



QUADRA MINING LTD.

Q4 / Year End 2008 CONFERENCE CALL

March 6th 2009, 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 Year End and Fourth Quarter 2008 financial results, as well as update you on the Robinson and Carlota operations, our development projects, Sierra Gorda in Chile and Malmbjerg in Greenland as well as progress on the Centenario transaction. With me today on the call is Stuart McDonald, CFO and we will all be available to answer any questions following my overview.

During the course of this conference call, we may make forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ from those expressed or implied by such statements. Statements relating to production, revenues, growth, profits, and operating expenses depend on future market conditions and risks, and are considered forward-looking, thereby providing no guarantee that they will be realized. In this regard, I also refer you to the cautionary statement relating to forward looking information included in the Press Release and MD&A. Those statements apply to this call as well. Please also note that all monetary amounts are US\$ unless otherwise stated.

From an operations point of view, 2008 was an excellent year in terms of production at Robinson and development at Carlota. As a consequence, despite the unprecedented fall in copper prices during the second half of 2008 - and in particular across the last quarter - the impact on Quadra in terms of revenues and operating cashflow was almost exactly offset by the increased production, resulting in both revenues and operating cashflows for the year at pretty much the same levels as they were in 2007.

GAAP earnings and our cash balance are a different story. As I'm sure you are acutely aware, copper fell from \$2.91 per pound on September 30th to \$1.33 at year end, the single biggest quarterly drop in recent times. This dramatic (and I think that that is the right word), drop in the price of copper, (and as we signaled in December), impacted both our cash position as a result of the obligation to repay provisional payments to our customers the smelters amounting to about \$112 million, and our earnings as a result of the GAAP mandated mark to market adjustments to receivables of \$85 million. The accounting rules also required that we write down the Malmbjerg project in Greenland, a consequence of the current and foreseeable molybdenum prices, the credit and financial markets offering no visible route forward for development funding and the fact that we are not working to progress the project. This write down was \$96 million and is of course a non-cash item.

The consequences of all of this were that:

- Earnings for 2008 were \$38 million or \$0.61 per share (basic) compared to net

earnings of \$135 million or \$2.80 per share (basic) for the year ended December 31, 2007. We posted a loss of \$1.94 for the quarter.

- Our cash position at the end of the quarter was \$108 million, compared to \$266 million at the end of the previous quarter, a drop of \$158 million. Notwithstanding the impact of the provisional payments, our cash balance is still very comfortable in terms of dealing with the future and also in terms of taking advantage of M&A opportunities, such as the bid for Centenario made earlier this month.
- We actually had negative revenues during the fourth quarter of \$7 million, as a result of the mark to market adjustments being applied to the revenue line in the financial statements.
- Our EBITDA was \$183 million or \$2.90 per share basic compared to \$223 million or \$4.58 per share (basic) for the same period in 2007. [As in previous earnings calls, I'd remind you that EBITDA is a non-GAAP measure but is of course a popular metric for evaluating financial performance].

On the positive side, our copper put protection programme initiated in late 2007 bore fruit during the fourth quarter and we recognized a derivative gain of \$37.4 million. At the end of 2008 we had 35 million lbs. of copper put options remaining at a strike price of \$2.50/lb so we expect additional cash benefits from this programme in the first half of 2009.

At this point in 2009, the copper price has settled down somewhat to the \$1.50 range and 10 -15 cents higher than this in the last few days, and given that 2008 finished at a copper price of \$1.33 per pound, this is helpful in terms of cashflow and mark to market adjustments [going forward]. For reference, at year end the Company had 43.2 million pounds of copper awaiting final settlement.

Moving on, our core operation, **Robinson** continued to perform substantially in line with plan during the fourth quarter producing 34.5 million pounds of copper and 26,900 ounces of gold, compared to 32.4 million pounds and 27,000 ounces in 2007. During the quarter, ore was largely mined from the higher elevation supergene area of the Veteran pit and pit configuration issues meant that there were limited opportunities to blend, which had some impact on recovery compared to the previous two quarters.

