inaudible) number of short tonne stockpiles.

Other onsite cost issues resulted from higher heavy equipment maintenance and the inevitable tire costs. Offsite costs were lower mainly as a result of lower sales volumes and a reduction in the number of shipments that are subject to price participation.

Considering a couple of other elements at the Robinson operation, manpower remains a significant issue. We're seeing stabilization skilled manpower and the fruits of our training program in the form of improving safety and mine performance. A recent incentive program has been initiated to assist in building much needed accommodation in the nearby Town of Ruth and we are hopeful that this initiative will help in the recruitment and retention of mine employees.

Moving on to Carlota, as you have seen from this morning's announcement the board has approved the development and construction of the Carlota copper project in Arizona.

During the quarter a new national instrument 43-101 technical report was prepared based on the studies that we've been carrying out through the year. We've also filed a shelf, a Base Shelf Prospectus as a first step from financing and are moving forward on a first offering with senior notes in the bond market.

The key technical metrics of the project are unchanged and will comprise a run of mine heap leach operation producing cathode copper by SX/EW over a nine-year mine life with two years of residual leach.

The plan has been designed to produce 75 million pounds of copper per year. Capital costs are \$189 million and the total funding requirement through to positive cash flow is \$218 million. Operating costs are estimated at \$0.99 a pound on a life of mine basis and that's using \$2.60 per gallon fuel costs and \$85 a tonne acid costs, these being the biggest sensitivities.

Costs for the project have increased significantly but we see these as global occurrences and a sign of the current economic climate. The biggest single change from the earlier concept is the move to new mining equipment, which added some \$40 million to capital costs.

The economics are still robust with an internal rate of return of 21 percent using a forward curve falling into a long-term copper price of \$1.20 per pound but keeping current costs going forward. And I emphasize the current costs because it implies that the Carlota project, and the whole industry (inaudible), will face a price squeeze of some substance to the

point where many fourth quartile producers will be forced to suspend operations if our cost assumptions come to pass. This, an isolated drop in the copper price and the resulting reduction in global production appears to be an unlike premise. In other words, we view our assumptions as conservative.

Carlota's very much ready to go. As I indicated, we decided to move to new equipment for mining once we realized there was equipment available. We made non-refundable deposits for a Hitachi 5500 hydraulic shovel, seven Komatsu 830 haulage trucks, four Komatsu dozers and a rectifier for the SX/EW plant. We've also started to build up our personnel and are pleased to announce the appointment of Mark Blakely as project manager. Mark comes to us from the Ledcor Group of Companies and his experience will be invaluable in the success of the development of Carlota.

There are always question about permitting. To reiterate, all required permits have been approved, but in order to commence development additional normal course reviews of how we intend to move forward at a detail level are required by the permitting system. A reclamation bond of \$7 million has been posted with the U.S. Forest Service and we will announce our construction schedule upon completion of our financing.

Moving on to our Sierra Gorda project in Chile, we continued with a 25,000 metre drill program during the third quarter. A two part reverse circulation and core drill program was designed to advance the project towards pre-feasibility study. A shallow reverse circulation program grid tested below cover opportunities at a 200 to 400 metre spacing looking for additional oxide and the results have indicated a number of new targets. Some step out drilling for oxides building on previous programs was also completed. But what's been really interesting is the segment of the program designed to test the (inaudible) of a deeper high grade sulphide mineralization system. This was an idea developed by our team based on our work over the last two years. Results received from one deep sulphide hole identified sustained mineralization for 338 metres from 240 metres down the hole to its bottom with an average grade of 1.05 percent copper and gold grades averaging 0.31 grams per tonne for the final 174 metres of the hole. We're currently waiting for the results from four more holes. Once we have all the assay and other data back, we'll consider where we go from here.

As a subsequent event to the quarter we signed an option agreement to purchase two additional properties contiguous to the Sierra Gorda project. We're also on the trail of water but have nothing definitive to report at this time.

Looking forward to the rest of the year, as mentioned before, mining on the supergene zone in Robinson is expected for the next two months. Once below this zone recoveries are expected to return to more typical levels and so are head grades. We're seeing the mine operating at a consistently high

(inaudible) rate and the mill performing better than it ever has in the history of Robinson. We're confident that we'll see productivity continuing to improve as we develop an increased understanding of the deposit.

As service providers have successfully implemented a series of actions to eliminate transportation congestion, our shipping schedule is moving back on track as it were and we expect to clear over 2005 derivative position in the first half of 2007.

As we move forward with Carlota we will announce more detailed plans for the project once we've completed the financing. The project is expected to provide near-term additional copper production, diversification from single mine operation and a lower average cash cost of production for Quadra as a whole. We're pleased with the progress at Sierra Gorda and look forward to the results from additional drilling. We will be considering our strategic alternatives in the first quarter of next year once we have all the data put together.

As you know, during the third quarter we announced an offer to purchase the 100 percent outstanding shares of Equatorial Mining Limited, which had a 39 percent interest in the El Tesoro mine in Chile. While disappointed that the transaction did not complete, we didn't come away empty-handed and we demonstrated to the market and to our shareholders an ability to raise significant capital and an ability to put deals together. Our strategic plan has always been to grow the company through optimizing operations, developing projects, and by pursuing ledger acquisition opportunities. But we intend to do this by maintaining a prudent capital structure and relatively conservative levels of leverage.

During our fairly short life as a public company we've shown our commitment to our growth objective and we continue to pursue shareholder value by becoming a significant player in the mid-tier copper sector.

So I thank you for listening this morning and of course we'll be pleased to take any questions that you may have if I can pass it back to you operator.
