



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR AND FOURTH QUARTER ENDED DECEMBER 31, 2006

The following Management Discussion and Analysis (“MD&A”) of Quadra Mining Ltd. and its wholly owned subsidiaries (“Quadra” or the “Company”) has been prepared as of May 1, 2007 and is intended to supplement and complement the accompanying audited annual financial statements and notes for the year ended December 31, 2006. This discussion includes certain statements that may contain ‘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 (“AIF”), is available on the SEDAR website at: www.sedar.com. The Company is a reporting issuer in all provinces and territories of Canada and trades its common shares on the Toronto Stock Exchange under the symbol: QUA.

This MD&A has been filed as a result of the Company filing an amended financial statement for the year ended December 31, 2006 and 2005 to reflect the retroactive impact of the adoption of EIC 160 “Stripping Costs Incurred in the Production Phase of a Mining Operation” on January 1, 2007.

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 base metal producing company that through its 100% owned subsidiary Robinson Nevada Mining Company (“RNMC”) owns and operates the Robinson copper mine (“Mine”) near Ely, Nevada. In addition, Quadra holds a 100% interest in the Carlota Copper Project (“Carlota”), a development stage SX/EW copper project in Arizona. The Company also has an option to purchase the Sierra Gorda Project, a late stage exploration property near Antofagasta, Chile. The strategic plan of the Company includes growth by optimising operations, developing projects and pursuing merger and acquisition opportunities.

2006 Highlights

- The Robinson mine generated Revenue of \$393,257 from the sale of 117.8 million pounds of copper and 69,762 ounces of gold in concentrates compared to 123 million pounds of copper and 71,868 ounces of gold in the previous year.
- Operating income for the year ended December 31, 2006 was \$154,208 compared to \$56,216 for the year ended December 31, 2005.
- The Company incurred a Realized loss on derivatives of \$143,930, an Unrealized loss on derivatives of \$7,453 and recorded a Net gain on the cancellation of the AMP Life Limited (“AMP”) option of \$14,374.
- Earnings for the year ended December 31, 2006 were \$14,433 or \$0.39 per share-basic and diluted compared to a loss of \$13,423 or \$0.49 per share for the year ended December 31, 2005.
- Production for the year was 121.4 million pounds of copper and 75,074 ounces of gold in 223,314 dry metric tonnes of concentrate. The onsite and offsite costs were \$181,962 and \$80,024 respectively*.
- The Company made a bid of \$350 million for the shares of Equatorial Mining Limited (“Equatorial”), but were subsequently outbid by Antofagasta PLC. The Company recorded a net gain on the cancellation of an option it held on the shares of Equatorial Mining Ltd. of \$14,374 net of all expenses and advisory fees.
- Due to a strong focus on safety and training at Robinson the Total Recordable Injury Rate has been reduced from 5.45, in 2005, to 2.6 for 2006.

- Following additional definition drilling and engineering and cost studies, the Carlota Copper Project was approved for construction by the Board subject to financing. The air quality permit court challenge was resolved in favour of the Company.
- Significant copper and gold grades were encountered at Sierra Gorda during a drill programme designed to test the concept of deep sulphides. A shallow hole grid programme identified substantial areas of alteration under cover that justify follow-up. The option of additional contiguous properties further consolidated the land package.

**Under Canadian Generally Accepted Accounting Principles, offsite and onsite cost terms are not defined terms. Onsite costs consist of mining costs, including equipment operating lease costs, mill costs, mine site general and administration, royalties and environmental costs. For financial statement reporting purposes, royalties are reported separately from cost of goods sold. Offsite costs consist of the costs associated with the transportation, smelting and refining of concentrate.*

OVERALL PERFORMANCE

Financial Results

Year ended December 31,	As restated 2006	As restated 2005	2004
Concentrate production (DMT)	223,314	226,999	49,150
Concentrate sales (DMT)	227,056	223,346	14,343
Statement of operations (\$000)			
Revenues from concentrate sales	393,257	228,235	11,932
Cost of sales	206,910	159,405	11,214
Amortization, depletion and depreciation	11,260	9,506	439
Accretion of asset retirement obligations	2,159	2,000	477
Royalties and mineral taxes	18,720	1,108	23
Operating income	154,208	56,216	(221)
General and administrative	7,516	5,391	3,906
Realized loss on derivatives	143,930	26,207	-
Stock-based compensation	2,399	1,890	1,870
Foreign exchange (gain) loss	106	(2)	(904)
Net interest and other (income) expense	616	132	(530)
Earnings (loss) before other items	(359)	22,598	(4,563)
Unrealized loss on derivatives	7,453	32,463	1,899
Net gain on cancellation of AMP option	(14,374)	-	-
Write down of Magistral property	-	6,933	-
Contract termination fee	-	4,436	-
Break fee	-	-	(2,500)
Earnings (loss) before income taxes	6,562	(21,234)	(3,962)
Income tax - current	11,939	85	-
Future income tax expense (recovery)	(19,810)	(7,896)	(1,587)
Earnings (loss)	14,433	(13,423)	(2,375)
Basic earnings (loss) per share	\$ 0.39	\$ (0.49)	\$ (0.11)
Diluted earnings (loss) per share	\$ 0.39	\$ (0.49)	\$ (0.11)
Financial positions (\$000)			
Total assets	335,966	250,642	140,817
Total long-term financial liabilities	37,061	50,478	27,149

The Mine began commercial operations in the fourth quarter of 2004.

Revenues

Revenue is affected by sales volumes and commodity prices. All of the Company's revenues are currently generated by the Robinson Mine.

Revenues from concentrate sales were \$393,257 for the year ended December 31, 2006 compared with \$228,235 in 2005. The increase in revenue in 2006 over 2005 was largely due to the average copper price received upon shipment for 2006 being \$2.96 compared to a price of \$1.65 in 2005. The average LME copper price was \$3.05 in 2006 compared to \$1.67 in 2005. Refining and treatment charges, which are deducted in arriving at revenue, were \$46,802 for the year ended December 31, 2006 compared to \$31,011 in 2005 (see **Offsite Costs**).

Cost of Sales and Expenses

Cost of sales for the year ended December 31, 2006 were \$206,910 compared to \$159,405 in 2005. The increase in cost of sales reflects higher onsite and offsite operating costs. (see **Robinson Operating Costs**). Amortization, depletion and depreciation for the year ended December 31, 2006 were \$11,260 compared to \$9,506 in 2005. The increase in amortization, depletion and depreciation in 2006 over 2005 was due to higher sales volumes and increases in depreciable assets.

Royalties and mineral taxes for the year ended December 31, 2006 were \$18,720 compared to \$1,108 in 2005. The Mine is subject to a 3% net smelter return royalty under which the royalty is payable to a reclamation trust until such time that \$20,000 of funds are available, at which point the royalty is payable to a third party and accordingly will be expensed. During the year ended December 31, 2006, the trust became fully funded. Higher copper prices impacted royalty expense and Nevada net mining proceeds tax, as did the expensing of royalties previously paid into the trust.

Operating income for the year ended December 31, 2006 was \$154,208 compared with \$56,216 in 2005. The increase in 2006 over 2005 was mainly due to the higher revenue generated by higher commodity prices.

General and administrative expenses were \$7,516 in 2006 compared to \$5,392 in 2005 due to increased activities at the corporate office.

The Realized loss on derivatives was \$143,930 in 2006 compared to \$26,207 in 2005. The increase in realized losses in 2006 compared to 2005 reflects the impact of the copper hedging program entered into in the fourth quarter of 2005 and higher copper prices relative to the hedge price in 2006 compared to 2005. (see **Financial Instruments and Other Instruments**)

Net interest and other expense were \$616 in 2006 compared to \$132 in 2005 due to greater use of the working capital facility.

On July 19, 2006, the Company announced its intention to make an offer to acquire all of the issued and outstanding shares of Equatorial Mining Limited ("Equatorial") for AUSD\$9.23 cash per share. The Company also entered into a Call Option Deed with a subsidiary (the "AMP Subsidiary") of AMP Life Limited, the major shareholder of Equatorial, in respect of 19.99% of the shares of Equatorial.