Overall, we exceeded our 2008 production guidance producing just less than 160 million pounds of copper and 138 thousand ounces of gold for the year. Looking at the year as a whole, the increase in copper production in 2008 was a result of higher than planned head grade as well as the operating practices and blending strategies developed during the previous year that delivered higher than anticipated copper and gold recoveries. It's been said before but it bears repeating that the annual production results for 2008 exceeded all production results since the mine commenced operations under the ownership of Quadra and - based on records at hand - of any previous operator over the long history of the mine.

Robinson also continued to deliver on safety with one of the best safety records of any open pit mine in the State of Nevada, perhaps even the entire US with a Total Recordable Injury Rate of 0.80 compared to the US national average of 3.4. As I keep noting, safety is a key measure of the quality of what we do and this is a record that we are proud of.

With increases in copper production, a significant revenue stream from our by-product gold production, and total operating costs that were only 8% higher than in 2007 (despite the higher volumes of sales) - our cash costs per pound produced improved significantly in 2008. For the year end 2008, the cash cost per pound of copper produced was \$1.15 compared to \$1.49 for the same period in 2007.

On site costs for the year were \$238 million as compared to \$209 million for the 2007. The major elements of the increase in costs were; an approximate \$10 million increase for the cost of supplies; \$6 million payments under our employee gain share programme (which is driven by the production and cost performance of the operation) and as a consequence of Robinson's 2008 production and cost results, a \$10 million increase in royalty costs.

The Robinson offsite costs were \$ 62 million for year ended December 31, 2008 compared to \$ 68 million incurred in the same period of 2007. The decrease in costs is a result of lower smelting and refining charges in 2008, which had fallen as a result of surplus smelting capacity, but was partially offset by higher volumes of concentrates

shipped and by an increase in the average ocean freight rates, notwithstanding that rates fell significantly in the last quarter of the year.

Capital expenditures during 2008 of \$49 million were substantially higher than the \$24 million expended during 2007. These costs were primarily related to the development of the Ruth pit and the exploration drilling programme. Other costs included normal replacements and upgrades and tailings dam work.

Re-iterating our recent guidance, we are expecting Robinson to produce approximately 140 million pounds of copper and 100,000 ounces of gold in 2009 at a cash unit cost of approximately \$1.30/lb and a total cost including capital of \$1.50 per pound.

I won't spend much time on our current mine plan, as I discussed this with you less than a month ago, but to summarize quickly; the planning sequence calls for ore to be mined from the Veteran pit then the Kimberly /Wedge satellite pit and finally the Ruth pit in two stages, with successive overlaps to provide the blending that we need for optimum mill performance. Delivery of ore from Kimberly/Wedge will commence in the second half of this year and from Ruth in 2010.

On February 20th we updated the mine reserves at Robinson and filed a new 43-101 technical report to reflect the various changes that have occurred; depletion, the new drilling and metallurgical data that we have developed and the assumptions with respect to cost, as well as changes to the ultimate pit design and operating plans. The mine now has

proven and probable reserves of 660,000 tonnes of contained metal and allows for mining at Robinson until 2017.

Taking a moment to provide some colour on this reserve estimate – what we gained in ore tonnes, net of depletion due to 2008 operations, was to some extent offset by reductions in ore in the Ruth pit. Part of this reduction relates to material that had been mined by previous owners but was not recognized as such by Magma and BHP, and part of this material represents the application of the mineralogical performance knowledge developed over the last few years, with the QPs preferring to take a conservative approach where there was uncertainty - an approach I support, given the history of mining in the Veteran pit. The result of the model and recovery changes removed 26 thousand tonnes of contained copper from the reserve.

Turning to progress at **Carlota**, we are now moving through ramp-up. Some 8 million tons of ore were placed on the leach pads in fourth quarter of 2008 containing approximately 33 million pounds of recoverable copper. There was a nominal amount of metal that made its way through the process and was harvested as cathode, something just under a million pounds of metal, but no actual sales were made at year end. First sales and shipments actually occurred in February. As previously disclosed, cathode copper production is expected to be approximately 50 million pounds for the year at a total cash operating unit cost of \$1.50/lb. This operating cost assumes probably a high acid price of \$200/ton and a diesel price of \$2.80/gallon.

