



**QUADRA MINING LTD.**

**Robinson Plan D**

**January 29<sup>th</sup>, 2009**

Good morning ladies and gentlemen. I'd like to welcome you to this conference call, during which we will discuss our Robinson operations and the new mine plan that has been revised in order to ensure continuous operations during the current copper price environment. With me today on the call is Derek White, Executive Vice President, Corporate Development and Stuart MacDonald, CFO. We will all be available to answer any questions following my overview.

*During the course of this conference call, we may make forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ from those expressed or implied by such statements. Statements relating to future production, mine development plans, revenues, growth, profits, and operating expenses depend on future market conditions and risks, and are considered forward-looking, thereby providing no guarantee that they will be realized. In this regard, I also refer you to the cautionary statement relating to forward looking information included in the Press Release..*

*Those statements apply to this call as well. Please also note that all monetary amounts are US\$ unless otherwise stated.*

I don't propose to go through our Q4 results today, but rather to focus on where we are in our Robinson operation. I will of course be speaking to you again about all of our operations and our financials when the earnings results come out in early March.

On December 1<sup>st</sup>, 2008, Quadra's presented an updated mine plan that considered two options for our Robinson operation. In the release, the Company indicated then that a copper price in the range of \$2.00/lb was required from mid-2009 through 2010 if the operation was to be cashflow neutral, while following the mine plan that gave us continuity of operations going forward. We also indicated that our focus was to maintain an adequate cash balance so that we would be well positioned to react to a rising copper price the other side of the recession and that *this* objective overrode the continuity of production at Robinson. In other words, in the event of a lower price outlook than the \$2, a fall back contingency plan was to mine to completion the existing stage of the Veteran pit and then to move to care and maintenance. There would then be a significant stripping deficit,

We had considered a wide number of options in developing the plan as presented and have

continued to consider alternatives since then as more information became available and new ideas were developed. Robinson has a history of being a difficult orebody, given its complex mineralogy. During our ownership – we have been successful in managing its metallurgical complexities and improving production performance, resulting in record copper and gold production in 2008. This has required a continuous search for solutions, including drilling, testing and analyzing opportunities. This approach has allowed us to now come up with a different plan, and one that should allow us to meet our cash objectives and maintain continuity of operations at a copper price of about \$1.50.

The ore production sequence will now comprise the following:

The current pushback in Veteran, as previously planned, will continue through 2009 and 2010, although it will not be the only source of ore beyond mid -2009. A second source of ore later this year will be from a small satellite pit called Kimberly/Wedge, which was originally scheduled for later in the mine life and which is reasonably high grade. Delivery of ore from Ruth will commence in 2010 and will now happen in two stages, beginning with an internal pit and then moving to the ultimate Ruth pit. Ore from Kimberly Wedge and from the Ruth internal pit will be both blended with Veteran. After 2010, Ruth will be sufficiently developed to stand-alone

from a blending point of view. The previously planned extension to the Veteran pit will be deferred until after Ruth.

The key benefits from the new plan in 2009 are:

- 25 million tons less waste stripping. This flows through to operating costs which fall significantly - by about \$25 million
- No additional equipment is required beyond the present fleet – resulting in a \$20 million reduction in capital costs. This is offset by some upgrades to the mill of \$10 million, which are expected to improve recovery
- Continuity of operations, allowing us to keep our operating team in place and an operation well placed to deliver product into higher metal prices
- Our blending strategies remain intact, and finally
- Higher and more consistent copper production over the next two years and beyond

Since the hypogene-supergene relationship is a prime concern, I'll take a few minutes outlining how this works now. The ore from the Veteran pit is primarily hypogene and is a key asset in blending out the issues associated with any supergene ore. The

blending strategy, together with reagent combinations, has become the centre piece of our metallurgical success in optimizing recovery and concentrate grade.