On August 15, 2006, Antofagasta PLC submitted a significantly higher offer for Equatorial and entered into a similar call option agreement with the AMP Subsidiary. The Company chose not to match the higher offer from Antofagasta PLC and announced on August 23, 2006 that it received notice from the AMP Subsidiary that the AMP Subsidiary had exercised its right under the Call Option Deed to cancel that agreement. As a result, the AMP Subsidiary was required to pay the Company a fee of AUSD\$31,922 (equivalent to \$24,194). Direct expenses related to the Equatorial offer amounted to \$9,820, resulting in a net gain on the cancellation of the AMP option of \$14,374.

On October 27, 2005 the Company made a decision to withdraw from the Investment and Operating Agreement with Inca Pacific Resources Inc. ("Inca Pacific"). As a result, the investment and costs incurred on the Magistral project totalling \$6,933 were written off and charged to income in 2005.

Mining activities at the Robinson Mine from start-up to October 31, 2005 were performed under a mining contract by Washington Group Nevada ("Washington"), a subsidiary of Washington Group International, Inc ("WGI"). This

contract was terminated in 2005 and the agreement required RNMC to pay a termination fee of \$4,436 and acquire certain equipment (“**See Liquidity and Capital Resources – Minimum Lease Payments**”).

Earnings (loss) before income taxes were \$6,562 in 2006 compared to \$(21,234) in 2005.

The Company recorded a current income tax expense and future income tax recovery of \$11,939 and \$19,810 respectively for the year ended December 31, 2006 compared with \$85 and \$7,896 in 2005. The increase in current income tax in 2006 reflected the increase in Alternative Minimum Tax in the U.S. The increase in income tax recovery in 2006 resulted mainly from changes in temporary differences between the tax and accounting basis of the assets and liabilities.

For the year ended December 31, 2006, the Company reported earnings of \$14,433 or \$0.39 per share – basic and diluted as compared to a loss of \$13,423 or \$0.49 per share for the year ended December 31, 2005.

Financial Position

Total assets as at December 31, 2006 were \$335,966 compared with \$250,642 at December 31, 2005. The increase in assets during the year ended December 31, 2006 was primarily due to the following:

- Increase in cash in connection with the equity financing, exercise of broker warrants (**See Equity Financing**) and the cancellation fee of \$14,374 associated with the Equatorial bid
- Increases in security deposits and environmental trusts and bonds totalling \$16,990
- Increases in mineral properties of \$22,622 in connection with ongoing exploration and development at the Sierra Gorda and Carlota projects

Total long-term financial liabilities as at December 31, 2006 were \$37,061 compared with \$50,478 as at December 31, 2005. The reduction in long-term liabilities is primarily due to the payment of instalments of the deferred gold consideration. (see “**Carlota**”)

ROBINSON MINE

Operational Results for the Robinson Mine for the Year Ended December 31, 2006

The performance of the Mine when considered quarter on quarter or year on year varies as a result of changes in head grade, metal recovery and waste stripping requirements. Comparative production statistics are as follows:

	2006					2005				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Waste mined (Tonnes 000's)	59,212	13,964	14,425	16,605	14,218	56,647	13,832	16,753	14,325	11,737
Ore mined (Tonnes 000's)	15,281	4,121	4,175	3,274	3,711	14,431	2,881	3,855	3,415	4,280
Ore milled (Tonnes 000's)	13,860	3,919	3,426	3,422	3,093	13,758	3,426	3,466	3,570	3,296
Copper grade (%)	0.61	0.67	0.69	0.52	0.53	0.55	0.57	0.60	0.50	0.51
Gold grade (g/t)	0.31	0.41	0.32	0.24	0.27	0.34	0.34	0.39	0.33	0.32
Copper recovery	65.4%	61.0%	63.4%	70.3%	69.5%	76.3%	73.5%	79.5%	76.4%	74.2%
Gold recovery	53.6%	53.7%	57.9%	47.5%	54.5%	55.2%	61.5%	57.3%	51.3%	41.5%
Mill Operating Time	90%	95%	89%	89%	89%	91%	90%	95%	92%	88%
Copper production (Million lbs)	121.4	35.3	33.3	27.8	25	126.2	31.6	36.5	30.5	27.6
Gold production (ozs)	75,074	27,646	20,425	12,532	14,471	80,941	22,262	24,666	19,932	14,081
Onsite costs	\$181,962	\$46,250	\$50,287	\$44,879	\$40,546	\$135,486	\$36,735	\$42,030	\$30,156	\$26,565
Offsite costs	\$80,024	\$17,916	\$16,932	\$23,100	\$22,076	\$63,941	\$15,593	\$16,220	\$19,319	\$12,809
Total costs	\$261,986	\$64,166	\$67,219	\$67,979	\$62,622	\$199,427	\$52,328	\$58,250	\$49,475	\$39,374
Capital expenditure	\$11,555	\$4,100	\$3,573	\$3,074	\$808	\$11,560	\$4,781	\$3,568	\$1,741	\$1,470
By product credits										
- Gold and silver	\$44,100	\$16,441	\$7,421	\$8,713	\$11,525	\$33,393	\$10,764	\$8,768	\$8,373	\$5,488
- Molybdenum	\$6,075	\$334	\$1,063	\$1,527	\$3,151	-	-	-	-	-

During the year ended December 31, 2006, mining activity took place in the Tripp area of the Tripp – Veteran pit for the first two months of the year and in the Veteran area thereafter. During the year a total of 74,493,000 tonnes of ore and waste were mined. This is an increase over the 2005 year end total of 71,078,000 tonnes, and represents an average mining rate of approximately 204,000 tonnes per day. The increase in mining rate was a result of increased

efficiencies due to improved operator skills and mining largely in the Veteran area of the pit which was not subject to the slope stability issues encountered in the Tripp area in 2005.

Copper production during the year ended December 31, 2006 was 121.4 million pounds as compared to 126.2 million pounds in the previous year. Despite an increase in copper head grade, from 0.55% copper in 2005 to 0.61% in 2006, copper production decreased because copper recoveries decreased as a result of a supergene copper zone encountered in the Veteran pit. As the material was mined, detailed test work showed that the ore contained non-acid soluble oxide copper which is not amenable to flotation and therefore not recoverable. Previous planning and forecasting procedures had regarded all non-acid soluble copper as a sulphide and therefore recoverable by flotation. By the end of the fourth quarter, as operations mined through this supergene layer, recoveries began to improve in the lower benches of the pit. Recoveries for the last few weeks of the year resumed more typical levels in the 70% to 80% range.

Gold production was 75,074 ounces as compared to 80,941 ounces in the previous year. The decrease in production was a result of head grades that were 10% lower in 2006 than in 2005. The molybdenum plant commenced production and produced 260,000 pounds in 2006. Molybdenum production was lower than expected due to low head grades.

Operating Costs

Onsite Costs

The key drivers of onsite costs are;

- The volumes of waste and ore moved
- Salaries, wages and benefits
- Equipment maintenance costs and consumables
- Royalty costs, which in turn are driven by mineral production and metal price

Onsite costs for the year ended December 31, 2006 were \$181,962 compared to \$135,486 for the year ended December 31, 2005. Of this increase of \$46,476, \$19,643 was due to an increase in mining costs. This increase was due to an increase in tonnes mined of 5% and an increase in unit (per tonne) mining costs of 18%. Components of the latter included increased re-handling costs of ore contaminated by wood or with high iron content, a wage increase in July of approximately 10%, increased equipment maintenance costs, as a result of component prices, and the need for additional maintenance and substantially increased tire costs, as a result of a global supply shortage. Royalty costs increased by \$8,828 in 2006 over 2005 due to higher copper prices which averaged \$3.05 per pound in 2006 compared to \$1.67 per pound in 2005 and the impact of the royalty costs now fully payable of \$8,141 (**See Cost of Sales and Expenses**). Milling costs increased by \$7,754 for the year ended December 31, 2006 from \$42,317 in the year ended December 31, 2005. This increase was largely attributable to a 46% increase in maintenance costs and a 35% increase in reagents and grinding media costs. General and administrative costs increased by \$8 million primarily due to termination payments and increases in sales taxes and environmental costs.

