



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

The following Management Discussion and Analysis (“MD&A”) of Quadra Mining Ltd. and its subsidiaries (“Quadra” or the “Company”) has been prepared as at November 8, 2009 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the three and nine month periods ended September 30, 2009. This MD&A contains ‘forward looking information’ and reference to the cautionary statement at the end of this MD&A is advised. Additional information relating to the Company, including its Annual Information Form, is available on the SEDAR website at www.sedar.com. The Company is a reporting issuer in all provinces and territories of Canada and its common shares are traded on the Toronto Stock Exchange under the symbol: QUA.

All financial information in this MD&A is prepared in accordance with the Canadian Generally Accepted Accounting Principles and all dollar amounts are expressed in thousands of United States dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Quadra is a mining company that owns and operates the Robinson copper mine (“Robinson” or “Robinson Mine”) near Ely, Nevada, which has been in production since 2004, the Carlota mine (“Carlota” or “Carlota Mine”), a heap leach - SX/EW copper operation in Arizona, which commenced operations in 2008 and the Franke mine (“Franke” or “Franke Mine”), a heap leach – SX/EW copper operation in northern Chile, currently ramping up production. The Company also owns the Sierra Gorda project (“Sierra Gorda”), a copper-molybdenum project in northern Chile, and the Malmbjerg molybdenum project (“Malmbjerg”) in Greenland. Quadra’s strategic plan is based on growing to a production rate in excess of 500 million pounds of copper per year from diverse operations and with a pipeline of development projects in place for long term sustainability and growth.

THIRD QUARTER AND RECENT HIGHLIGHTS:

- The Company recorded earnings for the quarter ended September 30, 2009 of \$14.7 million or \$0.16 per share (basic) compared to earnings of \$20.8 million or \$0.32 per share (basic) in the third quarter of 2008.
- Adjusted earnings* for the quarter ended September 30, 2009 were \$21.4 million or \$0.23 per share (basic) after making adjustments to exclude the loss on derivatives and the gain on marketable securities, the tax effects of these items and taxes in respect of prior years.
- The Company generated cash flow from operating activities (before working capital changes)* of \$25.3 million for the third quarter of 2009 compared to \$27.6 million in the third quarter of 2008.
- Revenues for the third quarter of 2009 were \$87.2 million from Robinson and Carlota compared to \$116.0 million for the third quarter of 2008. The reduction in revenues was due to lower sales volumes from the Robinson Mine and lower average copper prices in the current quarter.
- No revenues were recognized from the Franke Mine in the third quarter. The Company expects to achieve commercial production at Franke and commence recognizing revenues during the fourth quarter of 2009.
- The Company produced a total of 44.3 million pounds of copper and 21,142 ounces of gold in the third quarter from the three mines, including the first copper cathode from Franke which was harvested in July.
- The cash cost per pound of copper produced* at the Robinson Mine was \$1.27 per pound in the third quarter of 2009 and \$1.17 per pound for the nine month period ended September 30, 2009.
- In July 2009, the Company announced the completion of a scoping study for the Sierra Gorda project, which included a preliminary economic assessment and an updated mineral resource estimate that recommended proceeding with pre-feasibility and feasibility studies.
- The Company ended the third quarter of 2009 with \$85.5 million of cash on hand and received additional cash proceeds of \$42.3 million in early October from the sale of marketable securities.

* See “Non-GAAP Financial Measures” for additional information.

FINANCIAL PERFORMANCE

Earnings

The Company recorded earnings of \$14.7 million or \$0.16 per share (basic) for the quarter ended September 30, 2009, compared to earnings of \$20.8 million or \$0.32 per share (basic) in the third quarter of 2008. Third quarter earnings in 2009 were impacted by a lower copper price, lower sales volumes due to lower production and the stockpiling of lower grade copper concentrate that is being blended and will be sold later in 2009. Third quarter earnings in 2009 were also impacted by a \$13.8 million accounting loss on derivatives which was a result of the increasing copper price across the quarter, partially offset by a gain on sale of marketable securities of \$8.1 million.

Earnings for the nine months of 2009 were \$34.0 million or \$0.39 per share (basic) compared to \$164.7 million or \$2.74 per share (basic) for the same nine month period in 2008. The decreased earnings in 2009 are primarily due to lower copper prices and to lower metal sales volumes in the current year (see “Costs of Sales and Expenses”).

The copper price increased from \$2.32 per pound on June 30, 2009 to \$2.78 per pound on September 30, 2009 resulting in positive adjustments on final settlement of provisionally priced sales recorded in the second quarter of 2009 (see section below “Revenues”).

Operating Income

Operating income for the three and nine months ended September 30, 2009 and 2008 was comprised as follows:

| | Three months ended | | | Three months ended | | |
|---|---------------------------|--------------|---------------|---------------------------|----------|---------------|
| | September 30, 2009 | | | September 30, 2008 | | |
| | Robinson | Carlota | Total | Robinson | Carlota | Total |
| Revenues | 70,096 | 17,070 | 87,166 | 115,957 | - | 115,957 |
| Cost of sales | (37,751) | (11,329) | (49,080) | (67,642) | - | (67,642) |
| Reversal of start-up inventory adjustment | - | 4,347 | 4,347 | - | - | - |
| Amortization, depletion, depreciation and accretion | (4,210) | (1,664) | (5,874) | (5,947) | - | (5,947) |
| Royalties and mineral taxes | (4,113) | (879) | (4,992) | (8,048) | - | (8,048) |
| Operating income | <u>24,022</u> | <u>7,545</u> | <u>31,567</u> | <u>34,320</u> | <u>-</u> | <u>34,320</u> |

| | Nine months ended | | | Nine months ended | | |
|---|---------------------------|---------------|----------------|---------------------------|----------|----------------|
| | September 30, 2009 | | | September 30, 2008 | | |
| | Robinson | Carlota | Total | Robinson | Carlota | Total |
| Revenues | 247,126 | 41,922 | 289,048 | 494,559 | - | 494,559 |
| Cost of sales | (130,049) | (34,554) | (164,603) | (195,407) | - | (195,407) |
| Reversal of start-up inventory adjustment | - | 9,652 | 9,652 | - | - | - |
| Amortization, depletion, depreciation and accretion | (15,458) | (3,700) | (19,158) | (16,312) | - | (16,312) |
| Royalties and mineral taxes | (10,836) | (2,166) | (13,002) | (28,144) | - | (28,144) |
| Operating income | <u>90,783</u> | <u>11,154</u> | <u>101,937</u> | <u>254,696</u> | <u>-</u> | <u>254,696</u> |

Operating income for the quarter ended September 30, 2009 decreased to \$31.6 million compared to \$34.3 million in the third quarter of 2008. Operating income for the nine months ended September 30, 2009 decreased to \$101.9 million compared to \$254.7 million in the same period of 2008. These decreases in operating income are primarily due to lower average copper prices and lower sales volumes in 2009 (see “Cost of Sales and Expenses”). No revenues or operating income were recognized from the Franke Mine in the third quarter. The Company expects to achieve commercial production at Franke and commence revenue recognition during the fourth quarter of 2009.

Revenues

Revenues are generated by the sale of copper concentrates from the Robinson Mine and copper cathodes from the Carlota Mine. Revenues are generally recognized at the time of delivery to a customer based on metal prices at that time, however, under Robinson's current sales contracts, which follow normal industry practice, final pricing for copper sold in concentrate is generally set at least three months after the time of arrival of a shipment at the customer's port of delivery. As a result, Robinson's quarterly revenues include estimated prices for sales, based on forward copper prices at quarter end, as well as pricing adjustments for sales that occurred in previous quarters, based on the actual price received and the price at quarter end for sales from previous quarters that were not settled in the quarter. Payment for copper cathode from Carlota is on shipment and is thus generally set in the month of shipment and therefore pricing adjustments in subsequent periods tend to be very small.

In the quarter ended September 30, 2009, revenues from operations were \$87.2 million, of which \$17.1 million were attributable to the sale of Carlota cathodes, compared to total revenues of \$116.0 million for the third quarter of 2008. The decrease in revenue is primarily due to lower average copper prices in the current quarter and lower sales volumes due to lower production and the stockpiling of lower grade copper concentrate that is being blended and sold later in 2009. In the third quarter of 2009, the Company sold a total of 27.6 million pounds of copper and 18,268 ounces of gold, compared to 40.4 million pounds of copper and 35,151 ounces of gold in the third quarter of 2008.

