



QUADRA MINING LTD.
Q3 2008 CONFERENCE CALL
November 4th 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 third 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. We'll also spend some time to discuss the overall market conditions, our view on the long term fundamentals of copper and how that impacts the value proposition of the company. With me today on the call is 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 future production, mine development plans, 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 production results for the quarter were very much in line with our expectations, with continuing levels of excellent concentrate production and robust sales. The financial results were a different story, with the substantial downturn in copper prices working into our revenues and on through to earnings. As I'm sure you are all very much aware, copper has plunged to a three year low of \$1.68 on October 27th, passing through \$2.91 at Q3 quarter end on its way down. This is a long way from the \$4.07 at the beginning of June, notwithstanding the slight subsequent rebound in the last few days.

Realistically, we do not think it likely that these lower prices will be short-lived. We would suggest that there are a number of components to the price collapse that may well mean the fall is overdone. These include the unwinding of long and leveraged positions that are impacting both prices and currencies, particularly the US dollar, effects that are short term. Longer term effects include the demand reduction, due to the credit issue and to the lack of consumer confidence that has pushed us into recession. Like everybody else, I have

no sense of what “longer term” is as a number but before discussing our current thinking on the outlook and strategy for Quadra in this environment, I’d like to give you the normal update on the last Quarter

On the positive side – and there are several positive notes despite the market – the Robinson Mine continued to operate as effectively and as efficiently as the complex ore body allows. Production results for both copper and gold were at least as good as our expectations, and we are well on our way to meeting – or exceeding – production guidance for the year. Sales volumes were high for the quarter and cost containment efforts at the mine delivered a very satisfactory cash cost/lb produced of \$1.21 per pound – an average of \$1.03/lb produced for the year.

At Carlota, construction was completed, and a few days after the end of the Quarter, we received the final permit components required to allow us to commence leaching. This has been no mean outcome for us, given the issues and pressures of the last few years, particularly cost inflation and shortages of key components required for such a project.

Looking at the most studied of our financial results:

- Earnings for the quarter were \$20 million or \$0.31 per share. For the first nine

months of 2008, we are about where we were last year, with earnings of \$2.74 per share compared to \$2.76 per share for the same period in 2007.

- For the first nine months of 2008 revenues from concentrate sales were \$495 million compared to \$412 million for the same nine month period in 2007.
- Our EBITDA was \$36.4 million or \$0.55 per basic share for the quarter and for the nine months ended September 30, 2008, \$259.0 million or \$4.31 per share. Interestingly, this exceeds the EBITDA for the entire year of 2007. Again – please be reminded of the non-GAAP nature of EBITDA.
- At quarter end, we had a cash position of \$266 million on hand and no debt. While there will be impacts to that position by the obligation to repay a significant portion of provisional payments received over the last several months to our customers, it does give us considerable room to maneuver going forward.

The significant decline of the copper price during the quarter has led to negative market adjustments of \$64 million, which have worked their way through to our earnings. The fall in price from \$3.91 per pound at June 30th, 2008 to \$2.91 per pound at September 30th, 2008 impacted both the provisional price received and the value of receivables. To break this down – negative pricing adjustments

of \$33 million related to second quarter sales and of \$31 million related to the third quarter shipments which were revalued at a price of \$2.91 at September 30, 2008.

At September 30, 2008 the Company had 51 million pounds of copper awaiting final settlement which has been provisionally valued at \$2.91/lb. However, since September 30, 2008 the copper price has declined further to \$1.81/lb. (October 31, 2008). If sustained, this copper price would create additional negative price adjustments of \$50 million which - as already mentioned - would have to be repaid to customers over the period to January 2009.

A portion of the additional negative price adjustments would be recovered through the Company's copper put option contracts, which assure a minimum price for some copper settlements over the next three quarters. Under the terms of these contracts, if the average LME cash price for the month is less than the put option strike price, the Company will receive the difference in price for the contracted number of pounds.

At September 30, 2008 we held put options for 31 million pounds of copper at a strike price of \$2.15 and these contracts are spread over the fourth quarter of 2008. We also hold put options for 35 million pounds of copper at strike price of \$2.50 spread over the first six

months of 2009. We don't expect to have any counter-party issues.