Offsite Costs

The key drivers of offsite costs are;

- Copper price participation by smelters,
- Treatment and refining charges
- The volumes of concentrate transported and sold
- Freight rates, both rail to the port facility in Vancouver, Washington and ocean to smelter destinations in Asia

Offsite costs were \$80,024 for the year ended December 31, 2006 as compared to \$63,941 for the year ended December 31, 2005. Of the increase in offsite costs of \$16,083, the majority is attributable to price participation charges included in treatment and refining charges which were driven by copper prices that averaged \$3.05 per pound in 2006 compared to \$1.67 per pound in 2005. The portion of treatment and refining charges not related to price were generally consistent between 2006 and 2005. Contracts with smelters are determined by global negotiations between mines and smelters and the Company generally follows global benchmarks. Higher rail and

vessel charges accounted for the majority of the remainder. The higher rail and vessel charges reflected fuel surcharges and a tightening in ocean freight rates.

For the year ended December 31, 2006 the cash cost per pound of copper produced was \$1.74 per pound compared to \$1.31 per pound in 2005. The cash cost per pound of copper produced is a non-GAAP term and consists of onsite and offsite costs, less by product revenue, divided by the pounds of copper produced in the period.

2006 Production Results versus Guidance

The following table is a summary of the operating statistics for the year compared to the revised forecast:

	2005 Actual	Revised 2006 Guidance	2006 Actual
Copper Production	126 million pounds	115 million lbs	121 million lbs
Gold Production	80,941 ounces	55,000-60,000 ounces	75,074 ounces
Onsite Costs	\$135 million	\$174 Million	\$182 Million
Offsite Costs	\$64 million	\$86 Million	\$80 Million
CAPEX	\$12 million	\$14 Million	\$12 Million

The copper production guidance for 2006 was changed downwards twice, once at midyear as a result of recovery trends experienced and identified by a drill programme and again in October, as a result of recovery issues related to non-acid soluble oxides in the Veteran Pit. The original guidance of 145 – 150 million pounds was reduced to 115 million lbs of copper. Gold production guidance remained unchanged at 55,000 to 60,000 ounces for the year.

The original 2006 operating cost guidance for the year issued in November 2005 was \$145 million for onsite costs, \$72 million for offsite costs and CAPEX for the year of \$6 million. After the second quarter of 2006 these costs were revised to indicate an expected increase of 20% for both onsite costs and offsite costs and \$14 million for CAPEX, all as a result of the projection of cost increases experienced to that point, including many that were driven by the higher price of copper.

Outlook

The following table shows the proven and probable mineral reserves for the Robinson Mine as of January 1, 2007. Changes from the prior year's proven and probable mineral reserves include ore and waste mining through 2006, abandonment of the Tripp pit prior to completion due to geo-technical considerations, changes to pit designs, and adjustments arising from the complex mineralogy experienced in 2006.

Reserve Classification	Ore kt	Copper Grade%	Gold Grade g/tonne	Contained Metal		Waste kt	Total kt	Strip Ratio
				Copper kt	Gold oz (000's)			
Proven	117,625	0.69	0.26	810	1,000			
Probable	4,776	0.72	0.22	35	34			
Proven and Probable	122,401	0.69	0.26	845	1,034	405,997	528,398	3.32

Note:

Mineral reserves are based on a net value calculation that includes all cash operating costs. "Measured" and "Indicated" material with a net value greater than zero and also lying within the open pit limits are called "Proven" and "Probable" reserves, respectively. The reserves are based on variable copper prices starting at \$2.60 per pound copper price in 2007 decreasing to \$1.35 by the end of mine life. A fixed gold price of \$550 per ounce was used.

Copper and gold production for 2007 is expected to be 125 million pounds and 60,000 ounces respectively. The complex nature of the ore-body will result in quarter to quarter fluctuations in copper and gold production. While the Company continues to evaluate methods of increasing production of molybdenum, it does not plan to provide guidance for 2007 due to the variability of head grade and recovery.

Mining

The forthcoming mining activities related to the Veteran pit are divided into three phases. The first phase is expected to be completed by mid 2007. During the second half of 2007, whilst the Company is mining in the second phase, supergene material will be encountered and the Company expects higher grade material and associated lower metallurgical recovery similar to the Mine's experience in 2006. The expected supergene material represents approximately 2.5 million tonnes of ore, or approximately 15%, of the ore expected to be mined in 2007.

Mobile mine equipment relies on access to off road tires and, due to global off road tire shortages, special emphasis has been placed on tire life, performance, and arrangements with suppliers to access off road tire supplies. The first round of major component replacements for the CAT 793 -240 ton haulage fleet began during the fourth quarter, and will continue into the first half of 2007.

It is expected that there will continue to be a shortage of qualified and experienced mining personnel in 2007. However, the mine has made good progress in the recruitment and training of personnel which is expected to benefit mine operations in 2007 and further into the future.

Processing

Mill recoveries are expected to follow the trends seen in 2006, with variable recoveries high in the ore body, lower recoveries, but higher grades in the supergene material and higher, more normal, recoveries in the hypogene material below the supergene.

Mill throughput is projected to be similar to that achieved from the Veteran pit in 2006. However, during the fourth quarter of 2006, mill throughput was better than the historical average to that point in the year, with a new daily throughput record of 54, 241 tonnes.

Molybdenum head grades are expected to be low and erratic during 2007. The current database indicates that there will not be significant molybdenum production from the Veteran pit, which will be the primary production pit until 2009, when the operation will begin transitioning to the Ruth pit.

At the end of the fourth quarter, one of the two mill tailings thickeners developed a mechanical problem and mill operations had to adjust operating practices to maintain mill throughput. It is expected that this problem will be resolved in the first quarter of 2007.

CARLOTA

During the year ended December 31, 2006 the Company spent \$17,782 towards the acquisition and development of the Carlota project. Acquisition costs were \$9,641 while development costs were \$8,141.

Acquisition costs included the payment of 25,000 ounces of gold as agreed under the acquisition agreement. At December 31, 2006 an additional four quarterly gold payments of 6,250 ounces of gold remain to be completed during 2007 and 2008.

Development activities consisted of definition and infill drilling, water supply testing and development, ordering of mining and processing equipment, the development of basic engineering, construction schedules and detailed cost estimates for the project.

In connection with the ordering of equipment the Company placed deposits or stage payments totalling \$2,555.

Permitting and related activities included extending the Program of Work for the current Plan of Operations, as required by permit, to March 31, 2007, placing \$6,589 on deposit with the US Forest Service ("USFS") as a reclamation bond, supporting the Gibson Mine clean-up (a permitting condition) and collecting baseline data. The Arizona Department of Environmental Quality ("ADEQ") announced on April 12, 2006 that the air quality permit issued by ADEQ for the Carlota project has been upheld by the Arizona Court of Appeals. The appeals court ruled the decision made by ADEQ in February 2003 to renew Carlota's air permit was proper under both the federal Clean Air Act and the state air quality law.

Senior project and operations management have been hired and other key personnel identified.

Management estimates that the project has a capital cost of approximately \$189 million, an eleven year life and an estimated operating cost of \$0.99 per pound of copper produced. The Company continues to progress the financing of the project and anticipates copper production in the second half of 2008.

The Board of Directors gave approval to proceed with the project in November 2006 subject to financing.

SIERRA GORDA

During 2006 \$4,840 dollars were spent on the project, consisting of option payments of \$829 and project expenditures of \$4,011, primarily for an 18,387 metre drill programme in 174 holes. The programme comprised three elements: core drilling to test the concept of deep sulphide mineralization, step out drilling to define additional oxide reserves and shallow hole grid drilling to evaluate the geological potential over the large part of the property covered by alluvium.