Revenues from both operations for the first nine months of 2009 were \$289.0 million compared to \$494.6 million for the same nine month period of 2008. For the nine month period ended September 30, 2009, the Company sold 99.7 million pounds of copper and 71,678 ounces of gold, compared to 118.0 million pounds of copper and 102,868 ounces of gold for the same period in 2008. The decrease in revenues in 2009 is primarily due to lower average copper prices and lower sales volumes in the current year.

As a result of the increasing copper price across the third quarter of 2009, revenues include positive pricing adjustments of \$1.7 million related to the second quarter sales from Robinson. In addition, the Company recorded a positive price adjustment of \$6.6 million related to the third quarter shipments from Robinson which were revalued at a price of \$2.79 at September 30, 2009.

At June 30, 2009, receivables included approximately 18.6 million pounds of copper provisionally valued at \$2.32 per pound. During the third quarter, these receivables were settled at an average final price of \$2.42 per pound. In the third quarter, Robinson shipped approximately 21.6 million pounds of copper at an average provisional price of \$2.41 per pound, of which 5.0 million pounds was settled during the quarter at an average final price of \$2.07 per pound. At September 30, 2009, receivables include 16.6 million pounds of copper which has been provisionally valued at \$2.79 per pound.

Cost of Sales and Expenses

Cost of sales for the quarter ended September 30, 2009 was \$49.1 million compared to \$67.6 million for the third quarter of 2008. For the nine months ended September 30, 2009, cost of sales was \$164.6 million compared to \$195.4 million in the same period of 2008. The decrease in cost of sales for the nine months of the year is a result of the lower sales volumes in the current year and the capitalization of \$16.7 million of pre-production stripping costs related to the new Ruth pit area at Robinson. No stripping costs were capitalized in 2008.

In the fourth quarter of 2008 the Company recorded an adjustment of \$15.2 million to reduce the carrying value of Carlota's copper cathode and leach pad inventory to net realizable value. During the three and nine month periods ended September 30, 2009 the Company recorded reversals of this inventory adjustment in the amount of \$4.3 million and \$9.7 million, respectively, due to the increase in copper prices and the resulting increase in the net realizable value of Carlota's inventory. The inventory adjustment has been fully reversed as of September 30, 2009.

Amortization, depletion and depreciation for the third quarter of 2009 were \$4.9 million compared to \$5.1 million for the third quarter of 2008. For the nine months ended September 30, 2009, amortization, depletion and depreciation increased to \$16.2 million from \$13.8 million in the same period of 2008. The increase in amortization, depletion and depreciation is mainly due to the amortization of mineral property, plant and equipment at the Carlota Mine and the amortization of pre-production stripping costs at the Robinson Mine. The Carlota Mine was under

construction in the first half of 2008 and therefore, no amortization, depletion and depreciation was recorded for Carlota in that period.

Royalties and mineral taxes for the third quarter of 2009 were \$5.0 million compared to \$8.0 million for the third quarter of 2008. For the nine months ended September 30, 2009, royalties and mineral taxes were \$13.0 million compared to \$28.1 million in 2008. This decrease in royalties and mineral taxes is primarily due to the lower copper prices and lower sales volumes in 2009.

General and administrative expenses for the nine months of 2009 are generally in line with 2008. For the third quarter of 2009, general and administrative expenses were \$4.8 million compared to \$3.9 million for the third quarter of 2008, and for the first nine months of 2009 general and administrative expenses were \$12.4 million compared to \$12.0 million in 2008.

Stock-based compensation expense for the third quarter of 2009 was \$1.2 million compared to \$1.7 million for the third quarter of 2008. For the nine months ended September 30, 2009, stock-based compensation expense was \$4.8 million compared to \$6.9 million in the same period of 2008. Stock-based compensation expense is based on the amortization of the fair value of options granted, as calculated on the date of the grant, over the two year vesting period. Options granted in 2009 had a lower initial fair value than 2008 option grants, which resulted in lower amortization in 2009.

During the nine months ended September 30, 2009, the Company received cash proceeds of \$23.3 million from the exercise of put options for 35 million pounds of copper (see section below “**Financial Instruments**”). However, the significant increase in the price of copper during the first nine months of 2009 has resulted in a decrease in the fair value of the Company’s copper collars, put options and other derivatives, resulting in a loss on derivatives of \$13.8 million for the third quarter and \$39.8 million for the nine months ended September 30, 2009. The loss on derivatives during the first nine months of 2008 primarily related to a decline in value of copper put options.

During the third quarter of 2009, the Company disposed of the remainder of its marketable securities for proceeds of \$42.3 million, resulting in a realized gain of \$8.1 million which has been recorded as other income. For the nine months ended September 30, 2009, the gain on the sale of marketable securities was \$0.8 million. The net interest and other (income) expense during the nine months of 2008 primarily related to interest income earned on cash.

The Company recorded an income tax expense of \$6.5 million during the three month period ended September 30, 2009, compared to \$12.9 million for the third quarter of 2008. For the nine months ended September 30, 2009, the Company recorded an income tax expense of \$12.5 million compared to \$50.4 million for the same period of 2008. The tax expense for the first nine months of 2009 has been recorded based on an estimated annual effective tax rate of 22% (2008: 23%). In the third quarter of 2009, the Company also recorded an expense of \$2.2 million to adjust prior year taxes.

SUMMARY OF QUARTERLY RESULTS

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

| SUMMARY OF QUARTERLY RESULTS | | | | | | | | |
|--|-----------|-----------|---------|-----------|-----------|---------|---------|----------|
| \$000's | 2009 | | | | 2008 | | | 2007 |
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Statement of Operations | | | | | | | | |
| Revenues - initial provisional price | 66,849 | 67,465 | 79,739 | 80,796 | 184,719 | 183,046 | 170,174 | 110,012 |
| Revenues - price adjustments | 6,822 | 16,776 | 22,952 | (84,560) | (64,398) | 1,550 | 33,567 | (22,215) |
| Refining and treatment charges | (3,575) | (4,487) | (5,415) | (3,294) | (4,364) | (4,026) | (5,709) | (6,130) |
| Revenues - Robinson concentrate* | 70,096 | 79,754 | 97,276 | (7,058) | 115,957 | 180,570 | 198,032 | 81,667 |
| Revenues - Carlota cathode | 17,070 | 15,812 | 9,040 | - | - | - | - | - |
| Revenues - total | 87,166 | 95,566 | 106,316 | (7,058) | 115,957 | 180,570 | 198,032 | 81,667 |
| Operating income (loss) | 31,567 | 24,126 | 46,244 | (93,422) | 34,320 | 104,001 | 116,376 | 15,085 |
| Earnings (loss) before income taxes | 21,196 | (7,515) | 32,823 | (159,278) | 33,626 | 81,000 | 100,501 | 6,964 |
| Earnings (loss) | 14,701 | (7,328) | 26,655 | (126,080) | 20,772 | 65,354 | 78,563 | 5,490 |
| Basic earnings (loss) per share | \$ 0.16 | \$ (0.08) | \$ 0.40 | \$ (1.94) | \$ 0.32 | \$ 1.11 | \$ 1.42 | \$ 0.10 |
| Diluted earnings (loss) per share | \$ 0.15 | \$ (0.08) | \$ 0.40 | \$ (1.94) | \$ 0.31 | \$ 1.06 | \$ 1.39 | \$ 0.10 |
| Financial Position | | | | | | | | |
| Cash and cash equivalents | 85,485 | 124,515 | 111,014 | 107,797 | 266,384 | 262,155 | 305,292 | 263,586 |
| Total Assets | 1,157,034 | 1,104,403 | 875,423 | 851,967 | 1,057,458 | 981,687 | 855,961 | 789,219 |
| Total Liabilities | 211,632 | 186,538 | 103,030 | 120,435 | 179,198 | 128,735 | 287,474 | 290,840 |
| Shareholders' equity | 945,402 | 917,865 | 772,393 | 731,532 | 878,260 | 852,952 | 568,487 | 498,379 |
| Production Statistics - Robinson mine | | | | | | | | |
| Copper production (million lbs) | 33.6 | 22.9 | 36.7 | 34.5 | 38.6 | 44.6 | 42.0 | 32.4 |
| Copper sales (million lbs)* | 21.1 | 24.2 | 34.5 | 29.2 | 40.4 | 38.7 | 38.9 | 28.9 |
| Average final settlement price per pound | \$ 2.42 | \$ 2.14 | \$ 1.56 | \$ 1.83 | \$ 3.44 | \$ 3.81 | \$ 3.64 | \$ 3.24 |
| Gold production (ozs) | 21,142 | 18,031 | 34,649 | 26,913 | 30,629 | 42,348 | 37,738 | 27,048 |
| Copper grade (%) | 0.75 | 0.58 | 0.65 | 0.68 | 0.64 | 0.72 | 0.68 | 0.59 |
| Gold grade (g/t) | 0.26 | 0.25 | 0.42 | 0.44 | 0.42 | 0.51 | 0.45 | 0.38 |
| Copper recovery | 57.4% | 56.3% | 75.4% | 68.1% | 78.7% | 81.8% | 78.6% | 66.1% |
| Gold recovery | 71.4% | 70.4% | 75.4% | 52.2% | 65.8% | 75.2% | 72.6% | 59.2% |
| Onsite costs | 49,394 | 51,821 | 44,878 | 59,659 | 61,102 | 61,229 | 55,580 | 57,273 |
| Offsite costs | 11,079 | 10,076 | 12,791 | 13,089 | 16,409 | 15,303 | 17,892 | 15,891 |
| Production Statistics - Carlota mine | | | | | | | | |
| Copper production (million lbs) | 6.6 | 6.8 | 6.6 | 0.8 | - | - | - | - |
| Copper sales (million lbs) | 6.5 | 7.5 | 5.9 | - | - | - | - | - |
| Average realized price per pound | \$ 2.63 | \$ 2.10 | \$ 1.53 | - | - | - | - | - |
| Copper grade (%) | 0.35 | 0.29 | 0.30 | 0.23 | - | - | - | - |
| Onsite costs | 17,806 | 18,809 | 18,032 | 21,765 | - | - | - | - |