The ore from Kimberly/Wedge is mostly supergene, as is the early ore from the internal Ruth pit. Veteran will provide the hypogene required for blending until Ruth is sufficiently developed to be self sufficient, which will be in 2011. We are confident that we have a good understanding of the supergene and hypogene and their interactions, following the recently completed drilling and testwork programme that we carried out in 2007 through to the end of 2008.

There is one note of caution as the pits will be smaller and narrower, leaving less room to maneuver which will require careful management by our operating team. However, we consider this a relatively minor challenge and are confident that we can make this new plan happen and happen safely.

A second issue that guided us to the plan as presented in December was the dewatering requirements of the Ruth Pit as understood at the time. The hydrological studies of the Ruth Pit area to that point indicated the need to remove approximately 16,000 gallons per minute (“gpm”) of water from

the aquifer in order to allow mining to proceed below the aquifer water level. This was significantly above our permitted and mill requirement rate of 9,000 gpm. Ongoing hydrogeological work - mainly drilling and piezometer testing - now indicates that the dewatering requirements are not likely to exceed 12,000 gpm and could be as low as 9,000 gpm. The new thinking is based on the identification of a natural dam structure between the pit and the aquifer. With mill use taking 9,000 gpm, this leaves only perhaps 3,000 gpm for disposal. This would be put back into the ground via a Rapid Infiltration Basin (RIB) which is anticipated to significantly lower the cost and permitting timeframe. With a new two stage approach to mining Ruth, the water has much less impact on the first stage – and takes the dewatering issue off the critical path.

The Kimberly/Wedge pit is already included in the reserves of Ruth and doesn't represent an increase in overall reserves. As outlined in our press release this morning – the overall impact of this mine plan actually improves our copper production over the previous plan, but it *does* also reduce our gold output for 2009. This is because Kimberly/Wedge has a

higher copper head grade but a lower gold head grade than Veteran.

The impact on guidance is that during 2009, Robinson is expected to produce:

- 140,000 million pounds of copper compared to our previous guidance of 130 million
- And approximately 100,000 ounce of gold compared to our previous guidance of 125,000 ounces

With no production revisions to Carlota – the total 2009 production guidance is therefore 190 million pounds of copper and 100,000 ounces of gold.

Looking to 2010, we now expect production to be similar to 2009 at around 140 - 150 million pounds of copper compared to the 120-130 million pounds previously announced and gold production of 100 – 110 thousand ounces.

Capital expenditures in 2010 are forecasted to decrease by \$10 million to approximately \$30 million, primarily related to the reduction in water pumping infrastructure requirements and the elimination of purchasing extra equipment

Operating costs as mentioned already will be reduced by approximately \$25 million compared to our previous plan – mainly due to the significant drop in waste stripping required with the elimination of the Veteran push back and a smaller starter pit at Ruth.

In summary - the new mine plan implemented at Robinson offers a much better outcome than the previous plan, and a much greater opportunity to deliver metal into a rising price in the future..

Looking forward then - we will continue to review market conditions for copper and gold, as well as any positive impact of input costs which are under downward pressure. We will also maintain a contingency plan against lower copper prices. Such a plan will continue to call for reduced stripping, and if necessary - the eventual move to care and maintenance.

For the moment however, we are very comfortable that this revised mine plan allows the Company to maintain its strong cash position through to the end of 2009 at copper prices in the range of \$1.50/lb and *that* benefits all our stakeholders including

our shareholders, our employees and the community within which we operate.

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 from Raymond James. Please go ahead.

### **Tom Meyer, Raymond James**

Good morning, Paul. This change in the mine plan, should I read this as simply a change in sequencing or will this impact the reserve tail on the other side of the next two years?

### **Paul Blythe, President & Chief Executive Officer**

No, I think you can look at it as a change in sequencing, Tom. The reserve tail we see

is intact, although, like all reserve tails, it'll depend on price at that time.