The concept of deep sulphide mineralization potential was developed from historical data, geophysics, mapping and modelling completed by Quadra. One of the holes, number 281, supported the concept and showed sustained mineralization from 242m below surface to the bottom of the hole at 580m (338m interval) at an average grade of 1.05% copper. The gold grade averaging 0.31 g/t from 406m to 580m (174m interval). Results from the follow up drilling were announced after December 31, 2006 and continued to support the concept of a substantial new zone of classic porphyry copper mineralization. Two others were drilled that also returned substantial grades and intervals of sulphide mineralization.

The short hole grid programme provided the structural and geochemical information required to assess the potential for mineralization under the 20 to 40 metre thick alluvium that covers a substantial portion of the property. Several sizable clusters of holes show favorable alteration and justify a detailed drill evaluation programme.

Two additional properties contiguous to Sierra Gorda were optioned to consolidate further the land package.

The results from the deep sulphide drilling have moved the focus from an oxide heap-leach project to a potentially larger project that would encompass both heap leaching and primary sulphide production. Follow-up drill programmes are planned in 2007 to extend the defined deep sulphide mineralization and provide enough data to establish a resource and to evaluate the targets under the colluvium cover.

A study of all process water options will be completed in 2007.

Market Trends and Fundamentals

Copper Uses

Global copper consumption was approximately 16.7 million tonnes in 2005 and is expected to be 2% to 5% higher in 2006. Copper is an excellent conductor of electricity and is widely used for power distribution and electric drives. It also has good corrosion resistance properties. Major uses of copper include electrical and electronic products, transportation and industrial machinery and equipment.

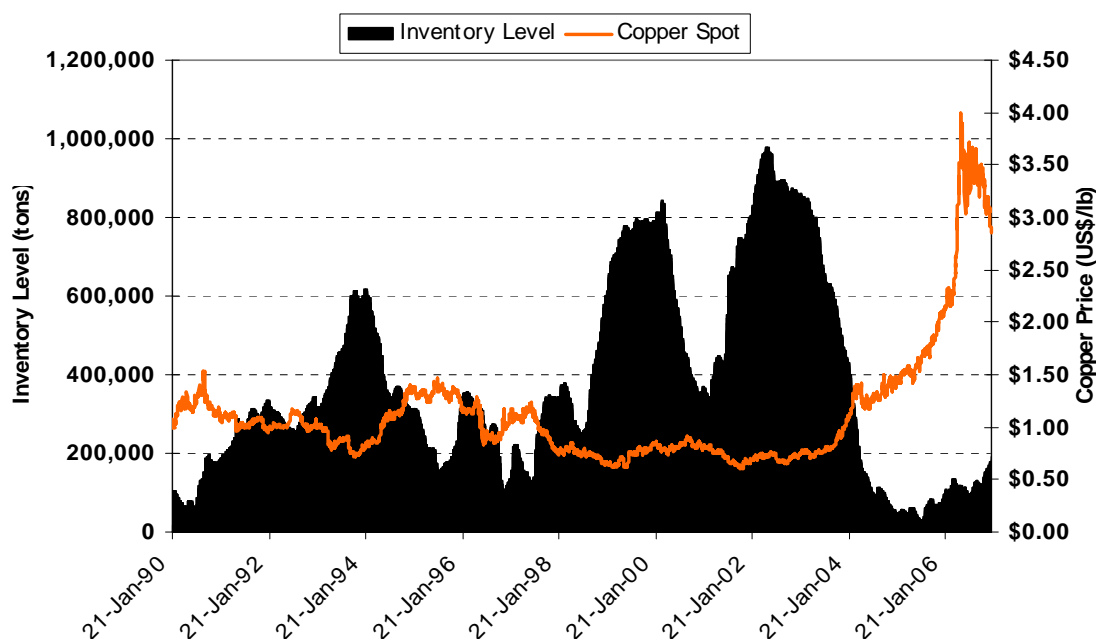
Growth in the demand for copper has been accelerated by the rapid industrialization of emerging economies in Asia, particularly China, and is spurred by expansion of domestic and foreign demand for manufactured products, growth in the housing market and expansion of power infrastructures.

Copper Price

Copper prices have historically been both cyclical and volatile, trading within a range of \$0.50- \$1.60 per pound through the 1980s and 1990s. Following development of significant over-capacity during the early to mid-1990s, copper experienced a six year period of depressed prices which resulted in reduced exploration and development activity. Since 2003, 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, has resulted in decreased inventories of copper. These low inventories, together with a weakening U.S. dollar, have led to a substantial increase in the copper price. On May 11, 2006, the spot price of copper on the LME rose to \$3.99/lb.

The following graph shows the LME inventory level of copper and the spot price of copper from 1990 to December, 2006.

LME Copper Price & Inventory



The drawdown in global inventories during 2004 and 2005 was a result of strong demand and the short term inability of the supply-side market to respond. By the end of 2005, global stocks were 548,000 tonnes and were estimated to represent only 16 days of consumption. Inventories published on the LME declined to a 30 year low of only 25,525 tonnes on July 22, 2005 but they have since rebounded to 182,800 tonnes as of December 29, 2006.

The copper price has increased by 38% over the past year, with prices increasing from \$2.07 per pound on December 31, 2005 to \$2.85 per pound on December 29, 2006.

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. Changes in the price of copper may therefore differ when expressed in other currencies as the result of a relative weakening of the U.S. dollar.

On the supply side, a number of supply disruptions at operating copper mines reduced mine supply in 2005 and 2006. On the medium to long term, significant new mine supply is constrained by a number of factors including the lack of major projects currently in the development phase, permitting delays, delays in access to new equipment and long term price assumptions used for bank financing. In addition, the supply of the currently producing mines is expected to decrease as head grade declines.

Demand for copper has historically increased at an average rate of 3.2% per annum. Two nations, China and India, with significant populations are emerging as actively developing economies. The demand for copper in these two industrializing countries has, and will, significantly impact demand for commodities, including copper. It is estimated that global demand will grow by 5.6% in 2006, 5.5% in 2007, 5.4% in 2008, 2009 and 2010; a shortage of supply will constrain demand growth.

Operating Results by Segment

The only operating segment of the Company is the Robinson Mine. The Company is also developing the Carlota Project in Arizona and the Sierra Gorda Project in Chile

SUMMARY OF QUARTERLY RESULTS

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

SUMMARY OF QUARTERLY RESULTS								
\$ US 000s	2006 (As restated)				2005 (As restated)			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Statement of Operations								
Revenues	99,173	67,923	142,225	83,936	65,331	63,432	55,998	43,474
Operating income (loss)	30,713	24,004	72,431	27,060	29,757	11,022	9,377	6,060
Earnings (loss) before other items	2,930	(22,139)	4,863	13,987	12,642	(1,427)	7,474	3,909
Unrealized (gain) loss on derivatives	(53,543)	(34,626)	36,559	59,063	20,788	4,528	7,746	(599)
Earnings (loss) before income taxes	56,375	26,959	(31,696)	(45,076)	(8,982)	(16,487)	(273)	4,508
Earnings (loss)	50,960	20,634	(21,998)	(35,163)	(5,609)	(13,384)	1,782	3,788
Basic earnings (loss) per share	\$ 1.34	\$ 0.55	\$ (0.59)	\$ (1.15)	\$ (0.20)	\$ (0.49)	\$ 0.07	\$ 0.14
Diluted earnings (loss) per share	\$ 1.32	\$ 0.54	\$ (0.59)	\$ (1.15)	\$ (0.20)	\$ (0.49)	\$ 0.07	\$ 0.14
Financial Position								
Cash	47,774	37,864	50,211	24,421	9,128	9,413	18,427	23,705
Total Assets	335,966	328,426	347,894	308,182	250,642	178,716	166,756	161,691
Total Liabilities	170,850	214,592	259,062	203,468	157,890	80,768	55,783	52,993
Shareholders' equity	165,116	113,834	88,832	104,714	92,752	97,948	110,973	108,698

For the purposes of this table future income tax assets and liabilities have been combined.