The focus in 2009 is on the mining required for the construction of the main creek diversion channel that will carry creek water around the pit, rather than on grade. From 2010, the head grades will allow the operation to move to the nameplate capacity of approximately 70 million tonnes of copper cathode. In the context of the current input cost environment, we would expect unit costs to drop to approximately \$1.15 per pound produced at this production level.

One event that I will touch on is a brief update on the status on the National Pollution Discharge Elimination (“NiPDES”) permit which was vacated and returned to the EPA by the United States Court of Appeals for the 9th Circuit. We applied for a review of this decision by the United States Supreme Court and in January 2009, learnt that they had declined to hear our appeal. While somewhat disappointing from a flexibility point of view, we had of course already put in place a design that allowed us to operate at zero discharge so there is no impact to us other than that the mine may suffer production interruptions in the event of a very substantial rainfall event.

Moving on to our development projects, as announced last quarter – the advancement of both Sierra Gorda in Chile and Malmbjerg in Greenland were suspended due to the cash protection strategy implemented as a result of the declining metal price environment.

We have continued to move forward on the scoping study for **Sierra Gorda**, which is close to completion. Our current thinking is that the Sierra

Gorda project could comprise both an oxide heap leach operation as well as a large primary sulphide production facility. Enough drilling was done prior to our shutting down the on site drilling programme to convert the indicated and inferred resources towards a level of Measured and Indicated that would be required for a formal feasibility study and metallurgical and infrastructure studies are well advanced.

We have always recognized that because of the size of this project, it is among the fifteen largest known undeveloped deposits in the world, we would have to find a partner for Sierra Gorda. While we are not running a process, we have been in serious discussions with various parties. We think that being able to move forward through feasibility is a good contrarian strategy in this market, so that we are well positioned to make a development decision [and quickly] in a future stronger financing and metal price market.

Moving on to our molybdenum project, **Malmbjerg**. During 2008 we did advance environmental and engineering studies, as well as essentially complete the permitting process. As stated already at the top of the call, the combination of the drop in molybdenum prices, the collapse of the financial markets and the cessation of activities by Quadra required the Company to review the carrying value of the project in the context of GAAP and as a result, it was determined that the asset was impaired and we wrote down \$96 million to adjust it to an estimated fair value of just \$5 million.

Notwithstanding the write-down, Malmbjerg will be one of the only undeveloped molybdenum deposit in the world to be fully permitted, and is one of the highest grade open-pitiable deposits out there. Now that we have the input data required for a feasibility study, we will be testing the water on partners, with a view to advancing the project, again with the idea of being able to take advantage of stronger molybdenum prices when the market returns.

On February 9th, 2009 - as a subsequent event, we announced our intent to acquire Centenario Copper Corporation and their essentially mechanically complete Franke copper mine in Northern Chile. This transaction is an exact fit to our strategic growth plan bringing an additional 70 million lbs /annum of cathode copper to our production profile. This transaction is structured as a share exchange deal and subject to fairly typical terms including shareholder vote which will be cast at a Special Meeting expected to be held no later than April 30, 2009.

Outside of the shareholder vote however, the Plan of Arrangement was also subject to the completion of a replacement or restructuring of Centenario's senior indebtedness, on terms acceptable to Quadra. At this point, we are working with a number of lenders but we are not in a position to execute a commitment letter. As agreed with Centenario, once we have resolved the restructuring of the debt, we will inject \$US 10 million into Centenario in support of the liquidity of the Franke project.

I'd like to like to wrap up by taking this opportunity to express my appreciation to the Quadra team who have put together a very successful year during which, the Robinson Mine performed better than it ever has with record production. We completed the construction of our second mine Carlota, on schedule and on budget and produced our first copper cathode before year end. We also added considerable value to our pipeline portfolio prior to the sharp decline in the metal price during the latter half of the year.