What makes this better is that, you know, the next Veteran pushback is pushed back a number of years so that, A, we can do more work on it and, B, that we can make a call when we get there as to whether it's the right thing to do to proceed with it or not. Based on the reserve calculation we've got it is part of the reserve.

### **Tom Meyer, Raymond James**

Okay. And then how, I'm curious, how sensitive is this plan to the gold price? Like would you have made this plan if you assumed, call it, \$1,600 per ounce gold versus \$800 per ounce gold?

### **Paul Blythe, President & Chief Executive Officer**

Yes we would. The trouble is we're not smarter than anybody else I guess and we're just guessing anyway, but even if gold had been \$1,600 from a continuity point of view this is a better plan. Bear in mind that the gold grades in Ruth, gold

head grades in Ruth are lower than they are in Veteran. That's offset by high moly grades but they are lower. So in all events we're going to see lower gold production, as we've indicated in the past, from Robinson as we move towards Ruth.

**Tom Meyer, Raymond James**

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

**Operator**

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

**David Charles, GMP Securities**

Yeah, good morning, Paul, just two quick questions. I suppose this plan, as you said, basically presumes \$1.50, and of course nobody knows what the copper price is going to be, but assuming the copper price was to fall to \$1.25 for a period of time, would that have the impact of forcing you to put the mine on care and maintenance or

would you continue to maybe just wait and see what happens as the year progresses?

I suppose the real question there is, is that there's not a lot of visibility short-term and I'm just wondering at what point to copper prices trigger a change in your current plans.

**Paul Blythe, President & Chief Executive Officer**

We haven't got a specific drop-dead point, because there's a number of factors in it. It's not just the copper price of course it's the gold price, and it's also the impact of operating costs. So there's a number of offsets going on.

Basically, David, we review our liquidity on a weekly basis and look at what happens next as scenarios develop. So, as they say, we're all over it, but we don't have a specific—if copper stays at \$1.25 for two weeks we're going to change plans. We're just going to maintain a strategy of continually reviewing the situation.

**David Charles, GMP Securities**

Okay. And then maybe to deal with one of those input costs I'm just, you know, I'm not an expert on what the diesel price is at the moment, but it seems to be lower than what your assumption is at \$2.32 a gallon. Can you maybe give me a feel for maybe what you're paying for diesel costs and maybe what the sensitivity might be to changes in diesel cost to your onsite costs?

**Paul Blythe, President & Chief Executive Officer**

Yeah, I don't...as we've indicated previously, we had hedged about two-thirds of our total diesel at \$2.80, so that's blend number, the \$2.32. We're paying something less than \$2. Stuart, I don't know if you have a number handy but we can get back to you if not.

**David Charles, GMP Securities**

Excellent. And can you just give me some—is there any way you could quickly give me an idea of what the sensitivity is to

changes in diesel prices to your onsite costs? If you can't, we can get back to it.

**Paul Blythe, President & Chief Executive Officer**

Stuart, is that something you could do?

**Stuart McDonald, Chief Financial Officer**

Yeah, just give me a minute and I'll get back to you.

**David Charles, GMP Securities**

Okay, that's great. Thank you very much.

**Operator**

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

**Orest Wowkodaw, Canaccord**

Hi, good morning and congratulations on the new plan. A couple of questions. First of all, do you still anticipate normal sequencing in terms of quarters where, you know, typically we've seen the fourth quarter weaker on the recovery front, or does the new plan change that?

**Paul Blythe, President & Chief Executive Officer**

The sequencing, I think it's coincidental. We haven't particularly set up a sequence so the first three quarters are good and the last quarter is bad. It really depends on access at a given point in time. So, to be honest, I haven't looked at it in terms on a quarter-by-quarter basis of which quarters are stronger than other quarters.

As we've always said, each quarter is going to be volatile, Orest, and on a quarter-by-quarter basis it's going to vary. So there's no specific plan inside of Quadra to try and put three quarters together and the fourth quarter be weaker; that's just how the mine plan has unfolded and how the ore comes at us.