LIQUIDITY

Sources and Uses of Cash

Year ended December 31	2006	2005
Cash received from operations	64,961	9,376
Cash used in investing	(62,160)	(46,103)
Cash provided by financing	35,845	33,586

Operating income was \$154,208 for the year ended December 31, 2006 compared to \$56,216 in 2005 reflecting higher prices for copper and gold. The higher copper price coupled with higher hedge volumes resulted in a realized loss of \$143,930 in 2006 compared to \$26,207 in 2005 with the resulting net income in 2006 being \$14,433 in 2006 compared to a loss of \$13,423 in 2005. Net working capital changes were a source of \$46,845 of cash in 2006 compared to a net use of cash of \$22,097 in 2005 reflecting the substantial change in the marked to market amount of settlement adjustments from positive to negative. The resulting cash from operations was \$64,961 in 2006 compared to \$9,376 for 2005.

Investing activity of \$62,160 for the twelve months ended December 31, 2006 reflects an increase in the cost of \$14,326 associated with the delivery of the gold to Cambior in conjunction with the Carlota purchase, the placement of environmental bonds at Carlota totalling \$7,125, increases in security deposits for mining equipment at Robinson and Carlota of \$5,902, the acquisition of the concentrate transload facility for \$2,000 and increased royalty payments to the environmental trust of \$3,677 arising from higher copper prices. This compares to investing activity of \$46,103 for the year ended December 31, 2005 arising from maintenance capital and investments in the Sierra Gorda project.

Financing activities in 2006 primarily consisted of the equity offering (see **Equity Financing**) which raised \$45,544, repayment of the \$15,000 bridge facility and \$3,100 of bank indebtedness compared with draws under the Working Capital and Bridge Facilities of \$35,000 during 2005.

At December 31, 2006 the Company had a working capital deficiency of \$18,699 and cash of \$47,774 as compared to a working capital deficiency of \$31,198 and cash of \$9,128 at December 31, 2005. The decrease in the working

capital deficiency is mainly due to an increase in cash and future income tax assets (see “**Current assets**”) which were partially offset by an increase in accounts payable and tax payable.

Current assets

The total current assets were \$115,090 at December 31, 2006 compared to \$76,214 at December 31, 2005 mainly due to an increase in the cash position offset by a decrease in the marked to market value of customer balances. (see **Financial Position**).

Current liabilities

Current liabilities were \$133,789 at December 31, 2006 compared to \$107,412 at December 31, 2005. The increase in current liabilities is mainly due to an increase of \$24,385 in accounts payable and accrued liabilities due to the marked to market balances with customers being an accrual for payment of \$11,305 arising from a reduction in the price of copper between the shipment date and the contracted settlement period, and general increases in costs. Other increases consisted of accruals for taxes payable of \$14,869 and fees associated with the Equatorial Bid. These increases were partially offset by the repayment of the bank indebtedness associated with the Carlota acquisition of \$15,000.

Equity Financing

In February 2006 the Company completed an equity offering of 7.2 million common shares at a price of CAD\$6.30 per common share. In connection with the equity offering the Company granted the underwriters an option to purchase an additional 1,080,000 common shares at the same price. This option was subsequently exercised and the aggregate net proceeds from the offering were \$42,240.

During 2006, 1,449,360 broker warrants from the IPO in April 2004 were exercised for net proceeds of \$7,507.

Outlook

At December 31, 2006 the Company had a working capital deficiency of \$18,699. Management expects that at current copper prices additional financing will be required. The Company is in the process of negotiating a financing for the Carlota project and working capital purposes. If this financing should not be completed the Company will pursue other sources of financing.

CAPITAL RESOURCES

At December 31, 2006 the Company had undrawn borrowing under the credit facility of \$3,100. Also at December 31, 2006 the Company had commitments and orders for capital equipment and deferred consideration payable associated with the Carlota project.

In order to meet these commitments additional financing will be required.

Commitments

(\$ thousands)	Payment Due By Period						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
Short-term debt	16,900	-	-	-	-	-	16,900
Deferred gold consideration	11,556	3,777	-	-	-	-	15,333
Equipment purchase	6,954	-	-	-	-	-	6,954
Notes payable	2,668	-	-	-	-	-	2,668
Derivative instrument liability	46,468	-	-	-	-	-	46,468
Minimum lease payments	11,628	11,503	11,428	14,425	6,148	320	55,452

Short-Term Debt

On March 10, 2005, RNMC arranged a revolving Working Capital Facility and hedge line of credit facility with Macquarie Bank Ltd. ("Macquarie"). The Working Capital Facility and the hedge line of credit are secured by all of the assets of RHUSA, including RNMC and a guarantee from Quadra. Proceeds from the \$20,000 Working Capital Facility are available to provide additional liquidity for the Mine between the production and final sales of metal concentrate. Each drawdown ("Concentrate Advance") under this facility is to be no greater than 90% of the net smelter return based on the hedged value of concentrate available for shipment under current sales contracts. The metal prices used in the estimated value are based on the hedged prices between each drawdown date and the first provisional payment made by customers pursuant to the terms of their individual sales contracts. Advances under the facility bear interest at LIBOR + 1.35%. At December 31, 2006 the Company had drawn down \$16,900 under the facility.

The Company expects to continue to utilise the facility until it expires on March 31, 2007. The Company will undertake additional hedging on an as needed basis in order to continue to utilise the facility and enter into negotiations to renew the facility.

Deferred Gold Consideration

Deferred gold consideration represents the net present value of the remaining 25,000 oz of gold based on a price of \$661 per ounce to be delivered to IamGold Corp. (formerly Cambior) in four equal amounts beginning on the later of:

- (i) March 30, 2007; and
- (ii) the earlier of the date on which Quadra is satisfied that certain outstanding litigation matters can no longer be reasonably expected to inhibit development of the Carlota Project, and June 30, 2010 and on the dates which are 90, 180 and 270 days thereafter, 6,250 ounces of gold.

At the date of acquisition \$4,000 in cash was conditionally payable to IamGold Corp. following an agreed-upon drilling program of approximately 3,000 metres to confirm the status of certain material currently included in the resources of the Carlota deposit. During the year ended December 31, 2006 the status of the material was confirmed and accordingly the \$4,000 has been accrued.

Security Deposits

From time to time the Company is required to file updated reclamation plans. By way of reclamation documents filed in 2006 the Company expects to increase in the Robinson Mine reclamation bond by \$2,000 to \$5,000 in 2007.

Equipment Purchases

The Company has entered into an agreement to purchase a Hitachi EX 5500 for \$6,945 for which a non-refundable down payment of \$450 has been made. Additional financing will be required to complete the purchase. During the year ended December 31, 2006, the Company made non-refundable deposits totalling \$2,105 for the purchase of seven Komatsu haul trucks and four Komatsu Crawler Tractors.

Notes Payable

Notes payable of \$2,668 consists of notes due to Caterpillar Financial Services Corporation (“CAT”) in support of leased mine equipment (**See Minimum Lease Payments.**) The principal is repayable annually over three years and the interest is payable monthly at an annual interest rate of 6.6% over 39 months with the first payment commencing October 1, 2004. The notes are secured by Security Deposits held by CAT.

In connection with the purchase of SALTS Facility, RNMC signed a promissory note of \$500 payable to IMCO. The principal bearing an annual interest rate of 6.87% is repayable on or before March 31, 2007.

Derivative Instrument Liability

In addition to the Working Capital Facility described under the heading Short Term Debt, Macquarie has agreed to provide the Company with an uncommitted hedge line of credit facility under which the Company may hedge up to 65,000 tonnes of copper and 60,000 oz of gold on a margin free basis (**See Financial Instruments and Other Instruments.**)

Minimum Lease Payments

In 2004, RNMC entered into an operating lease agreement with CAT to lease sixteen trucks, one electric shovel and a spare dipper. The total remaining lease payments for the sixteen trucks amount to \$27,136 and are payable over the next 6 years and the remaining payments for the electric shovel and spare dippers are \$8,380 payable over the next 5 years. Also in 2004, RNMC signed a seven year lease agreement with Wells Fargo Equipment Finance Inc. (“Wells Fargo”) to lease one Hitachi EX55000 electric shovel and one spare dipper. The remaining lease payments total \$4,788 are payable over the next 5 years.