On the corporate side we were able to eliminate our debt before the debt markets imploded, allowing us to maintain our current strong balance sheet. We also continued to deliver on our strategic growth plan and upon the completion of the Centenario transaction are well on our way to becoming a mid-tier copper producer with three operating mines and two significant pipeline projects.

All these factors have positioned us well in these extremely volatile times to survive through the economic downturn and to continue to exploit growth opportunities.

With that - I will conclude our formal remarks, thank you for listening and hand the floor over to the operator so that we can take any questions you may have.

Question and Answer session

Operator

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

Tom Meyer, Raymond James

Just the first question is a very small point. In today's release you were referring to Robinson CapEx of \$35 million and that is compared to \$30 million which was released on the January 29th update; is there anything notable that's changed?

Paul Blythe, President & Chief Executive Officer

Stuart, maybe you can just...

Stuart McDonald, Chief Financial Officer

Yeah. Hi, Tom, it's Stuart McDonald here. No, there wasn't any change. What happened there was our 2008 CapEx actually came in a little bit lower than we expected and the reason was there was a deferral of a bonding payment from 2008 into 2009. So nothing else happened there, it was just a timing of payments issue around year end.

Tom Meyer, Raymond James

Okay, perfect. And then maybe additional arm waving or colour on the ramp up at Carlotta. Like I think you, in the release you show that you booked revenues in February, what sort of

production revenues or volumes should we be looking for in the first and second quarter?

Paul Blythe, President & Chief Executive Officer

Well, as always, we're reluctant to guide on a quarter-by-quarter basis, but look, Tom, we're very much on track to produce the 50 million tonnes. There's three issues that we've seen in run of mine situations: the reconciliation of the block model, the kinetics, how fast the cover is coming out, and the recovery, and on all of those issues we're at least as good as where we expected to be based on the previous studies. So we're very comfortable with the 50 million pounds. Not really prepared to go any further than that and you'll just have to figure that on a quarter-by-quarter basis. But certainly the first quarter is less and it builds up on a ramp-up basis.

Tom Meyer, Raymond James

Okay, thanks. I'll pass it on. Thanks.

Operator

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

David Charles, GMP Securities

Yes, good morning. I just have two questions. Could you give me some idea as to what the after-tax impact is of the write-down for Malmbjerg, which is the \$96 million? And, if I'm not mistaken, there's a \$15.3 million, \$15.2 million adjustment to the start-up inventory at Carlotta and I'm wondering is there, ah, could you give me sort of the after-tax impact of that as well please.

Paul Blythe, President & Chief Executive Officer

Again I'll pass this to Stuart I think.

Stuart McDonald, Chief Financial Officer

Hi, David. Yeah, in terms of the Malmbjerg write-down, the tax, there was an accounting tax recovery related to that write-down and it was about \$18 million. That's what was in our MD&A actually. So if we have a write-down of \$96 million net of tax of \$18 million, the net P&L would have been, you know, just \$78.

And then in terms of everything else, you know, on a tax (inaudible) on the P&L, generally a rate of 23 percent I would use, and that's our effective rate for 2008.

David Charles, GMP Securities

Excellent. Thank you very much.

Paul Blythe, President & Chief Executive Officer

You had a second question, David?

David Charles, GMP Securities

No, I'm fine. Actually I was very happy with the numbers. Thank you very much.

Paul Blythe, President & Chief Executive Officer

Okay, thank you.

Operator

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

Orest Wowkodaw, Canaccord Adams

Hi, good morning guys.

I was wondering, Paul, if you could provide any colour on the marketable securities that you were holding at year end. Obviously the value went down from the third quarter. I'm wondering if you could comment on the rumours that have been out there that that was a position in Hud Bay and also whether you have disposed of that position, whatever it was, post year end.

Paul Blythe, President & Chief Executive Officer

Yeah, hi, Orest. We don't—since there's no obligation to, we don't normally disclose what the marketable securities are. We'll say that we bought the marketable securities in a different market environment. We generally occasionally get into buying marketable securities prior to a potential transaction really with a view to creating a synthetic break fee more than anything else. We haven't sold any at this point. We still have all the securities that we've had since the middle of last year.