* Revenues from sales of Robinson's concentrate are recognized at the time of delivery which is generally upon loading of a ship at the port of Vancouver, Washington. Due to the timing of shipments, the amount of product sold in a quarter may differ from quarterly production volumes at the Robinson Mine in Ely, Nevada. Revenues are initially recognized based on metal prices at the time of shipment; however, final pricing is not determined until a future period. Price adjustments are recorded at each quarter-end prior to final settlement. Copper sales volumes are reported based on the volume of pounds actually paid for by the customer (payable pounds). Payable pounds are generally 3-5% lower than the metal volume actually delivered, and the amount of the deduction varies depending on concentrate grade.

The quarterly performance of the Robinson Mine varies as a result of changes in head grade, metal recovery and waste stripping requirements. Due to the complex nature of the Robinson ore body, volatility in metal prices, and industry cost pressures the results have varied from quarter to quarter, and this is expected to continue in the future.

The decline in the cash balance in the fourth quarter of 2008 is due to the decline in copper prices, and the resulting impact of settlement of provisional price adjustments.

In the fourth quarter of 2008, the Company recorded a \$96 million write down related to the impairment of the Malmbjerg mineral property.

In the second quarter of 2009, the Company completed the acquisition of Centenario and, as a result, increased its total assets by \$262 million and its total liabilities by \$195 million.

REVIEW OF OPERATIONS AND PROJECTS

ROBINSON MINE (NEVADA)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---------------------------------|---------------------------------|-----------|--------------------------------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| Copper production (Million lbs) | 33.6 | 38.6 | 93.2 | 125.2 |
| Gold production (ozs) | 21,142 | 30,629 | 73,822 | 110,715 |
| Waste mined (Tonnes 000's) | 12,138 | 14,263 | 32,123 | 44,257 |
| Ore mined (Tonnes 000's) | 4,360 | 3,940 | 11,628 | 11,004 |
| Ore milled (Tonnes 000's) | 3,555 | 3,489 | 10,126 | 10,484 |
| Onsite costs | \$ 49,394 | \$ 61,102 | \$ 146,093 | \$ 177,911 |
| Offsite costs | \$ 11,079 | \$ 16,409 | \$ 33,946 | \$ 49,604 |
| Total onsite and offsite costs | \$ 60,473 | \$ 77,511 | \$ 180,039 | \$ 227,515 |
| Capital expenditure | \$ 6,778 | \$ 14,699 | \$ 13,766 | \$ 35,745 |
| By product credits | | | | |
| - Gold and silver | \$ 17,263 | \$ 30,380 | \$ 69,425 | \$ 97,031 |
| - Molybdenum | \$ 379 | \$ 579 | \$ 1,923 | \$ 1,226 |
| Copper grade (%) | 0.75 | 0.64 | 0.66 | 0.70 |
| Gold grade (g/t) | 0.26 | 0.42 | 0.31 | 0.48 |
| Copper recovery | 57.4% | 78.7% | 63.0% | 80.3% |
| Gold recovery | 71.4% | 65.8% | 73.0% | 74.4% |

During the three month period ended September 30, 2009, a total of 16.5 million tonnes of ore and waste were mined compared to 18.2 million tonnes in the same period of 2008. The decrease in waste mined was anticipated based on the 2009 mine plan. Copper production in the third quarter of 2009 was 33.6 million pounds, compared to 38.6 million pounds in the third quarter of 2008. Production in the third quarter of 2009 was in line with expectations despite lower recoveries due to poor metallurgical performance of the Wedge pit ore. Mining from the lower benches of the Veteran Pit resumed as expected in mid-August, following the implementation of additional slope monitoring and other control measures as agreed with the Mine Safety and Health Administration (MSHA), the Federal enforcement agency responsible for health and safety in U.S. mines.

Gold production for the three month period ended September 30, 2009 was 21,142 ounces compared to 30,629 ounces for the third quarter of 2008. The decreased gold production in the third quarter of 2009 is due to lower gold head grade from the Kimbley/Wedge pit, but is in line with expectations.

Robinson Operating and Capital Costs

Operating costs are comprised of onsite and offsite costs (see “**Non-GAAP Financial Measures**”). Onsite costs include all stripping costs (including those capitalized for accounting purposes) and are primarily driven by the volume of waste and ore moved, payroll costs, supplies and equipment maintenance costs, and royalties. Onsite costs for the three month period ended September 30, 2009 were \$49.4 million compared to \$61.1 million for the third quarter of 2008. This decrease primarily relates to a \$4.2 million reduction in royalty expenses due to a decrease in sales volume and copper price, a \$3.5 million decrease related to lower realized diesel prices, and a \$1.4 million decrease in blasting supplies. Onsite costs for the nine month period ended September 30, 2009 were \$146.1 million compared to \$177.9 million the same period of 2008. The decrease primarily relates to a \$10.7 million reduction in royalty expenses, a \$7.7 million decrease in realized diesel fuel prices, a \$4.1 million decrease in the employee gainshare payments, a \$3.3 million reduction in maintenance costs due to the timing of component replacements, a \$3.4 million decrease in blasting supplies, and a \$1.8 million reduction in tire costs.

Offsite costs are primarily driven by smelting and refining charges, the volume of concentrate transported, and rail and ocean freight rates. Offsite costs for the three month period ended September 30, 2009 were \$11.1 million

compared to \$16.4 million for the third quarter of 2008. For the first nine months of 2009, offsite costs decreased to \$33.9 million from \$49.6 million in the same period of 2008. The reduction in offsite costs is due to lower ocean freight rates in the current quarter and lower concentrate sales volumes, which were partially offset by higher charges for smelting and refining.

The cash cost per pound of copper produced was \$1.27 for the three month period ended September 30, 2009, compared to \$1.21 for the third quarter of 2008. The cash cost per pound of copper produced was \$1.17 for the nine month period ended September 30, 2009, compared to \$1.03 for the nine months of 2008. The increase in cash cost per pound in the current year is due to lower copper production and lower gold by-product revenues, partially offset by lower onsite and offsite costs. The cash cost per pound of copper produced is a non-GAAP term and consists of onsite costs (including all stripping costs), and offsite costs, less by-product revenue, divided by the pounds of copper produced in the period (see “**Non-GAAP Financial Measures**”).

Capital expenditures of \$6.8 million in the third quarter of 2009 were primarily related to development of the Ruth pit, an expansion to the flotation circuit and tailings dam work. Capital expenditures were lower than the prior year due to the reduced exploration drilling program.

Robinson Production Outlook

Mining from the lower benches of the Veteran Pit resumed as expected in mid-August. Additional control measures are still being implemented on the East end of the pit, and the company expects those additional control measures to be completed in the fourth quarter.