ROBINSON: Looking at our core operation, this was yet another good quarter for Robinson with the mine producing 38.6 million pounds of copper and approximately 31 thousand ounces of gold. The mill feed was as expected - a mixture of hypogene and supergene ore - but blending and reagent strategies continued to give us better-than-historical copper and gold recoveries, and concentrate grades. We are on track to hit or go slightly above our production guidance of 150 million pounds of copper and 115 thousand ounces of gold for the year.

Related to the excellent production record, the mine continued to operate with an exemplary safety record. The Total Reportable Incident Rate of 0.8 compares to the U.S. national average of 3.4 for our industry and we are now well over 1 million man-hours without a lost time accident.

The mine also continued to deliver on its cost containment efforts and our cash costs per pound produced improved significantly in Q3 as compared to the same period in 2007. For the third quarter, the cash cost per pound of copper produced was \$1.21 compared to \$1.62 for the same period of 2007. For the first nine months of the year, the cash cost per pound of

copper produced was \$1.03 compared to \$1.46 in 2007. In both cases, other drivers here were the higher production volumes of copper and gold.

The on site costs were \$61 million, compared to \$53 million for the same period in 2007. The increase primarily relates to the cost of fuel, an increased in royalty costs and pay-outs from a gainshare program implemented at the mine to reward above plan production and cost results as well as safety. This programme has certainly paid dividends for the corporation and our shareholders, as well as for our employees.

Offsite costs were almost the same in the second quarter of 2007 and slightly lower for the nine month period of 2008 compared to the same period of 2007. The offsite costs continued to benefit from lower TC/RC charges. We also benefited from the higher grade concentrates produced at Robinson and the associated lower freight costs.

Going forward, generally, we are seeing some downward movement in input costs, which of course is helpful in the present environment. These include the elimination of various surcharges, lower fuel costs and lower ocean freight rates. Fuel costs have been falling in line with the recent declines in global energy prices. To lock these in, in October, the Company acquired NYMEX heating oil futures

for 7.8 million gallons at an average price of \$2.51/gallon. The futures contracts mature between December 2008 and November 2009, and will reduce the impact of changes in the diesel price over this period.

As discussed in the second quarter, we have been evaluating two options for the Robinson mine plan going forward – staying with original mine plan of moving to the Ruth pit in 2010, or inserting an additional push-back in the Veteran pit. The latter became a possibility following our 2006 / 2007 step-out drill campaign and we have elected to go for the additional pushback at Veteran first. There are two drivers for this:

The first pertains to concentrate grade. Testwork at Ruth has now shown that concentrate grades from ore mined early in the supergene will have optimal copper recovery and copper concentrate grades by blending hypogene material from the Veteran pit. Revised sequencing will allow an orderly blending program to be executed.

The second pertains to pit dewatering. Our hydrogeological studies progressively indicated that there was a significantly higher amount of water that had to be removed from the Ruth pit and its surrounding aquifers than had been originally considered. The quantities exceed our water rights and will require some combination of additional permitting and

acquisition or leasing of additional rights. Putting this in place requires time, and going to the Veteran pushback buys us that time.

CARLOTA: Turning to progress at **Carlota**, the construction activities at Carlota were completed during the quarter – as I noted earlier, on schedule and on budget – and as announced in early October, operations are now underway. We were a little later in beginning irrigation of the heaps than we had planned as we had to wait for approval of normal course modifications to the Aquifer Protection Permit from the Arizona Department of Environmental Quality. We are on schedule to produce our first cathode copper from Carlota before the end of the year and the plant is ready to go and to operate at its design capacity.

To date - a total of 7 million tons of ore and waste have been mined and pit operations are functioning now at near full capacity. Pit surveys and blasthole grades indicate that the metal content of the material mined so far is consistent with reserve estimates. As Carlota is a run-of-mine operation, a definitive check of the reserve estimate and leach pad recovery estimates can only be done after a significant amount of copper cathode has been produced. In other words, so far so good.

In the second quarter we announced that the LOM costs of production at Carlota had

increased to \$1.40/lb – excluding royalty costs - to reflect 2008 cost inputs - namely the impact of fuel and sulphuric acid costs. Recent information indicates that the acid supply issue is beginning to evaporate, and as the downturn has gained momentum, the acid price is beginning to soften.