In 2005, RNMC entered into a capital lease agreement with CAT to lease equipment held by the former contract miner. The remaining lease term is 5 years and the total remaining lease payments amount to \$14,873. The equipment is amortized on a unit-of-production basis over the period of expected use.

Certain of these lease agreements contain cross default provisions with the corporate credit facility.

CONTINGENCIES

The Company is aware of the following proceedings:

Certain litigation is pending in connection with one permit for Carlota. There can be no assurance that the outcome of this litigation will be favourable to Carlota. A court may render a decision which may delay or prevent development of Carlota or change the requirements of Carlota to the extent that it is no longer economically viable, which could have a material adverse effect on the Company. There can also be no assurance that, in the event of a favourable ruling, such ruling will not be appealed further to a higher court. There can be no assurance that additional permits required for the development and operation of Carlota will not be challenged in the future.

On March 16 2006 Katie Davis and LeRoy Davis, on their own behalf and on behalf of their minor daughter Araya Davis, (collectively, the "Davises") filed a lawsuit against RNMC and BHP Copper Inc. (“BHP Copper”) (Collectively, the “Defendants”) in the Seventh Judicial District Court, White Pine County, Nevada. Katie Davis is the daughter and Araya Davis is the granddaughter of Marilyn and Danny Cooper, with whom similar litigation was settled by the Defendants prior to RNMC’s acquisition of the Robinson Mine. The Davises have claimed, among other matters, that the Defendants permitted the Robinson Mine to contaminate well water on the Coopers' property and that the Defendants failed to disclose the existence of the pollutants to the Coopers. As a result, the Davises claim that their daughter ingested contaminated water, suffered a condition known as anoxia and was twice airlifted to hospital where on one occasion she had surgery. The Davises have made a claim for: damages for the personal injury and emotional distress sustained by the Davises as a result of the Defendant’s negligence; damages resulting from Defendant’s fraudulent or negligent misrepresentation; punitive damages; reimbursement of reasonable attorney fees; and such other relief as the Court deems just and proper in the circumstances. The Company was not in possession of the Robinson Mine at the time of the events in question. BHP Copper has made a claim of indemnity against the Company claiming that, under the terms of the purchase agreement pursuant to which the Company acquired RNMC, the Company has an

obligation to indemnify and hold harmless BHP Copper and its affiliates from any liability arising pursuant to the Davises' lawsuit. The Company has rejected BHP Copper's claim for indemnity. The Company has made a similar claim of indemnity against BHP Copper. BHP Copper has rejected the Company's claim for indemnity. As the Company was not the owner of the Robinson Mine at the time of the occurrence of the events in question and is not currently aware of all of the facts, and because no discovery has been conducted in this litigation, it is not possible at this time for the Company to assess its potential liability in this matter or whether it has an obligation of indemnity to or a right of indemnity from BHP Copper.

TRANSACTIONS WITH RELATED PARTIES

One of the Directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP and one is a partner of Chancellor Partners Management Consultants Inc. During the year ended December 31, 2006 the Company incurred legal fees of \$569 and recruiting and human resources consulting fees of \$496 (December 31, 2005: \$814 and \$263 respectively).

FOURTH QUARTER

Fourth Quarter Highlights

- Revenue was \$99,173 in the fourth quarter ended December 31, 2006.
- Operating income for the three months ending December 31, 2006 was \$30,713 compared with \$29,757 for the fourth quarter of 2005.
- The Company incurred a Realized loss on derivatives of \$25,181 and an Unrealized gain on derivatives of \$53,543.
- Earnings for the quarter ended December 31, 2006 were \$50,960 or \$1.34 per share – basic and \$1.32 diluted compared to a loss of \$5,609 or \$0.20 per share basic and diluted for the quarter ended December 31, 2005.
- Production for the quarter was 35.3 million pounds of copper and 27,646 ounces of gold in 64,595 dry metric tonnes of concentrate compared to 31.6 million pounds of copper and 22,262 ounces of gold in 60,446 dry metric tonnes of concentrate in the fourth quarter of 2005.
- The onsite and offsite costs were \$46,250 and \$17,916 in the fourth quarter of 2006 compared to \$36,735 and \$15,593 in the fourth quarter of 2005
- During the quarter ended December 31, 2006 the Company sold forward an additional 15,200 tonnes of copper at market prices and rolled forward 11,000 tonnes of hedges from 2006 into 2007 to match the quotational periods of the associated shipments. The copper price of the new tonnage and the existing tonnage were blended to result in a price of \$2.26 per pound of copper.

Financial results

Revenue

Revenues from concentrate sales were \$99,173 in the fourth quarter ending December 31, 2006 compared to \$65,331 in the same quarter in 2005 reflecting higher sales volumes and higher commodity prices. The average copper price received upon shipment for the fourth quarter of 2006 was \$3.00 per pound of copper compared to an average of \$2.00 per pound in the fourth quarter of 2005. The average LME copper price was \$3.21 per pound in the fourth quarter of 2006 compared to \$1.95 in the fourth quarter of 2005.

Costs and Expenses

Cost of sales for the quarter ended December 31, 2006 were \$58,673 compared to \$31,966 in the same quarter in 2005. The increase cost of sales in the fourth quarter of 2006 over 2005 was due to higher onsite and offsite costs (**see Robinson Operating Costs**) and increase in sales volume of 70%. Amortization, depletion and depreciation for the quarter ended December 31, 2006 were \$3,782 compared to \$2,290 in 2005. The higher sales volume in the fourth quarter of 2006 over 2005 resulted in higher amortization, depletion and amortization costs.

Royalties and mineral taxes for the quarter ended December 31, 2006 were \$5,450 compared to \$804 in 2005. Both the royalty and Nevada net mining proceeds tax were impacted by higher copper prices.

Operating income for the quarter ended December 31, 2006 was \$30,713 compared with \$29,757 for the same period in 2005. The decrease in 2006 over 2005 was mainly due to higher costs. (see **Operating Costs**).

General and administrative expenses were \$1,766 in the three months ended December 31, 2006 compared to \$1,546 in 2005.

The realized loss on copper and gold forward sales contracts was \$24,048 and \$1,133 respectively in the fourth quarter 2006 compared to a realized loss of \$15,149 and \$208 on the copper and gold forward sales contracts in the fourth quarter of 2005. The increase in realized losses in 2006 compared to 2005 reflects the impact of the copper hedging program entered into in the fourth quarter of 2005 and higher copper prices in 2006 compared to 2005. During the quarter ended December 31, 2006 the Company recorded an unrealized gain on derivatives of \$53,543 compared to an unrealized loss of \$20,788 for the same period in 2005. The gain arose due to the copper price decreasing during the quarter ended December 31, 2006 and the 2005 loss arose due to the copper price increasing during the quarter ended December 31, 2005. (see **Financial Instruments and Other Instruments**).

Earnings for the three months ending December 31, 2006 were \$50,960 or \$1.34 per share – basic and \$1.32 per share - diluted compared with a loss of \$5,609 or \$0.20 per share – basic and diluted in the fourth quarter of 2005.

Operating Results for the Robinson Mine

Copper production during the quarter ended December 31, 2006 was 35.3 million pounds as compared to 31.6 million pounds in the fourth quarter of 2005 reflecting an increase in mill throughput of 14%, and an increase in head grade of 20% which were partially offset by a reduction in copper recovery of 18%. Material containing non-recoverable oxide copper was encountered during the first two months of the quarter but as operations began mining below this zone, recoveries returned to more typical levels.

Gold production was 27,646 ounces as compared to 22,262 ounces in the fourth quarter of 2005. The increase in production was related to higher mill throughput and improved head grade which were partially offset by a decrease in recovery.

Pit operations mined 18 million tonnes as compared to 16.7 million tonnes in 2005.