During the fourth quarter, mining from the Wedge pit area is expected to be substantially completed, and ore deliveries from the Ruth West pit will begin. While mining from the lower benches of Veteran allows for the continuation of the ore blending strategy, metallurgical performance is expected to continue to be highly variable during this transition, due to the very variable mineralogy at a local level. A particular issue is the presence of chalcocite rimmed pyrite, which affects both recovery and concentrate grade. The performance of this ore is such that total production for 2009 is now expected to be 120-125 million pounds, below the previous guidance of 130 million pounds. Gold production is expected to be 90,000 ounces compared to previous guidance of 100,000 ounces. Copper sales volumes should improve in the fourth quarter of 2009 as lower grade concentrate that was stockpiled in the third quarter is blended back into the system and shipped. During the quarter, construction of additional flotation capacity will be completed. A definition drilling program has been initiated in Ruth Pit to increase the drill density with a view to providing additional clarity on mineralogy over the next two years.

In 2010 mining will continue in Veteran Pit and advance into areas of the Ruth Pit. While evaluation drilling has been carried out in the past, the Company now expects the ore at higher elevations in Ruth to show significant local variability, and as noted, is currently increasing the drill density across this material. In addition to the chalcocite coated pyrite, there is an intermixing of supergene and hypogene ore, which the Company has had difficulty processing when previously encountered. As with each pit at Robinson previous experience has only had limited value. It is expected that the complex nature of the Robinson ore body will continue to cause metal production variations from quarter to quarter. For 2010, the Company expects annual production of 135 million pounds of copper and 80,000 ounces of gold. Gold production in 2010 is expected to be lower than previous years due to declining gold head grades.

Robinson Cost Outlook

Onsite costs (including stripping costs) are expected to be in line with guidance for 2009. The royalty costs are expected to be lower than the costs experienced in 2008 due to lower copper prices.

The Company expects to spend \$13 million on capital expenditures at the Robinson Mine during the remainder of 2009, primarily related to the development of the Ruth pit areas and the flotation circuit expansion in the mill targeted at improving recovery.

Onsite costs in 2010 are expected to be in line with the costs in 2009 on volume adjusted bases. Tonnes mined are expected to rise from 65 million in 2009 to 72 million in 2010. Tonnes milled is also expected to increase from 13.5 million in 2009 to 14.5 million in 2010. Offsite costs are similarly volume driven. Capital costs in 2010 are expected to be \$30 million related to the development of the Ruth pit, the definition and metallurgical drilling program and the acquisition of additional mining equipment.

CARLOTA MINE (ARIZONA)

| | Three months ended September 30, 2009 | Nine months ended September 30, 2009 |
|---|--|---|
| Copper cathode production (Million lbs) | 6.6 | 20.0 |
| Waste mined (Tonnes 000's) | 4,689 | 14,204 |
| Ore mined (Tonnes 000's) | 1,427 | 4,483 |
| Ore placed (Tonnes 000's) | 1,427 | 4,484 |
| Onsite costs | \$ 17,806 | \$ 54,647 |
| Capital expenditure | \$ 6,649 | \$ 17,191 |
| Copper grade (%) | 0.35 | 0.29 |

During the three month period ended September 30, 2009, a total of 6.1 million tonnes of ore and waste were mined at Carlota, fewer than scheduled. Additional bench development work was necessary to complete the ultimate pit wall above the Pinto Creek diversion. Mining equipment was reallocated to perform this work, delaying delivery of the higher grade ore in the mine plan. Development of the diversion channel for Pinto Creek, key to accessing ore beneath the existing creek bed, remained on schedule for completion in the fourth quarter. Activity in the third quarter of 2008 was related to mine construction activities and is not comparable to 2009.

Carlota produced its first copper cathode in December 2008 and the mine is currently focussed on ramping up production with 6.6 million pounds of copper produced in the third quarter and a total of 20.0 million for the first nine months of 2009. Production in the third quarter of 2009 was below mine plan estimates in part because of lower than scheduled ore mined as noted above and in part because of lower than planned leaching rates. Leaching rates (flow of solution through the rock) have been 25% lower than anticipated due to the fines content of the ore and to segregation of fines during the ore stacking procedures. The Company is continuing to evaluate the implications of the lower leaching rates in the material being mined within this transition zone at the top of the orebody, which is in contrast to the leaching rates achieved for the bulk of the column testing performed on ores from the main ore body below the transition zone.

Carlota Operating and Capital Costs

Carlota's operating costs are mainly driven by the volume of waste and ore moved, payroll costs, supplies, process reagents, fuel, electricity, equipment maintenance costs, and royalties. Onsite costs for the three month period ended September 30, 2009 were \$17.8 million which is in line with the Company's expectations. Onsite costs for the third quarter of 2008 related to mine construction activities.

Capital expenditures at the Carlota Mine were \$6.6 million in the third quarter of 2009 and primarily related to construction costs for the Pinto Creek diversion, leach pad construction activities and the purchase of a used haulage truck.

Carlota Production Outlook

The Pinto Creek diversion channel is expected to be completed on schedule in the fourth quarter of 2009. The completion of the diversion channel allows the operation to access to the higher grade ore body underlying the creek bed, as per the mine plan. Pad performance remains a work in progress and copper production is expected to continue at a similar rate to previous quarters, with fourth quarter production expected to be in the range of 6 million pounds of copper. As a result, the mine is now expected to produce approximately 26 million pounds of cathode copper in the current year, below guidance of 30 million pounds.

Based on the percolation rates achieved to date, the Company expects to produce 50 million pounds of copper cathode at Carlota in 2010. The percolation issue is being evaluated on a number of fronts including definition drilling within the pit, column testing, pad construction and ripping strategies and fines agglomeration. However, these approaches may or may not allow the percolation rate to be increased. Such an increase would increase production proportionally.

Carlota Cost Outlook

Total onsite operating costs at the Carlota Mine are expected to be approximately \$70 million in 2009, which is lower than previous guidance primarily due to lower acid consumption. The capital expenditures at the Carlota Mine for the remainder of 2009 are expected to be approximately \$7.5 million, mainly related to the diversion of the Pinto Creek and the commencement of construction activities for phase two of the leach pad.

In 2010, the amount of tonnes mined at Carlota is expected to increase by 18% leading to an increase in onsite costs of approximately \$7 million next year. Capital expenditures are expected to be \$35 million primarily related to the planned leach pad expansion and mine equipment purchases.

FRANKE MINE (CHILE)

On April 8, 2009 the Company completed the acquisition of Centenario Copper Corporation (“Centenario”) and its 100% owned Franke Mine (“Franke”), a heap leach – SX/EW copper project in northern Chile. Quadra acquired all the outstanding common shares of Centenario through a plan of arrangement (“Arrangement”) under the provisions of the Business Corporations Act. Under the terms of the Arrangement, the Centenario shareholders received 0.28 of a Quadra common share for each common share of Centenario. Outstanding options to acquire Centenario shares were exchanged for options to acquire Quadra shares, based on the same exchange ratio. A total of 14,368,563 common shares and 574,000 stock options of the Company were issued in exchange for all of the outstanding common shares and stock options of Centenario. Based on the closing Quadra share price on April 8, 2009, the fair value of the consideration, including transaction costs, was \$66.9 million.

The Franke processing plant was designed with a capacity of 66 million pounds of copper cathode production per annum over its current 9 year mine life. Prior to the acquisition of Centenario by Quadra, construction of the Franke Mine facilities had been substantially completed.

Since the acquisition, Quadra has also incurred additional capital expenditures of \$36.9 million on construction, start-up activities and other project development costs for the Franke Mine. The operation commenced harvesting copper cathode in July 2009. A total of 4.1 million pounds of copper cathode was produced at Franke during the third quarter and the first shipment was made in late September.

The ramp up schedule for the Franke Project has been impacted by residual design and construction issues, the most significant of which were the solution pond construction quality and performance of the primary crushing system. The pond liner issues were substantially resolved during the second quarter and one of the ponds was re-constructed in the third quarter. The primary crusher feed system is being modified and is expected to be operating at design capacity by the end of the year. In the meantime, the present system is not capable of running at capacity and a temporary portable crusher has been installed to mitigate the impact. The dust control systems are proving inadequate and Franke is pursuing the installation of covers for the two main stockpiles.

Franke Mine Outlook

The Company expects to incur operating and capital costs of approximately \$30 million at the Franke Mine in the fourth quarter of 2009, substantially all of which will be operating costs. The primary crusher feed system is expected to be operating at design capacity near the end of the year. Production is ramping up on schedule and as planned. Operating and capital costs will be offset by proceeds from the expected fourth quarter production of 6-8 million pounds of copper cathode.

The Franke Mine is expected to achieve a commercial rate of ore production during the fourth quarter and, at that time, the Company will commence revenue recognition on the statement of earnings.