SIERRA GORDA: Turning to **Sierra Gorda**, during the third quarter we advanced the project's development with the completion of metallurgical sampling and testwork is now underway on both the sulphide and oxide material. Drilling was focused on infill and condemnation. Conceptual engineering and cost studies, geotechnical studies, environmental studies and the gold resource block modeling were also progressed. All this work designed to advance the project towards a 'scoping study' to be completed in the first quarter of 2009.

Clearly Sierra Gorda is **the** major pipeline project for Quadra and we intend to complete the scoping study as outlined. However further development activities which would drive us towards pre-feasibility study, including drilling and water acquisitions, have been suspended due to the recent declines in the copper price. We have always realized that because of the potential size of this project – that we would have to find a partner for Sierra Gorda. We have been in discussions with various parties and such discussions will continue.

Needless to say, this capital protection strategy also applies to **MALMBJERG** our molybdenum project in Greenland. During the third quarter, management continued discussions with the Greenland's Bureau of Minerals and Petroleum in connection with its application for an Exploitation License. The primary review of these submittals has now been concluded and we anticipate that the application will be formally heard by the Joint Committee responsible for its approval later in the month. While we continue to work on the cost and schedule analyses required to produce an updated Technical Report, there will be minimal work beyond this for the foreseeable future.

I'd like to spend some time talking the metals market and the impact this has on our near term and longer term outlook. Clearly the sharp decline in the copper price was unexpected, and an outcome that means we have to review our entire strategy. The big questions are : how long? –and- how deep? At the most pessimistic end, at least that I have heard, we have UBS predicting \$1.30 per pound in 2009 and \$1.55 in 2010. We can't get that gloomy here at Quadra, our thinking being that this is far below marginal cost and as mentioned previously, part of what is going on here is an unwinding of long and levered positions that has nothing to do with supply & demand. We do recognize however, that the

recession will slash demand and that we will have to work with much lower prices from here on. We note that to this point, we haven't seen the sort of inventory increases that are implied by the present price. Perhaps this is due to wholesale restocking - perhaps not. As I said earlier, we are firmly of the view that there are much better days for copper out there ahead of us. This downturn will significantly reduce already weak investment in new production; as well perhaps curtail some current capacity. Our priorities at Quadra are to focus on ensuring adequate liquidity and maintaining copper production, so that Quadra will be well placed to take advantage of that future commodities market. Also important to us is optionality, and the flexibility to adjust to developing events:

In view of the abrupt drop in copper prices, we have elected to review all of our plans for 2009 and beyond, including mine production, operating costs and capital costs. As such we will not be giving production guidance just yet, but expect to have finished this review and to be able to report back by the end of the month.

We have often talked about growth through M and A and the need for consolidation to de-risk and provide critical mass. Recent events have not detracted from this thinking, quite the contrary. Accretive opportunities do exist and we will continue to pursue our growth mandate by seeking M&A transactions. We believe that

the smaller and mid-tier companies will begin to merge – will have to merge – to create larger and stronger companies in order to protect and increase shareholder value.

The ten words or less summary of this then is that we believe in the long term fundamentals of the copper market and are focused on being well positioned to take advantage of future stronger prices.

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.

Q 'n' A

Tom Meyer, Raymond James

Good morning, Paul. If I could, three quick questions. Can you quantify what you mean by acid price softening as it relates to Carlotta?

Paul Blythe, President & Chief Executive Officer

Yeah, we're well below—our original budget was based on \$350 a tonne. We're well below \$300 now and our read is that it's, ah, freefall probably overstates it, but it's dropping quite fast. It's one of those numbers that's hard to

pin because obviously there's no general market, but certainly for budgeting purposes we're looking at something well below \$300.

Tom Meyer, Raymond James

Okay. And then on the copper guidance, I think the text reads meet or exceed copper production guidance of 150 million pounds. Given your 125 year to date, wouldn't it have been prudent to revise higher or should we be expecting 24.8 million pounds for the balance of the year?

Paul Blythe, President & Chief Executive Officer

Well you always get that dilemma in the last quarter as to whether you increase guidance or not, and perhaps it would have been useful, perhaps not. As I say, we think there's a reasonable chance that we'll exceed guidance. I mean we're not talking about a huge amount but somewhat.