Operating Costs

Onsite Costs

Onsite costs for the quarter ended December 31, 2006 were \$46,250 as compared to \$36,735 for the quarter ended December 31, 2005. Onsite costs increased in 2006 compared to 2005 due to higher blasting costs associated with harder rock, increased re-handling costs of ore contaminated by wood or with high iron content, a wage increase in July of approximately ten percent, and higher heavy equipment maintenance and tire costs. The royalty costs also increased as a result of higher metal prices and the impact of the royalty costs now fully charged against operating costs (See **Cost of Sales and Expenses**).

Offsite Costs

Offsite costs for the quarter ended December 31, 2006 were \$17,916 as compared to \$15,593 for the quarter ended December 31, 2005. Of the increase in offsite costs of \$2,323, the majority is attributable to an increase in sales volumes of 70% along with higher price participation charges due to copper prices averaging \$3.21 per pound in the fourth quarter of 2006 compared to \$1.95 per pound in the fourth quarter of 2005. These increases were partially offset by the Gerald settlement and a reduction in treatment and refining charges reflecting global pressure on treatment and refining charges due to a shortage of concentrate relative to smelting capacity.

Management Appointments

During the fourth quarter ended December 31, 2006 one senior position was filled with the appointment of Mr. Scott Hardy as Manager, Technical Services. Also during the quarter the Board approved the promotions of Mr. Howard

Bradley to Vice President, Mining, Mr. Guy LeBel to Vice President, Business Development and Mr. John Bailey to Vice President, Commercial.

PROPOSED TRANSACTIONS

In order to secure the financing to construct the Carlota project the Company is considering the issue of a high yield instrument.

There are no proposed asset or business acquisitions or dispositions, other than in the ordinary course, before the Board of Directors for consideration.

CRITICAL ACCOUNTING 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 estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

Mineral Properties and Deferred Start-up Costs

The Company capitalizes the development costs of mining projects commencing when economically recoverable reserves as shown by an economic study are believed to exist. Upon commencement of commercial production these costs are written off over the 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.

Revenue Recognition and Inventory Valuation

Revenue is recognized when title passes and payment is reasonably assured. Final metal prices for determining revenue can be several months after the point of recognition and price changes subsequent to the date of sale could have a material impact on final settlement.

Economic Life

Management's estimate of the remaining economic life of the Mine is approximately 10 years based on the updated resource statement provided in accordance with NI 43-101. Based on management's view of future metal prices, the carrying value of the mine assets were not impaired at December 31, 2006.

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. The estimate of the total liability for future site restoration costs is subject to change based on amendments to laws and regulations and 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 Taxes and Resource Tax Assets

The Company has recognized a current and non-current tax asset of \$22,146 and \$7,149 respectively that relates to the temporary difference created between the tax and accounting basis of assets and liabilities of operations based 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 tax asset which has been recognized.

CHANGE IN ACCOUNTING POLICIES

Deferred stripping

The Emerging Issues Committee of the CICA issued Abstract 160 "Stripping Costs Incurred in the Production Phase of a Mining Operation" (EIC 160), which indicates that generally, stripping costs should be accounted for as variable production costs unless the costs result in a betterment of the mineral property by providing access to additional sources of ore, in which case they can be capitalized and amortized over the additional reserves directly impacted by the stripping activities. The new standard applies to fiscal years beginning on or after July 1, 2006. Effective January 1, 2007, the Company changed its method of accounting for stripping costs to the method described in EIC 160. Previously, the Company deferred stripping costs incurred in excess of the life-of-pit average strip ratio. This change in accounting policy has been applied retroactively and the financial statements for the years ended December 2006 and 2005 have been restated. A summary of the effect of this change is shown below:

.

Effect on consolidated balance sheet:

	December 31, 2006	December 31, 2005
Increase in concentrate inventory	2,618	3,400
Increase in future income tax assets	15,205	5,992
Decrease in other asset and deferred charges	<u>(47,014)</u>	<u>(20,792)</u>
Increase in deficit	<u><u>(29,191)</u></u>	<u><u>(11,400)</u></u>

Effect on consolidated statements of operations:

	Year ended December 31, 2006	Year ended December 31, 2005
Increase in cost of sale and amortization, depletion and depreciation	27,004	17,392
Increase in future income tax recovery	9,213	5,992
Increase in loss/decrease in earnings	<u>17,791</u>	<u>11,400</u>

Effect on consolidated statement of cash flows:

	Year ended December 31, 2006	Year ended December 31, 2005
Decrease in cash received from/increase in cash used in operating activities	(25,591)	(20,294)
Decrease in cash used in investing activities	25,591	20,294

Financial Instruments – Recognition and Measurement, Section 3855

In January 2005, CICA issued Section 3855 “Financial Instruments – Recognition and Measurement”. This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based measures are used. It also specifies how financial instrument gains and losses are to be presented. This standard is applicable for fiscal years beginning on or after October 1, 2006. Effective January 1, 2007, the Company will be required to adopt the new standard for Canadian GAAP purposes.

Comprehensive Income, Section 1530

As previously disclosed, the Company will be required to adopt Comprehensive Income, Section 1530 effective January 1, 2007 for Canadian GAAP purposes. This new standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on certain investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized.

Hedges, Section 3865

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing AcG-13 “Hedging Relationships” and Section 1650 “Foreign Currency Translation”, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. This standard is applicable for fiscal years beginning on or after October 1, 2006. The Company does not currently apply hedge accounting to its derivative instruments and is accordingly not impacted by this standard on transition on January 1, 2007.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s revenues and cash flows are subject to fluctuations in the price of copper and gold. In addition there is a time lag between initial payment on shipment and final pricing which impacts its working capital position. To reduce the volatility in the expected final pricing of shipments the Company has entered into forward sales contracts for copper and gold and may enter into additional hedging contracts from time to time in the future.

At December 31, 2006 the Company's derivative positions and the associated unrealized losses were as follows:

Derivative Liability Positions as at December 31, 2006

Forward Contracts	Metal under contract (Note 2)	Average Forward Price	Spot Price	Marked to Market Loss (Note 1)
Copper	30,400 tonnes	\$2.26/pound	\$2.87 (three month)/pound	\$41,485
Gold	24,000 ounces	\$429/ounce	\$636/ounce	\$4,983
Total				\$46,468

The copper hedges are expected to settle by the end of the second quarter of 2007 and are associated with production that has been shipped but whose final pricing has not yet occurred or is in inventory.

The Company monitors the volume of copper and gold subject to final pricing. If the volume subject to final pricing in a given month varies from that previously estimated, the Company will amend the derivative contracts to match the month of final pricing.

Macquarie Bank Limited has provided the Company with a hedge line of credit, free from margin calls, on terms and conditions related to annual production which is agreed upon from time by time. The hedge line of credit is secured as part of the security arrangements in the amended credit agreement dated December 19, 2005.

The Company marks to market the outstanding derivative position at each reporting date in its financial statements. This may result in significant derivative assets or liabilities arising in the Company's balance sheet during 2007, as well as the associated significant earnings volatility.

Derivative Liability Positions as at December 31, 2005

Forward Contracts	Metal under contract	Average Forward Price	Spot Price	Marked to Market Loss (Note 1)
Copper	65,040 tonnes	\$1.70/pound	\$2.01 (three month)/pound	\$36,760
Gold	48,000 ounces	\$413/ounce	\$513 /ounce	\$4,804
Total				\$41,564

Note:

- 1) The marked to market gain or loss is computed by computing the difference between the forward contract price and the fair value based on the forward curve for the metal at December 31, 2006.
- 2) At December 31, 2006 metal under contract includes 2,500 tonnes of copper and 2,000 ounces of gold that was priced at December 31, 2006.

The volume of copper contracts outstanding decreased due to the settlement of hedges associated with the quotational periods of shipments offset by the placement of 15,200 tonnes of additional hedges in the fourth quarter of 2006 at a weighted average price of \$3.16 per pound. The volume of gold sold forward decreased due to the settlement of contracts during 2006. The marked to market loss increased in 2006 compared to 2005 due to the increase in the price of copper and gold relative to the hedge price which offset the decrease in the volume of hedges outstanding.