In association with finalizing plant modifications, Franke is actively pursuing all permits required to move from construction and start-up status to full operating status. Two key issues are being finalized; ensuring that safe mining practices are in place for mining around historical underground openings and reducing dust emissions. This process is expected to be completed by the end of 2009.

In 2010, the Company expects annual production of 65 million pounds of copper at Franke.

There is no cost history for the operation but the Company anticipates total onsite operating costs will be in the range of \$100 million, based on current input costs and exchange rates. Capital expenditures are expected to be \$10 million mainly consisting of plant modifications and dust mitigation measures. A plant optimization study is being conducted to identify bottlenecks, with a view to evaluating performance improvements.

SIERRA GORDA (CHILE)

On July 23, 2009 the Company announced the completion of the Sierra Gorda scoping study, including a preliminary economic assessment based on measured and indicated resources and an updated NI 43-101 compliant mineral resource estimate. The scoping study has been filed as a Technical Report on SEDAR.

The study contemplates an open pit and concentrator operation processing 111,000 tonnes of mill feed per day producing between 250 and 400 million pounds of copper per annum over a 25 year mine life at an average cash cost of \$0.79 per pound. The project would also have significant molybdenum production, averaging 33 million pounds per year over the first eight years, and declining thereafter. This high level of molybdenum production results in an average cash cost of \$0.34 per pound produced during these first eight years. Using a long term copper price of \$2.00 per pound, molybdenum price of \$12 per pound and gold price of \$800 per ounce, the project produces an after-tax net present value (10% discount rate) of \$622 million and an internal rate of return of 16%.

During the third quarter of 2009, the Company incurred costs of \$2.4 million for advancement of the Sierra Gorda project. The principal activities were metallurgical testwork, refinement of the geologic model, and discussions relating to power and water supply. Environmental studies related to monitoring and baseline data collection continued.

The Company began an infill drilling program to increase the amount of measured and indicated resources to the confidence level required for pre-feasibility and feasibility studies. This drilling will also collect additional samples for the next phase of metallurgical testwork. A program of condemnation drilling was initiated to ensure that the waste dump, production facilities and tailings disposal site would not be placed over potential resources.

The project has significant measured and indicated oxide resources that were assumed to be waste for the purposes of the scoping study but will be subject to future economic studies. The infill drilling will collect samples required for these studies.

Sierra Gorda Outlook

Based on the results of the scoping study, Quadra is advancing the project to pre-feasibility study at a cost of approximately \$40 million excluding any land acquisition or other non normal course activities.

The Company is pursuing discussions with potential partners with the objective of putting in place the financing for the project.

MALMBJERG MOLYBDENUM PROJECT (GREENLAND)

In May 2009, the Company received the exploitation license for the project. While there have been no significant expenditures at Malmbjerg during 2009, the Company has continued to advance environmental baseline studies and commitments associated with the Environmental Statement Impact Analysis.

Malmbjerg Outlook

Additional development activities at Malmbjerg have been suspended. Quadra is continuing the search for a partner or partners to advance the project through to production.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash flow from operations (excluding working capital changes) of \$90.2 million for the nine month period ended September 30, 2009 compared to \$216.8 million in the first nine months of 2008. Capital expenditures at the Robinson Mine in the first nine months of 2009 were \$13.8 million for mill equipment upgrades and development works for the Ruth pit area. The Company also spent \$16.7 million on pre-production stripping at the Ruth pit area and paid \$4.2 million in this period to increase environmental bonding at Robinson. Capital expenditures at the Carlota Mine in the first nine months of 2009 were \$17.2 million for the purchase of equipment and construction of Pinto Creek Diversion. Since its acquisition of Centenario on April 8, 2009, the Company has spent \$36.9 million on the construction and development of the Franke Mine, and an additional \$42.0 million was spent on settlement of pre-acquisition payables that the Company inherited from Centenario. The Company has also spent \$7.8 million at Sierra Gorda for exploration, development and land payments in the first nine months of 2009. During 2009, the Company sold marketable securities for total proceeds of \$55.4 million, of which \$42.3 million was received early in the fourth quarter of 2009.

On April 16, 2009, the Company completed a bought-deal equity financing with a syndicate of underwriters through which the Company issued 16,200,000 common shares at a price of C\$4.65 per common share for gross proceeds of \$62.3 million (C\$75.3 million). The underwriters also exercised an option to acquire an additional 2,430,000 common shares which increased the gross proceeds of the offering to \$71.6 million (C\$86.6 million).

Centenario's copper derivative positions were closed out on April 9, 2009 immediately after completion of the acquisition. The proceeds of \$30.7 million were used to repay a portion of Centenario's existing long-term debt and the remaining loan balance of \$38.3 million was repaid by May 14, 2009.

On May 14, 2009 Quadra signed an agreement with a syndicate of lenders in which the lenders provided a \$37.5 million secured project debt facility to a wholly-owned Chilean subsidiary of the Company. The proceeds of the loan are to be used to fund the development of the Franke Mine. The facility consists of an amortizing \$30 million project finance facility and a \$7.5 million working capital facility bearing interest at LIBOR plus 5.75% and 6.75%, respectively. The project loan facility is repayable with semi-annual principal repayments commencing in March 2010, with a final maturity date in March 2014. The working capital facility is repayable at the final maturity date in March 2014. The Company is also required to make semi-annual principal payments equal to 67% of the Excess Cash Flow from the Franke Mine. Excess Cash Flow is net of scheduled debt repayments and other adjustments as computed under the terms of the facility agreement. The Company has the right to prepay the full facility at any time without penalty.

At September 30, 2009, the Company had cash and cash equivalents of \$85.5 million. These amounts are comprised of cash deposits and highly liquid investments that are readily convertible to cash. The counter-parties include banks, governments and government agencies.

In early October 2009, the Company also received cash proceeds of \$42.3 million from the sale of marketable securities, which were classified as accounts receivable at September 30, 2009.

The Company's inventory balance is \$142.6 million at September 30, 2009 compared to \$88.3 million at December 31, 2008. The increase in inventory during 2009 is primarily due to the build up of Carlota's leach pad inventory.

At September 30, 2009, the Company had working capital of \$205.0 million as compared to \$196.8 million at December 31, 2008. At September 30, 2009, accounts receivable and revenues include approximately 16.2 million pounds of copper that has been provisionally valued at \$2.79 per pound. The final pricing for these provisionally priced sales is expected to occur between October 2009 and December 2009. Changes in the price of copper from the amounts used to calculate the provisional values will impact the Company's revenues and working capital position in the third quarter of 2009. On November 6, 2009 the copper price was \$2.96/lb.

Liquidity Outlook

The Company's future profitability and cash position is highly dependent on the price of copper and gold. Future changes in the price of copper will also impact the final settlement price of provisionally priced sales. The Company has purchased copper put options to protect a minimum floor price for a portion of its future copper production, and the Company also has copper collar contracts which provide a price floor of \$1.79/lb and cap the

copper sales price at \$2.16/lb for 26.5 million pounds of copper from the Franke Mine through June 2010 (see “**Financial Instruments**”).

The Company is planning to spend \$40 million before the end of 2010 to complete the Sierra Gorda pre-feasibility study and may incur other expenses at Sierra Gorda including land, water rights and mineral claim acquisitions. The Carlota Mine and Franke are expected to continue to ramp up production through the fourth quarter of 2009 and into 2010. The Franke project loan facility has scheduled principal repayments in 2010 and additional semi-annual payments are required in an amount equal to 67% of the excess cashflow from the Franke Mine, as defined in the agreement. At current metal prices, a substantial portion of this loan would be repaid during 2010.

At current metal prices, the Company expects that it would be able to fund the Sierra Gorda pre-feasibility study and other capital requirements from existing cash on hand and internally generated funds. In the event of a decline in metal prices, the Company may require external financing to complete the Sierra Gorda pre-feasibility study and maintain an appropriate minimum cash balance.

Based on the results of the scoping study, development of the Sierra Gorda project will require a total capital cost in the range of \$1.7 billion. The Company is pursuing discussions with potential partners with the objective of putting in place the financing for the project. Depending on the results of the partnering discussions, the Company may need to raise additional equity or debt financing to fund its contribution towards the development of Sierra Gorda.