Orest Wowkodaw, Canaccord Adams

Okay. And second question: Do you still feel confident on the Centenario transaction that you'll be able to restructure the debt there by the end of March? Or is it possible that that could extend?

Paul Blythe, President & Chief Executive Officer

It's never over 'til it's over, as I think Yogi Berra said, but having said that, you know, we are pushing hard. Everybody that's involved in the process is making the right noises. I think that's all I can tell you. It's a very short timeframe to negotiate but we're hard at it and we're as confident as you can be given the circumstances that we're in at the moment from a sort of global perspective that we can make this happen.

Orest Wowkodaw, Canaccord Adams

And do you see the March 31 as a hard deadline or is there possibility for extension if required?

Paul Blythe, President & Chief Executive Officer

Look, I would just say never say never. We liked what we saw. You're really asking would we walk about from it if we can't make it work by then; it really depends on the circumstances around that at that time but we haven't taken a view on that at all at this point.

Orest Wowkodaw, Canaccord Adams

Okay. Thank you, Paul.

Operator

Thank you. Once again, please press star one if you have a question. Our next question is from Onno Rutten of UBS Securities. Please go ahead.

Onno Rutten, UBS Securities

Yeah, good morning everyone. First of all, connecting to the question of David's with regards to the adjustments to the earnings, you booked a gain on the copper puts; was that actually a realized gain or a mark to market only?

Stuart McDonald, Chief Financial Officer

Yeah. I believe, if I got the numbers right, that the total accounting gain was \$38 million. The cash number, the cash that we received in Q4 was about \$11 million. So that's included within that line on the P&L.

Onno Rutten, UBS Securities

Okay, thank you. And then next on the operating cost trends at Robinson, obviously Q4 saw a bit of an increase to \$1.58 a pound; are you still comfortable with the guidance for 2009 at \$1.30 a pound at Robinson or is anything structurally happening there?

Paul Blythe, President & Chief Executive Officer

I think generally the noise on the—Robinson's costs tend to be fairly stable quarter over quarter, you know, and it's really the divisor that drives the unit cost. And we always point out, and I'm quite happy to do it again on this call, that quarter over quarter Robinson is not a steady state thing. Results are going to vary from quarter to quarter in terms of production. We're quite comfortable with what we've got out there.

Onno Rutten, UBS Securities

Okay. So nothing structurally changing. Good. And then on the provisional pricing, did you have any substantially carryover of cash settlements on provisionally priced concentrate in January and February?

Paul Blythe, President & Chief Executive Officer

No, we're back to what I would call the normal course ebb and flow of working capital adjustments now. Those changes, those provisional payment swings at a few cents level are always there, always have been there, and we don't see anything that's going to significantly affect our cash balance going forward in the way that we were whacked in the fourth quarter.

Onno Rutten, UBS Securities

Okay, that's good news. And then lastly on the depth for the Frontier(sp.) project, there was a lot of documentation and due diligence done already; are you currently negotiating with the same syndicates that did that extensive documentation and due diligence last year or are you also trying to negotiate with new syndicates and therefore it could take longer?

Paul Blythe, President & Chief Executive Officer

A bit of each. There are other players that got involved before we got involved, or in parallel with us getting involved I guess, that are quite up to speed; in fact, I think it's fair to say at this point there are no new players that are completely on site on the thing from a documentation point of view. You know, Centenario ran a number of different parallel tracks, including their own shot at trying to refinance with the banks, so there's a number of people out there that are up to speed from a due diligence point of view. The hard documentation would take some time but the key here for us is a commitment letter under the right conditions. Once we've got the commitment letter we're committed to and we think it's the right thing to do to put that \$10 million in to resolve the short-term liquidity issues.

Onno Rutten, UBS Securities

Okay. Okay, good luck. Thank you.

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

Okay, thank you very much. Thank you everybody for listening and if you have any more questions, feel free to contact Derek, Stuart, or myself and we'll be happy to answer them. Thank you.

Operator

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