Tom Meyer, Raymond James

Okay. And then finally, with respect to the marketable securities in your commentary on M&A, how would you characterize the change in tone with respect to M&A over, call it, the

last two or three months versus say year ago? Are we looking more towards M&A friendly deals or getting into the hostile? How would you characterize the difference in tone?

Paul Blythe, President & Chief Executive Officer

Well I think just speaking for Quadra we've never really been into hostile deals. We generally take the view that unless the operation has been around for a long time that there's too much risk in not being able to do due diligence. We think though that there's a lot more reality in people's attitudes towards the value of their own corporations at this point in time, so we think the stage is set for at least the potential for friendly deals.

Just taking, ah, I'm not quite sure how you want to weave the market securities into that, but yeah, we take positions from time to time that we see as being useful strategically. These change as circumstances change and obviously I'm not going to disclose where we have those set of securities and where they sit at any given time.

Tom Meyer, Raymond James

Okay. Thanks very much. I'll pass it on.

Operator

Thank you. The next question is from Orest Wowkodaw from Canaccord Adams. Please go ahead.

Orest Wowkodaw, Canaccord Adams

Hi, good morning. If I could, I'd like to just delve a little more into your disclosed marketable securities this quarter. First of all, I guess you stated that the value as of the end of September was \$38 million; can you confirm whether that is in one specific security or is it these multiple positions?

Paul Blythe, President & Chief Executive Officer

Hi, Orest. As I just said, we move the positions around and, no, I'm not going to disclose whether it's one or several. It's a strategic. It's something that we do strategically. It potentially puts us in a position to help us make something work where we see an M&A opportunity and it really wouldn't be helpful from a value point of view to answer your question I'm afraid.

Orest Wowkodaw, Canaccord Adams

And I mean given the additional market meltdown we saw in October, can you give us a sense of where the mark-to-market position would be sitting at the end of October?

Paul Blythe, President & Chief Executive Officer

I can't off of the top of my head, no.

Orest Wowkodaw, Canaccord Adams

Okay, thanks very much. I'll pass it on.

Operator

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

Onno Rutten, UBS Securities

Yeah, good morning everyone. Good morning, Paul. I'm here from gloomy UBS. Questions on the Veteran pit in particular. You've been drilling there in 06 and 07, as you indicated; could you give us a bit of an indication of what type of resource we're looking at if we were to push back the pit wall, both in terms of copper

and gold grades, strip ratios, pre-stripping, etcetera.

Paul Blythe, President & Chief Executive Officer

Again, I couldn't give you that off the top of my head. We are in the process of putting together a 43-101. Essentially the overall effect on Robinson on a life-of-mine basis would be to add a couple of years to the mine life. But I can't rattle off all those numbers at the moment. But we will have a 43-101 out fairly soon.

Onno Rutten, UBS Securities

And the existing mine life, could you define how that looks in 2010 in particular? Because the original plan was to move over to Ruth and I guess on the stripping basis in Q1 2010 already and get first ore by mid-2010 from Ruth. How is the profile of the existing resource at Veteran?

Paul Blythe, President & Chief Executive Officer

Well what we will be doing, and I'm not clear on your question, but we'll be—

Onno Rutten, UBS Securities

When do you run out of ore without doing any big pushbacks?

Paul Blythe, President & Chief Executive Officer

Without doing the pushback we run out of ore in about 18 months. We would make the transition in about 18 months. From January the first, recognizing there's a couple of months left of this year.

Onno Rutten, UBS Securities

Okay, so mid-2010.

Paul Blythe, President & Chief Executive Officer

So in other words the mine plan last year before we elected to do the pushback, there was about 18 months of ore in the Veteran pit before we crossed over to Ruth. Now it's not a straight line like finish on Veteran one day and go to Ruth the next, obviously there's a transition period in that, but essentially that was the plan before we elected to go the additional pushback route.

Onno Rutten, UBS Securities

And the pushback you're planning to commence soon then?

Paul Blythe, President & Chief Executive Officer

Yeah, it'll be the next stage of mining. We'll be beginning stripping imminently and that'll be the next stage of mining.

Onno Rutten, UBS Securities

Is there a risk that you would be out of ore for a while, while you're doing the pushback?