Commitments and contractual obligations

| (\$000's) | Payment Due By Period | | | | | | Total |
|---|-----------------------|--------------|--------------|--------------|--------------|------------------|---------|
| | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | After 5 years | |
| Long-term debt | 1,500 | 3,000 | 7,500 | 6,000 | 8,250 | 11,250 | 37,500 |
| Reclamation liabilities | - | - | - | - | - | 104,357 | 104,357 |
| Franke Mine contracts | 9,644 | 23,840 | 23,832 | 22,821 | 21,807 | 112,369 | 214,313 |
| Minimum lease payments (capital and operating) | 3,510 | 16,747 | 8,318 | 2,504 | 662 | - | 31,740 |
| Total | 14,654 | 43,586 | 39,650 | 31,325 | 30,719 | 227,976 | 387,910 |

Long-term debt

On May 14, 2009 Quadra signed an agreement with a syndicate of lenders in which the lenders provided a \$37.5 million secured project debt facility to a wholly-owned Chilean subsidiary of the Company (see “**Liquidity and Capital Resources**”).

Reclamation liabilities

The Company has estimated total future reclamation costs of \$104.4 million (undiscounted), which primarily relate to the closure of the Robinson, Carlota and Franke Mines. The Company has estimated the fair value of this liability to be \$49.0 million at September 30, 2009 based on the estimated discounted future payments. To secure a portion of the closure costs related to the Robinson and Carlota Mines, the Company has posted environmental bonds and held cash in a reclamation trust totalling \$59.7 million as at September 30, 2009. The Company revises the reclamation plan and cost estimate for the Robinson Mine annually as required by US Bureau of Land Management and adjusts the amount of the bond accordingly. The reclamation plan and cost estimate for the Carlota Mine is updated every five years as required by the regulator and the amount of the bond is adjusted accordingly.

Franke Mine contracts

The Company has a long-term supply contract for sulphuric acid for use in the copper extraction process at the Franke Mine. The minimum commitment under the contract is estimated to be \$4,050 per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2022. The Company is committed to purchase 150,000 tonnes of sulfuric acid per annum at a base price of \$27/tonne. The base price for acid in the contract is increased by \$2.50/tonne for each \$0.10/lb that the copper price exceeds \$1.10/lb.

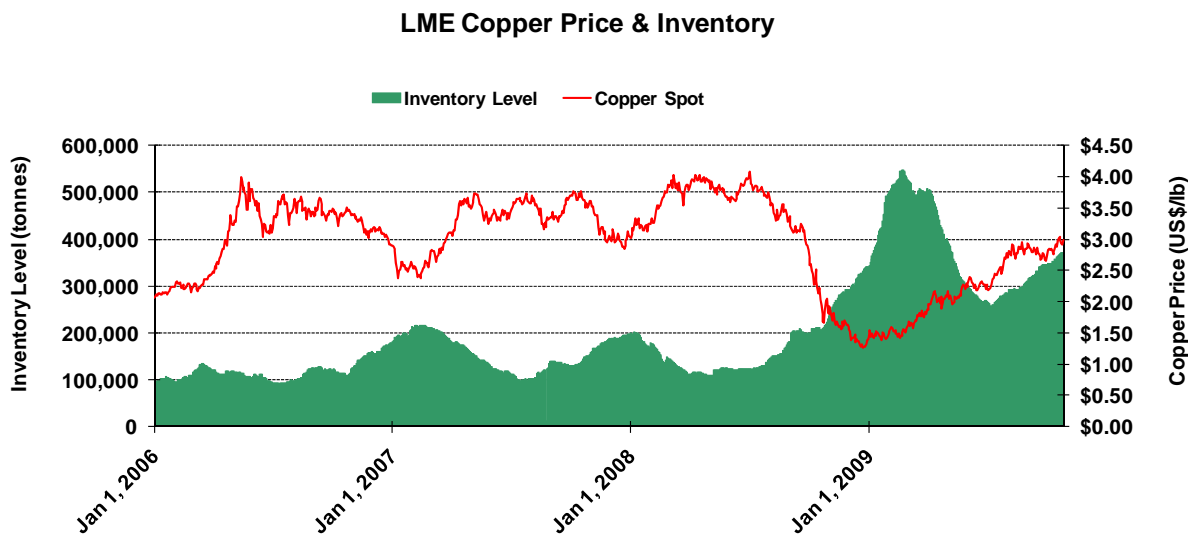
The Franke Mine also has a long-term supply contract for industrial water. The minimum commitment under the contract is estimated to be approximately \$1,060 per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2020. The copper price adjustment requires, on an annualized basis, that approximately an additional \$120 be paid for each \$0.15/lb that the copper price exceeds a base price of \$1.50/lb.

The Company has also entered into various supply and other contracts for operation and development of the Franke Mine.

MARKET TRENDS AND FUNDAMENTALS

Between 2006 and mid 2008, the growing demand for copper, particularly in China, coupled with an inability of the copper industry to increase supply due to a lack of immediate development projects, together with a weakening U.S. dollar led to a substantial increase in the copper price. The subsequent global credit and consumer confidence crises and the resulting global economic downturn led to a collapse in the price of copper, which reached a low of \$1.26 per pound in December 2008, before recovering to \$2.79 per pound at the end of the third quarter of 2009. The sharp rebound in the price of copper was due to a significant tightening in the global supply of copper scrap and continued strong growth in Chinese demand. As copper prices have rebounded, scrap availability improved during the third quarter. Going forward, copper fundamentals are expected to remain robust as continued growth in Chinese copper demand coupled with increased rest-of-world copper demand, from the recovery in the global economy, will drive global copper demand ahead of the growth in both scrap and primary mine supply.

The following graph shows the inventory level, as published by the London Metal Exchange (“LME”), of copper and the spot price of copper from 2006 to October 31, 2009.



At September 30, 2009 the closing spot price was \$2.79 per pound. At November 6, 2009, the closing spot price was \$2.96 per pound. The reference price of copper metal is determined by trading on the LME, where the price is set in U.S. dollars at the end of each business day.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's revenues and cash flows are subject to fluctuations in the market price of copper and gold. In addition, there is a time lag between the time of initial payment on shipment and final pricing, and changes in the price of copper and gold during this period impact the Company's revenues and working capital position.

The following table summarizes the impact of the changes in copper price on the Company's after tax earnings for 2009, excluding the impact of changes in fair value of derivatives:

| Copper price | Impact on the after tax earnings (excluding derivatives) |
|---------------------|---|
| + \$0.20/lb | 8,554 |
| - \$0.20/lb | (8,554) |

During 2008, the Company acquired copper put options to protect a minimum floor price of \$2.50/lb for a portion of its anticipated copper sales. At December 31, 2008, the Company had 35 million pounds of copper put options at a strike price of \$2.50/lb. These put options were exercised during the first six months of 2009, resulting cash proceeds of \$23.3 million for the Company.

During the nine month period ended September 30, 2009 the Company purchased additional copper put options at a total cost of \$4.4 million. At September 30, 2009 the following copper put options were outstanding:

| Expiry | Pounds | Strike price | Fair value |
|--------------------------|---------------|---------------------|-------------------|
| October to December 2009 | 39.9 | \$ 1.50 | 1 |
| January to March 2010 | 33.1 | \$ 1.68 | 231 |
| Total | 73.0 | \$ 1.58 | 232 |

Under the terms of the Franke project loan facility, the Company was required to enter into a copper price protection program in order to establish a minimum floor price for a portion of anticipated copper sales from the Franke Mine. In May 2009 the Company entered into copper collar contracts at zero cost for 27.6 million lbs. of copper and also purchased copper put options for 15 million lbs at a cost of \$4.9 million. At September 30, 2009 the fair values of put and collar instruments outstanding are as follows:

| Expiry | Pounds (millions) | Instrument | Floor price | Cap price | Fair value |
|----------------------------|--------------------------|-------------------|--------------------|------------------|-------------------|
| October 2009 to June 2010 | 26.5 | Collar | \$ 1.79 | \$ 2.16 | (18,264) |
| July 2010 to December 2010 | 15.0 | Put | \$ 1.79 | | 1,668 |
| Total | 41.5 | | | | (16,596) |

Under the terms of these contracts, if the average LME cash price for the month is less than the strike price of the put option or the floor price of the collar, the Company will receive the difference in price for the contracted number of pounds. If the average LME cash price for the month is higher than the cap price of the collar, the Company will pay the difference in price for the contracted number of pounds. The counter-parties consist of several international financial institutions. The Company monitors its counter-party exposures and does not believe there are any credit or collection issues at the current time. The change in fair value of these instruments is recorded as a derivative gain or loss on the statement of earnings.