Income Statement Presentation – Year ended December 31

Forward Contracts	2006 Realized Loss	2005 Realized Loss	2006 Unrealized Loss (Gain)	2005 Unrealized Loss
Copper	\$139,256	\$25,686	\$7,681	\$29,557
Gold	\$4,674	\$521	(\$228)	\$2,906
Total	\$143,930	\$26,207	\$7,453	\$32,463

SUBSEQUENT EVENTS

Subsequent to December 31, 2006 the Mine entered into an agreement to purchase, on a take or pay basis, 504,000 gallons per month of diesel fuel at a price of \$2.00 per gallon for the 12 month period beginning February 1, 2007.

On March 6, 2007, the Company completed a \$200,000 syndicated private loan financing, which consists of a \$150,000 First Lien Senior Secured Credit Facility (the "First Facility") and a \$50,000 Second Lien Junior Secured Credit Facility (the "Second Facility") (together, the "Facilities"). The First Facility has a 5 year term and bears interest at LIBOR + 650 basis points. The Second Facility has a 7 year term and bears interest at LIBOR + 1,000 basis points. The Second Facility lenders received 2,027,776 warrants to purchase common shares of the Company at an exercise price of CAD\$9.24 per share that expire March 1, 2012.

On April 19, 2007, the Company purchased a three year interest rate cap with a strike rate at 5.35%, on a notional amount of \$100,000.

On April 25, 2007, the Company filed a preliminary prospectus with the British Columbia Securities Commission in connection with the previously announced CAD\$131,040 bought deal financing arranged by a syndicate of underwriters.

On April 27, 2007, further to the announcement made on March 30, 2007 of recommended offers (the "Offers") by the Company to acquire the whole of the issued and to be issued share capital and traded warrants of International Molybdenum Plc ("InterMoly"), the Company posted the offer document containing the full terms and conditions of the Offers to InterMoly Shareholders and InterMoly Warrantholders, together with the prospectus equivalent document and two forms of acceptance. The Offers are initially open for acceptance until May 18, 2007.

SHARE CAPITAL

The Company's issued and outstanding shares at December 31, 2006 totalled 38,129,024. During 2006 1,449,360 broker warrants issued in connection the Quadra's IPO, were exercised for proceeds of CAD\$8,696. As of May 1, 2007 the issued and outstanding common shares of the Company were 38,144,356.

In February 2006 the Company completed an equity offering of 7,200,000 common shares. In conjunction with the share issuance, the Company granted the underwriters an option to buy additional 1,080,000 common shares. The option was subsequently exercised and the aggregate net proceeds of the offering were \$42,250.

For the year ended December 31, 2006, the Company granted 1,029,100 stock options to directors, employees and contractors. All stock options have a two-year vesting period and expire after five years. For accounting purposes the Company estimated a value of \$3.03 per stock option for total value of \$3,116.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the estimated fair value of options granted.

Controls over Disclosure and Internal Control over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

The Company has a disclosure committee that consists of various employees of the Company including the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. The committee and the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2006. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of these disclosure controls and procedures are effective to provide reasonable assurance that material information relating to the Company and its subsidiaries that is required to be disclosed in reports that are filed or submitted under Canadian Securities legislation is recorded, processed, summarized and reported within the time period specified in those rules.

Internal Control over Financial Reporting means a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The design includes policies and procedures that;

1. pertain to the maintenance of records,
2. provide reasonable assurance that transactions are recorded appropriately and that receipts and expenditures are being made only in accordance with authorizations of management and directors, and
3. provide reasonable assurance regarding prevention or timely detection of material unauthorized acquisition, use or disposition, of the Company's assets.

During the process of management's review and evaluation of the design of the Company's internal control over financial reporting, it was determined that the design and evaluation of internal controls over information technology at the Robinson mine was not completed. The design, evaluation, implementation and testing of these controls is expected to be completed in 2007. Management is committed to improving the controls for information technology and will institute a remediation plan. Nothing has come to the attention of management that has indicated any potential weakness in the mine's internal controls over information technology has resulted in a material misstatement in the financial statements of the Company.

May 1, 2007

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, 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 and technology, projected life of our 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), the percentage of production derived from mechanized mining, the percentage of production from milling, currency exchange rates, debt reductions, timing of expected sales and the percentage of anticipated production covered by forward sale and other option contracts or agreements, anticipated outcome of litigation 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, including but not limited to:

- * Uncertainties related to the accuracy of reserve and resource estimates and estimates of future production and future cash and total costs of production and the geotechnical or hydrogeological nature of ore deposits, diminishing quantities or grades of reserves and variable metallurgical performance of these reserves.
- * Uncertainties related to expected production rates, timing of production and the cash and total costs of production and milling.
- * Uncertainties relating to copper, gold, molybdenum and other mineral prices, which are beyond the Company's control.
- * The Company sells concentrate material which is subject to provisional payments; uncertainty in the final metal prices used for the computation of final settlement exists such that final settlement could be less than the cost of production plus other liquidity requirements.
- * * Operating and technical difficulties in connection with mining development or production activities.
- * Uncertainties with respect to the quantity or quality of molybdenum that may be produced at the Robinson Mine. The decision to proceed with the molybdenum recovery circuit was based on the Company's assessment of molybdenum recovered into copper concentrate since November 2004 and an outside consultant's review of historical data. Kennecott Copper Corporation, a previous owner of the property, had recovered molybdenum from ore from the earlier stages of the Robinson Mine's Tripp Veteran Pit and the Ruth Pit. While the historical data source is extensive, Quadra is presently unable to confirm the size or grade of the molybdenum resource.
- * Uncertainties and costs related to Quadra's exploration and development activities, such as those associated with determining whether copper, gold, molybdenum or other mineral reserves exist on a property.
- * Uncertainties related to feasibility studies and other studies that provide estimates of expected or anticipated costs, expenditures and economic returns from a mining project.
- * Uncertainties relating to the availability of adequate water resources for mining and milling operations

- * Uncertainties related to the ability to obtain and retain necessary licenses, permits, electricity, surface rights and title for development projects and project delays due to third party opposition.
- * Uncertainties in obtaining additional financing that may result in delay, postponement or even a loss of the property interest.
- * Uncertainties related to the future development or implementation of new technologies, research and development and, in each case, related initiatives and the effect of those on our operating performance.
- * Uncertainties related to judicial or regulatory proceedings.
- * Changes in, and the effects of, the laws, regulations and government policies affecting our mining operations, particularly laws, regulations and policies relating to:
 - > mine expansions, environmental protection and associated compliance costs arising from exploration, mine development, mine operations, reclamation and mine closures;
 - > expected effective future tax rates in jurisdictions in which our operations are located;
 - > the protection of the health and safety of mine workers; and
 - > mineral rights ownership in countries where our mineral deposits are located.
- * Changes in general economic conditions, the financial markets and in the demand and market price for copper, gold, molybdenum and other minerals and commodities, such as diesel fuel, petroleum, steel, concrete, electricity and other forms of energy, mining equipment, operating supplies, and fluctuations in exchange rates, particularly with respect to the value of the U.S. dollar and Canadian dollar, concentrate and transportation charges.
- * The effects of forward selling instruments to protect against fluctuations in copper, gold, molybdenum and other metal prices and exchange rate movements and the risks of counterparty defaults, and mark to market risk.
- * Unusual or unexpected formations, seismic activity, cave-ins, flooding, pressures, pit wall failures and other similar incidents (and the risk of inadequate insurance or inability to obtain insurance to cover these risks).
- * Changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates.
- * Environmental issues and liabilities associated with mining including processing and stock piling ore.
- * Geopolitical uncertainty and political and economic instability in countries which we operate.
- * Labour strikes, work stoppages, or other interruptions to, or difficulties in, the employment of labour in markets in which we operate mines, or extreme weather conditions, environmental hazards, industrial accidents or other events or occurrences, including third party interference that interrupt the production of minerals in our mines.
- * Quadra's reliance on a single producing property.
- * Uncertainties relating to acquisitions, including whether the recently acquired Carlota Project can ever be brought into production.

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 AIF. 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.