Paul Blythe, President & Chief Executive Officer

No, no. We've got good continuity. We've got good overlaps between the different stages. We don't see any issues as long as we maintain our stripping plans of not, you know, planning continuity of operations.

Onno Rutten, UBS Securities

Okay. Are you're planning to capitalize that or would that be an expense item?

Paul Blythe, President & Chief Executive Officer

Now there's a question. Stuart, do you want to...?

Onno Rutten, UBS Securities

Yeah, because I mean the accounting interpretation can be either way, that's why I'm asking.

Stuart McDonald, Chief Financial Officer

Yeah, we've looked at that. There's an opportunity to capitalize that. We'd have to work through that with our auditors. But, you know, generally you can capitalize those types of costs if you're expanding the pit, so I'm optimistic we'll be able to do that.

Onno Rutten, UBS Securities

Okay, cool. And then two smaller questions. One: your copper put program; could you elaborate on the decision not to put more protection in? Because this was effectively the same book that we looked at at the end of Q2, more or less I think.

Paul Blythe, President & Chief Executive Officer

Well when we put this in, copper at the time was anything \$3 to \$4. Our thinking was that there was always a risk that we would have a downward spike in copper. We saw one, for example, at the front-end of 2007 when copper dropped to \$2.37. And this was cheap protection against those sort of spikes, which would obviously tend to be disruptive on our liquidity plans.

We didn't put that program in place to deal with what we're dealing with now. Once copper dropped below, and recognize that it was dropping 20 percent a week at some point, they very rapidly became too expensive, unrealistically expensive.

You know, when you're buying copper puts at \$2.50 and copper is \$4, a handful of millions of dollars buys you a protection position. When you're buying puts at \$2.50 and copper is \$2.60, you're pretty much paying full price, right?

Onno Rutten, UBS Securities

Yeah, okay. Yeah, that makes full sense. And let's hope that the UBS scenario doesn't come through.

Paul Blythe, President & Chief Executive Officer

I didn't say UBS was gloomy, I just said that the prediction was gloomy.

Onno Rutten, UBS Securities

Yeah, it's related to a gloomy economic prediction, worse than what we currently see, so just to put context to that.

Last question on Carlotta: how much CapEx is still left for completion?

Paul Blythe, President & Chief Executive Officer

It's less than \$10 million. I don't have the exact numbers, but less than \$10 million to complete.

Onno Rutten, UBS Securities

Okay, well done. Thank you. Okay, that's all on my side.

Paul Blythe, President & Chief Executive Officer

Okay, thank you.

Operator

Thank you. The next question is from David Charles of GMP Securities. Please go ahead.

David Charles, GMP Securities

Yes, good morning, Paul. Most of my questions have been answered; however, I'm just wondering given that Carlotta is in a start-up and will be into the early part of next year, I'm just wondering how quickly you would be able to get it to sort of a break-even level given current commodity prices, let's say, just for talk sake, around \$1.80 a pound?

Paul Blythe, President & Chief Executive Officer

Obviously there's a build up during the first half of the year and it'll be into the second half of the year before we start ramping up towards full production and the sort of operating, like working towards the sort of life-of-mine operating costs that we expect.

As I indicated earlier, we're studying very carefully and re-reviewing all of our plans in light of what's going on and that obviously is a

question of how do we best get as much liquidity as we can from Carlotta. So Carlotta will certainly be a drain on cash for at least the first six months of the year. As things are presently formulated and how much room we've got in that and what things we can do. There's a whole group of people working as we speak to make sure that no stone is unturned to maximize our cash balances and our liquidity.

David Charles, GMP Securities

So is it safe to say then that when you manage to come out with your update at the end of the month or so you'll give us not only guidance on Robinson but also some guidance on Carlotta in terms of both production for next year and operating costs in sort of a general sense?

Paul Blythe, President & Chief Executive Officer

It's fair to say we'll give production guidance. That's what we've always done. I don't anticipate at this point us giving cost guidance. We don't give cost guidance. We find that in a volatile situation that it's too easy to be wrong. But we'll certainly look at that.

David Charles, GMP Securities

And just maybe one final question. You did mention that obviously the marketable securities was a strategic opportunity that was presented to you and, again, realizing that the environment has changed dramatically during the third quarter, in fact very dramatically. I suppose the question I have for you now is, you know, given your cash balance now, if you were presented with an opportunity like that, would you use cash at this point in time to acquire stock or would you prefer to hoard your cash going forward?