The following table summarizes the impact of different copper prices on the Company's cash flows from copper put options and collars in the remainder of 2009 and 2010:

| Copper price | Cash flows from copper put options and collars for the remainder of 2009 | Cash flows from copper put options and collars for 2010 |
|---------------------|---|--|
| \$1.50/lb | 1,918 | 10,100 |
| \$2.00/lb | - | - |
| \$2.50/lb | (2,249) | (6,742) |
| \$3.00/lb | (5,556) | (16,656) |
| \$3.50/lb | (8,862) | (26,570) |

The Company has entered into NYMEX heating oil futures contracts and collar contracts in order to manage the price risk associated with diesel fuel. During the three and nine months ended September 30, 2009, the Company settled 1.9 million gallons and 5.9 million gallons, respectively, of NYMEX heating oil contracts. These settlements resulted in cash payments of \$1.4 million and \$5.6 million for the three and nine month periods ended September 30, 2009, which have been recorded in cost of sales on the statement of earnings. During the first nine months of 2009, the Company had entered into a total of 8.3 million gallons of NYMEX heating oil futures and collars at no cost.

At September 30, 2009 the following NYMEX heating oil futures contracts remain outstanding (December 31, 2008 – 7.2 million gallons):

| Expiry | Gallons (millions) | Contract | Fair value |
|-----------------------------|---------------------------|---|-------------------|
| October to December 2009 | 1.6 | Futures, strike price \$2.41/gallon | (883) |
| January to August 2010 | 4.8 | Futures, strike price \$2.01/gallon | (174) |
| December 2009 to April 2010 | 3.2 | Collars, cap \$2.00/gallon; floor \$1.72/gallon | 176 |
| Total | 9.6 | | (881) |

CONTINGENCIES

- (a) The Company was originally served with four lawsuits that were filed in Chilean courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada. The lawsuits were filed on August 13, 2007, April 2, 2008, June 20, 2008 and July 10, 2008. Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the legal claims are without merit. The company settled one of the lawsuits in the second quarter of 2009 for less than \$0.5 million.

The remaining plaintiffs are minority shareholders in the "sociedades legales mineras" (SLM) or legal mining companies that owned certain of the mining tenements that were optioned to Quadra in 2004. In two of the cases, the plaintiffs are requesting that the option agreements to purchase the mining tenements be declared null and void. The plaintiffs in these cases are claiming that the SLM's were not authorized to sell the mining tenements. In the third case, the plaintiffs argue that if any of the first two cases are successful, then further option agreements are invalid by virtue of the fact that the option agreements were intended to be exercised in either all or none of the cases.

The first two lawsuits relate to three of the ten option agreements that the Company entered into with respect to its Sierra Gorda mineral property. Although Quadra believes that the option agreements are valid and that the legal claims are without merit, the outcome is uncertain. The proceedings are subject to the procedural and substantive laws of Chile, and the allegations are based on the actions of the Optioners, in respect of which Quadra has no direct knowledge. The Company is vigorously defending these claims, however there is no assurance that it will be successful.

- (b) The Company is subject to other lawsuits from time to time which are not disclosed on the grounds that they are not believed to be material.

TRANSACTIONS WITH RELATED PARTIES

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the three and nine months ended September 30, 2009, the Company incurred legal fees of \$0.1 million and \$0.4 million with that entity (three and nine months ended September 30, 2008: \$0.1 million and \$0.5 million respectively), all of which were at normal business terms.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing financial statements management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ materially from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting policies and estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

Mineral Properties

Mineral property development costs, including exploration, mine construction, and stripping costs, are capitalized until production is achieved, and are then amortized over the remaining life of the mine based on proven and probable reserves. The determination of the extent of reserves is a complex task in which a number of estimates and assumptions are made. These involve the use of geological sampling and models as well as estimates of future costs. New knowledge derived from further exploration and development of the ore body may also affect reserve estimates. In addition the determination of economic reserves depends on assumptions on long-term commodity prices and in some cases exchange rates.

An impairment loss is recognized for a mineral property if its carrying value exceeds the total undiscounted cash flows expected from its use and disposal. Undiscounted cash flows for mineral properties are estimated based on a number of assumptions including management's view of long-term commodity prices, proven and probable reserves, estimated value beyond proven and probable reserves, and estimates of future operating, capital, and reclamation costs. Based on management's view of future metal prices and cost assumptions, the carrying value of the Company's mineral properties was not impaired at September 30, 2009

Revenue Recognition

Sales are recognized and revenues are recorded at market prices when title transfers and the rights and obligations of ownership pass to the customer. The majority of the Company's product is sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. For sales of Robinson's concentrates, final pricing is generally determined three to four months after the date of sale. The Company estimates provisional pricing for its product based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as revenue adjustments as they occur until the price is finalized. As a result, revenues include estimated prices for sales in that period as well as pricing adjustments for sales that occurred in the previous period. These types of adjustments can have a material impact on revenues.

Asset Retirement Obligations, Reclamation and Mine Closure

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. In previous years the Company has revised its estimate of the timing and amount of closure costs at the Robinson Mine, which resulted in adjustments to the liability recorded in the Company's financial statements. In 2008, the Company revised its estimate of the amount of closure costs at the Carlota Mine. Accordingly, an adjustment to the liability was recorded in the Company's financial statements. The estimate of the total liability for future site restoration costs is subject to change based on cost inflation, amendments to laws and regulations and may also change as new information concerning the Company's operations becomes

available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

Future Income Tax Assets

Management believes that uncertainty exists regarding the realization of certain future tax assets and therefore a valuation allowance has been recorded as of September 30, 2009. At September 30, 2009 the Company had additional available U.S. Alternative Minimum Tax Credits of \$22.5 million, which have not been recognized due to the uncertainty of realization. The Company also has not recognized the benefit of the tax basis of Carlota and Franke in excess of the acquisition price, and non-capital losses. However, the Company has recognized a net current future income tax asset for other temporary differences created between the tax and accounting basis of assets and liabilities in the United States. Management estimates that, using long term copper prices in line with its mine plan estimates, the future taxable income will be sufficient to utilize the future tax assets which have been recognized.

CHANGE IN ACCOUNTING POLICY

In the fourth quarter of 2008, the Company adopted CICA Handbook Section 3064 “Goodwill and Intangible Assets”. Accordingly, the deferred start up costs at the Robinson Mine and the increase in value of the deferred gold consideration related to the Carlota Mine that were previously capitalized to mineral property, plant and equipment should now be expensed. This change in accounting policy has been applied retroactively and the financial statements for the three and nine months ended September 30, 2008 have been restated. A summary of the effect of this change is shown below:

| | Three months ended September 30, 2008 | Nine months ended September 30, 2008 |
|--|--|---|
| Decrease in depreciation, depletion and amortization | (469) | (1,424) |
| (Decrease) increase in interest and other expense | (537) | 1,802 |
| (Increase) decrease in future income tax expense | 352 | (133) |
| Decrease (increase) in earnings and comprehensive income | <u>(654)</u> | <u>245</u> |
| Decrease (increase) in earnings per share - basic | \$ (0.01) | \$ - |
| Decrease (increase) in earnings per share - diluted | \$ (0.01) | \$ - |

OUTSTANDING SHARE DATA

The Company had 99,317,396 common shares issued and outstanding common shares at September 30, 2009. As of November 8, 2009 the Company had 99,345,396 common shares issued and outstanding.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

On April 8, 2009, the Company completed the acquisition of Centenario. As a result, Centenario is a business that Quadra has acquired not more than 365 days before the last day of the period covered by the interim filings.

Management believes that the internal controls and procedures of Centenario have a material effect on its financial reporting internal controls. Quadra is integrating Centenario's operations and will be expanding its internal control over financial reporting compliance project to include Centenario over the next year. Quadra will exclude Centenario from its disclosure controls and procedures and internal controls over financial reporting assessments for the year ended December 31, 2009, as permitted by NI 52-109 and applicable rules relating to business acquisitions.

The internal controls over financial reporting at the corporate level remain unchanged and will continue to be applied to the additional financial information provided for quarterly reporting procedures. Management believes that the corporate-level control environment is sufficiently strong and will continue to mitigate risk of material error or fraud.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Canadian publicly listed companies are required to use IFRS, replacing Canadian GAAP effective fiscal years beginning on or after January 1, 2011.

The Company has appointed a project manager to lead the conversion to IFRS. The project manager is working with other members of the finance group to execute the implementation plan. An initial diagnostic review of significant IFRS differences has been completed by the Company's external auditors as part of the project planning. The project planning is substantially completed. While the effects of IFRS have not yet been fully determined, the Company has identified several key areas where it is likely to be impacted by accounting policy changes, including the accounting for Property, Plant & Equipment, and Asset Retirement Obligations. Further detailed analysis of these areas is underway, and no decisions have yet been made with regard to accounting policy choices.