Paul Blythe, President & Chief Executive Officer

Very much the latter. We're not actually contemplating any transactions now that would involve cash. We think the right thing to do given that nobody has any idea how long this is going to last is to, as you put it, hoard cash to preserve cash. That gives us the best optionality going forward. So we wouldn't see, and I would have to put my never say never comment on that, but we would have to, ah, it would take a lot of convincing to make an acquisition that involved cash.

David Charles, GMP Securities

Thank you very much.

Paul Blythe, President & Chief Executive Officer

Okay. Thank you, David.

Operator

Thank you. The next question is from Alex Terentiew of Scotia Capital. Please go ahead.

Alex Terentiew, Scotia Capital

Hi guys and good morning. I have a couple of questions about the Veteran pit pushback. Now if you expand the pit, which I guess is what you guys are now planning to do, would you be encountering ore that is more similar to the hypogene ore or supergene ore that you guys are now mining?

Paul Blythe, President & Chief Executive Officer

Most of the ore in the pushback or in the next stage is hypogene. There is some supergene,

but much less than we've encountered historically.

Alex Terentiew, Scotia Capital

Okay.

Paul Blythe, President & Chief Executive Officer

I think more than 80 percent, off the top of my head, is hypogene.

Alex Terentiew, Scotia Capital

Okay, great. Thanks. Now would it also be fair to say, I mean this is kind of the exterior of the pit and, you know, usually kind of start in the better parts of the pit, would it be fair to assume that as you expand outwards, you know, the grades are kind of somewhat lower than what's currently being mined at Robinson?

Paul Blythe, President & Chief Executive Officer

Somewhat, but not hugely lower. There will be some material that were stockpiled that we blend. The issue in terms of the decision wasn't so much the grade as the strip ratio

associated with getting down. Obviously the further out you go the higher the strip ratio.

Alex Terentiew, Scotia Capital

Okay, I see. Yeah, that's true. Now can you give any idea of what the Veteran pushback might cost?

Paul Blythe, President & Chief Executive Officer

Again, we had a number but we're looking at everything we're doing so I'm not going to answer that now until we finish that work as to how we can, as they say, save any penny.

Alex Terentiew, Scotia Capital

Okay. One final—

Paul Blythe, President & Chief Executive Officer

Sorry, just probably a little bit more help there and a little bit more colour, there's two aspects to capital because of the amount and timing, and timing is a big focus for us at this point too. The earlier you spend it the lower your risk and the later you spend it the higher your

risk, so we're looking at where we place the peg in the board in terms of risk/reward as well.

Alex Terentiew, Scotia Capital

One final question on the Ruth pit: Can you give us an idea of how much excess water might be required to be disposed of and what the current permitted amount is?

Paul Blythe, President & Chief Executive Officer

Yeah, we're looking at about—and being as it's in the U.S. it's in gallons—but our current thinking is that we need to extract about 16,000 gallons a minute. We're permitted for about just over 8. And we use the 8 in the mill. And, you know, there are, it's been a work in progress for some time, but we're confident that—we've got two or three different roadmaps that we're pursuing in parallel so we're reasonably sure we can get a hold of those 8,000 gallons a minute.

Alex Terentiew, Scotia Capital

Okay. All right, thank you.

Paul Blythe, President & Chief Executive Officer

Okay, thank you.

Operator

Once again, please press star one if you have a question. The next question is from Rahul Paul of Thomas Weisel Partners. Please go ahead.

Rahul Paul, Thomas Weisel Partners

Hi. Just a quick clarification on the Ruth pit. You did say that you had about 18 months of ore left in the Veteran pit but I'm just wondering if the Ruth pit were to be, the development would be completed before 18 months, would you be mining both the Veteran and the Ruth pit at the same time or would you wait to finish the Veteran pit and then move on to the Ruth pit?

Paul Blythe, President & Chief Executive Officer

One of the main drivers for the pushback in the Veteran pit is the blending issue, as I'm sure you're aware that we—

Rahul Paul, Thomas Weisel Partners

Yep.