A more detailed review of the impact of IFRS on the Company's consolidated financial statements, and other areas of the Company, is in progress and is expected to be completed by the end of 2009. Any changes required to systems and controls will be identified as the project progresses. Draft financial statements and disclosure information will be prepared for each quarter in 2010 and reporting under IFRS will commence in the first quarter of 2011.

NON-GAAP FINANCIAL MEASURES

The cash cost per pound of copper produced, and onsite costs and offsite costs are non-GAAP financial measures that do not have a standardized meaning under Canadian Generally Accepted Accounting Principles (“GAAP”), and as a result may not be comparable to similar measures presented by other companies. Management uses these statistics to monitor operating costs and profitability. Onsite costs include mining costs (including all pre-stripping costs), equipment operating lease costs, mill costs, mine site general and administration costs, environmental costs and royalties. Offsite costs include the costs of transportation, smelting and refining of concentrate. For financial statement reporting purposes, smelting and refining costs are netted against revenues. Costs of sales, as reported on the statement of operations, is different than the costs of production because of changes in concentrate inventory levels. The following table shows a reconciliation of these non-GAAP financial measures to the consolidated statements of operations:

| | Three months ended | | Nine months ended | |
|--|---------------------------|----------|--------------------------|----------|
| | September 30 | | September 30 | |
| | 2009 | 2008 | 2009 | 2008 |
| Cost of sales | 37,751 | 67,642 | 130,049 | 195,407 |
| Adjustment for change in concentrate inventory | 9,647 | (1,243) | 12,903 | 341 |
| Refining and treatment charges | 3,575 | 4,364 | 13,477 | 14,099 |
| Capitalized stripping costs | 6,992 | - | 16,673 | - |
| Royalties | 2,508 | 6,748 | 6,937 | 17,668 |
| Total onsite and offsite costs | 60,473 | 77,511 | 180,039 | 227,515 |
| By-product revenues | (17,642) | (30,959) | (71,348) | (98,257) |
| | 42,831 | \$46,552 | 108,691 | 129,258 |
| | | | | |
| Copper production (million lbs.) | 33.6 | 38.6 | 93.2 | 125.2 |
| Cash cost per pound of copper produced at the Robinson mine | \$ 1.27 | \$ 1.21 | \$ 1.17 | \$ 1.03 |

Cashflow from operating activities (before working capital changes) is also not a defined term under GAAP, and consists of cash provided from operating activities less net changes in non-cash working capital.

Adjusted earnings and adjusted earnings per share are non-GAAP measures which determine the performance of the Company, excluding certain impacts which the Company believes are either non-recurring, or recurring, but of a nature which are not reflective of the Company's underlying performance, such as the impact of gain and loss on derivatives, gain and loss on sale of marketable securities and reassessment of prior year taxes. Management believes that these measures provide investors with ability to better evaluate underlying performance. The following table provides a reconciliation of earnings to adjusted earnings for the periods presented:

| | Three months ended | | Nine months ended | |
|--|---------------------------|---------|--------------------------|---------|
| | September 30 | | September 30 | |
| | 2009 | 2008 | 2009 | 2008 |
| Net earnings - GAAP | 14,701 | 20,772 | 34,028 | 164,689 |
| Adjusting items: | | | | |
| Loss (gain) on derivatives | 13,786 | (4,405) | 39,765 | 6,255 |
| Gain on sale of marketable securities | (8,052) | - | (818) | (1,888) |
| | 5,734 | (4,405) | 38,947 | 4,367 |
| Tax impact of the above items | 1,261 | (1,013) | 8,568 | 1,004 |
| Taxes in respect of prior years | (2,245) | - | (2,245) | - |
| | 6,718 | (3,392) | 32,624 | 3,363 |
| Net earnings - Adjusted | 21,419 | 17,380 | 66,652 | 168,052 |
| | | | | |
| Weighted-average number of shares outstanding -basic | 94,563 | 65,915 | 86,695 | 60,158 |
| Earnings per share - adjusted | \$ 0.23 | \$ 0.26 | \$ 0.77 | \$ 2.79 |

November 8, 2009

This MD&A contains "forward-looking information" that is based on Quadra's expectations, estimates and projections as of the dates as of which those statements were made. This forward-looking information includes, among other things, statements with respect to Quadra's business strategy, plans, outlook, financing plans, long-term growth in cash flow, earnings per share and shareholder value, projections, targets and expectations as to reserves, resources, results of exploration (including targets) and related expenses, property acquisitions, mine development, mine operations, mine production costs, drilling activity, sampling and other data, estimating grade levels, future recovery levels, future production levels, capital costs, costs savings, cash and total costs of production of copper,

gold and other minerals, expenditures for environmental matters, projected life of Quadra's mines, reclamation and other post closure obligations and estimated future expenditures for those matters, completion dates for the various development stages of mines, availability of water for milling and mining, future copper, gold, molybdenum and other mineral prices (including the long-term estimated prices used in calculating Quadra's mineral reserves), end-use demand for copper, currency exchange rates, debt reductions, use of future tax assets, timing of expected sales and final pricing of concentrate sales, the percentage of anticipated production covered by option contracts or agreements, anticipated outcome of litigation, anticipated impact of converting to IFRS and personnel issues. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan" and similar expressions. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause Quadra's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, and developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to:

- ❖ uncertainties relating to fluctuations copper and other metal prices;
- ❖ uncertainties related to the possible recalculation or reduction in the Company's mineral reserves and resources;
- ❖ uncertainties related to actual capital costs, operating costs and expenditures, production schedules and economic returns from the Company's mining projects;
- ❖ risks associated with the mineralogy at all Mines and projects including in particular the complex mineralogy at the Robinson Mine;
- ❖ uncertainties related to the production ramp-up at the Carlota Mine, including in particular uncertainty relating to the leaching rate and the existence of fines;
- ❖ uncertainties relating to the production ramp-up at the Franke Mine;
- ❖ uncertainties related to the current global financial conditions;
- ❖ uncertainties related to the availability of future financing necessary to undertake mining, processing, development and exploration activities on Quadra's properties;
- ❖ uncertainties related to scoping study assumptions that are based on preliminary testwork;
- ❖ Quadra's substantial reliance on the Robinson Mine for revenues;
- ❖ uncertainties related to Quadra's ability to expand or replace depleted reserves;
- ❖ risks related to the integration of businesses and assets acquired by Quadra, including the recent acquisition of Centenario;
- ❖ inherent hazards and risks associated with mining operations;
- ❖ inherent uncertainties associated with mineral exploration;
- ❖ uncertainties related to the competitiveness of the mining industry;
- ❖ risks associated with Quadra being subject to government regulation, including changes in regulation;
- ❖ risks associated with Quadra being subject to extensive environmental laws and regulations, including change in regulation;
- ❖ risks associated with Quadra's need for governmental license and permits;
- ❖ risks that Quadra's title to its property is being challenged pursuant to certain lawsuits currently underway in Chile;
- ❖ risks that Quadra's may not be granted all definitive surface rights necessary for exploitation of Sierra Gorda;
- ❖ risk that Quadra may not find a suitable partner or obtain project financing for Sierra Gorda;
- ❖ political and country risk;
- ❖ risk of water shortages and risks associated with competition for water;
- ❖ Quadra's need to attract and retain qualified personnel;
- ❖ increases in off-site transportation and concentrate processing costs;
- ❖ Quadra's dependence on one railroad and one port to ship copper from the Robinson Mine;
- ❖ risks related to the stability of mine pit walls;
- ❖ risks related to the need for reclamation activities on Quadra's properties, including the nature of reclamation required and uncertainty of costs estimates related thereto;
- ❖ uncertainties related to the amount of funding required to achieve full production levels at the Franke Mine;
- ❖ uncertainties related to the construction quality and structural design at the Franke Mine;
- ❖ risks associated with costs of operating supplies, including sulphuric acid;
- ❖ inherent risks associated with existing and future litigation;
- ❖ risks associated with taxation;
- ❖ risks related to Quadra's shareholder rights plan;
- ❖ risks associated with potential conflicts of interest;
- ❖ risks in the nature of investments; and
- ❖ risks related to hedging contracts and exposure to the credit risk of counterparties.

A discussion of these and other factors that may affect Quadra's actual results, performance, achievements or financial position is contained in the filings by Quadra with the Canadian provincial securities regulatory authorities, including Quadra's Annual Information Form. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. Quadra disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.