Paul Blythe, President & Chief Executive Officer

Our (inaudible) discovery on blending has been very positive for us and one of the things we wanted to do was to be able to blend the hypogene ore that's in the next pushback in Veteran with the supergene ore from the Ruth pit. We think that'll give us a much better overall metallurgical outcome in terms of both recovery and concentrate grade. So they will be mined in—the ore will be extracted in parallel. Now the stripping in the Veteran pushback will be finished by then so we'll be basically mining ore and the stripping will be focusing on Ruth at that time. But we will be, for two or three years we'll actually be blending those two materials.

Rahul Paul, Thomas Weisel Partners

Okay. And would it be a stretch to expect the completion of the Ruth pit by Q2 in 2010?

Paul Blythe, President & Chief Executive Officer

Yeah, the present plan means that we can defer getting the Ruth put up to full production in 2010, we can defer that out into 2007, which was the second driver that allows us (inaudible) for the dewatering. We don't need to go there.

Rahul Paul, Thomas Weisel Partners

Okay. And just on the puts that you have, could you give us an estimate of how many expired in October?

Paul Blythe, President & Chief Executive Officer

I don't have that number at hand.

Stuart McDonald, Chief Financial Officer

Yeah, I mean the fourth quarter puts, they're generally spread evenly over the three months, so you could take a third of our fourth quarter number and you'd probably be pretty close.

Rahul Paul, Thomas Weisel Partners

Okay, thanks. And on the—just on your TC/RC and shipping contracts, just wondering when do you usually negotiate these contracts and are you seeing lower prices for TC/RC and

shipping and could you sort of give us a rough estimate?

Paul Blythe, President & Chief Executive Officer

Half our contracts are brick contracts with (inaudible). Half are with traders. We generally negotiate—once we've struck a budget and we know what our production profile looks like, we generally negotiate with traders. We typically don't place more than 80 percent of our total material and the rest we put up for spot sales. And the shipping, we don't have a long-term contract. We ship on a case-by-case base. We charter a ship for each parcel of concentrate that's going to a specific smelter.

Rahul Paul, Thomas Weisel Partners

Okay, thank you. That's it for me.

Paul Blythe, President & Chief Executive Officer

Thank you.

Operator

Thank you. The next question is from Fraser Phillips of RBC Capital Markets. Please go ahead.

Fraser Phillips, RBC Capital Markets

Thanks. Paul, just curious if you have any access to any bank lines or other currently unused financing facilities.

Paul Blythe, President & Chief Executive Officer

No we don't, Fraser.

Fraser Phillips, RBC Capital Markets

Thank you, sir.

Operator

Thank you. The next question is from John Hughes of Desjardins Securities. Please go ahead.

John Hughes, Desjardins Securities

Thanks, operator. Just two quick ones. One on, Paul, you're discussion re: Carlotta. Is

there a potential for, say at the \$2 a pound level for copper, which is where we are now, is there a potential financial advantage to push the achievement of commercial production into the future? In other words, slow things down and ramp up in the second half versus the first half?

Paul Blythe, President & Chief Executive Officer

Well (inaudible) we've got to get over the hill of getting it up to production and ramping it up. If we knew what was next for copper then, you know, we could—we think it's the appropriate thing to do to get over that hump. If we knew what the future of copper was we could make a call on that, but at the moment we want to bring it to full production. You know, to state the obvious, I think as things develop we'll always be looking at what we're doing in everything we do. If UBS is right then that's a whole different scenario than the sort of scenario we're working with. We're working with around a \$2 number as where we think it's going to settle in terms of our base planning, but obviously we're planning around the periphery of that as well.

John Hughes, Desjardins Securities

Okay, so just for the analysts who are trying to phase this into their income statement, should

it be a Q2 event or a Q3 event? Is it that kind of timeframe?

Paul Blythe, President & Chief Executive Officer

We're saying early 2009, which implies, I guess not very helpfully, the first half of the year. We don't have an exact number. It'll be, you know, Q1/Q2 is our expectation.

John Hughes, Desjardins Securities

Last one: Sierra Gorda, I just want to make sure that I've sort of got a vision on your strategy working through the first quarter on the completion of the scoping study and at that point would the strategic focus really change from one of development to one of securing a partner?

Paul Blythe, President & Chief Executive Officer

I'll answer the question backwards if you don't mind.

We've always been, we've always recognized that that sort of project, that sort of size, we're looking at \$2 or \$3 billion investment, and that's something that would be a big stretch for

us, at least as we're configured now, even in the old days of high cover prices as it were. So we've maintained, we've had expressions of interest and we've maintained contact with people that are seriously interested in doing something with us. We'll continue that program.

In terms of our focus, the scoping study gives us the roadmap forward. It will give us an order of magnitude, capital costs, operating costs, what the project looks like, where the pit is, where the infrastructure is and so on and so on. We want that in place so that we understand, as and when things improve, where to go next and how to move the project forward. But once we've got that roadmap in place we're not planning to do any more work.

You know, we're retaining the core team and the core team now has some thinking time in terms of geology and things like that, but we've just got to park it at this point. It doesn't make sense to us to continue spending cash on that with no sense of what the future really looks like in terms of any project.

John Hughes, Desjardins Securities

That's great. Thanks for the insight, Paul, and that's it for me operator.

Paul Blythe, President & Chief Executive Officer

Thank you.

Operator

Thank you. The next question is from Orest Wowkodaw from Canaccord Adams. Please go ahead.

Orest Wowkodaw, Canaccord Adams

Hi, thanks for taking my second question. Just curious how much of an impact you're seeing on cash costs with the reduction in fuel prices and whether you expect to see some of that benefit already in Q4 or do we have to wait until next year?

Paul Blythe, President & Chief Executive Officer

No, I think we'll be seeing it in Q4. We're certainly, ah, and we're talking, just on fuel alone we're talking obviously millions of dollars a year already. Equally important is the surcharges. Virtually everything that gets shipped to us at Robinson has a fuel surcharge on it. Steel surcharges on bores. All these things are beginning to disappear. They

haven't disappeared yet. I can't quantify it but we think it's going to be quite helpful to us in terms of—and clearly we're going to be putting some pressure on our vendors to help us with the program as it were.

Orest Wowkodaw, Canaccord Adams

In the Q3 costs of 121, can you give us a sense how much of that represented fuel and fuel surcharges?

Paul Blythe, President & Chief Executive Officer

Not off the top of my head. I'd have to get back to you on that one.

Orest Wowkodaw, Canaccord Adams

Okay, fair enough. And just one final question if I could, in terms of strategically on the M&A side; can you remind us in terms of what areas and what commodities you're most interested in?

Paul Blythe, President & Chief Executive Officer

We're interested in well really two, possibly three groups, but copper is a primary focus. If there are other metals, base metals associated with it, well that's fine too. But we're interested in production and now production. We're interested in opportunities that don't require any cash to complete construction or any of those sorts of activities. I suppose if there was a situation where something was fully funded that might be a different category, but I'm not sure there's anything out there that meets that. We're obviously interested in merger recourse stuff where there's larger conversion to be had. We think that bulking up now is a really smart thing to do if we can find the right partner. And always bear in mind that we saw it takes two to tango, so it's not just what we want to do it's what other people want to do. The third area we're looking at is other projects that are out there that are stalled out. You know, we see some opportunities there that we can (inaudible) for the future. So those are the three areas that we're considering.

Orest Wowkodaw, Canaccord Adams

And would your primary focus still be the Americas or would you start looking at some international opportunities?

Paul Blythe, President & Chief Executive Officer

Well we've always taken political risk as a key part of what we do, so our focus would tend to the Americas. We're always interested in Australia. We've made a number of attempts to land that. And so that gives you an idea of the political risk profile. Europe makes sense from a political risk profile point of view; it just generally lacks the geology to support a lot of activity.

So yeah, I mean, again, I keep saying the sort of never say never thing. We'd look at some higher political risk stuff I suppose if the circumstances were right, but with some reluctance, recognizing that we've got a fairly high (inaudible) risk profile, it never seems to us appropriate to complicate that with a political risk profile as well.

Orest Wowkodaw, Canaccord Adams

Yes, fair enough. Thank you very much.

Paul Blythe, President & Chief Executive Officer

Thanks.

Operator

Thank you. There are no further questions registered at this time. I would like to turn the meeting back over to Mr. Blythe.

Paul Blythe, President & Chief Executive Officer

Thank you very much. Thank you everybody for listening. I appreciate your attention and your questions. Bye.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. Thank you for your participation.