**Orest Wowkodaw, Canaccord**

Okay. You've given us CapEx for Robinson for 2009 and 2010; how do you see the CapEx going forward to finish the transition to Ruth, say, in 2011?

**Paul Blythe, President & Chief Executive Officer**

Putting aside stripping, which we're not capitalizing anyway, we don't see—we see ourselves in a sustaining capital mode once we get to 2011. The road access is, ah, you know, the power to the pit, all those things will be in place, so we'll be in normal course sustaining capital.

**Orest Wowkodaw, Canaccord**

And where do you see that approximately?

**Paul Blythe, President & Chief Executive Officer**

Sorry?

**Orest Wowkodaw, Canaccord**

What amount or what level would you see that approximately for sustaining capital at Ruth?

**Paul Blythe, President & Chief Executive Officer**

I really don't want to disclose a number on that, because it's something we haven't disclosed generally. It'll be in the normal course range that we've been working with. We've got the same truck fleet, the same milling rates, and so on.

**Orest Wowkodaw, Canaccord**

Okay. And finally, on the cash costs of \$1.30, does that, I just want to clarify, does that include the royalties?

**Stuart McDonald, Chief Financial Officer**

Yes. It's Stuart McDonald here. Yes, it does. It does include royalties.

**Orest Wowkodaw, Canaccord**

So all royalties and all TC/RCs.

**Stuart McDonald, Chief Financial Officer**

Correct.

**Orest Wowkodaw, Canaccord**

Okay, thank you very much.

**Paul Blythe, President & Chief Executive Officer**

And perhaps just catch on that, as you've probably seen the settlements, ah, at least as far as Freeport is concerned on TC/RCs, have been somewhat higher than they were last year. They're looking at 75 and 7.5. So we—and you may note in the press release, we've pushed up the offsite costs, our guidance on offsite cost, to reflect. We think there's going to be some upward pressure on TCs and RCs.

**Orest Wowkodaw, Canaccord**

This year. In this number of the \$65 million, is the royalties in that number or is it in the onsite costs?

**Paul Blythe, President & Chief Executive Officer**

It's in the onsite costs.

**Orest Wowkodaw, Canaccord**

Okay. Thank you very much.

**Operator**

Thank you. The following question is from Matt Murphy from UBS Securities. Please go ahead.

**Matt Murphy, UBS Securities**

Good morning, Paul, just had a quick question on the permitting issues that had been going on at Ruth, if you could just clarify. So you said it's no longer on the critical path but do you still need to go

forward with a permitting process despite that new discovery that it could be lower inflow?

**Paul Blythe, President & Chief Executive Officer**

Yeah, we still need to go ahead with the permitting process. You have to remember that any mine you're operating, in Canada as well but certainly in the U.S., permitting is a way of life. There's an endless succession of permits that are up for renewal and modification. But the key difference in permitting is between what's called an environmental assessment and an environmental impact study or impact assessment, EIA. The second one has a lot of public input. Much longer procedure. And EA is a much simpler and more straightforward procedure. The EA is what will apply with absolutely certainty, as far as anything is absolute, to permitting dealing with our water issues. We've had a good response and a lot of support from the different regulators and there were a number of major obstacles that really become irrelevant now because they've gone away because of that change.

**Matt Murphy, UBS Securities**

Okay. And do you expect those obstacles to also be avoided at Kimbley Wedge or are there going to be additional permitting requirements there?

**Paul Blythe, President & Chief Executive Officer**

No, Kimbley Wedge was already included in the mine plan in the permits. So that's just disturbed ground. The difference with the water was we had to dispose of the excess water, and that was the issue that required permitting. I was just talking about, ah, trying to avoid getting into too much detail, but these rapid infiltration basins, they had to be permitted, and depending on the amount of ground they disturbed we needed a different permit. So we now need a smaller permit. That we have to permit separately. But anything inside the mine plan is already permitted.

**Matt Murphy, UBS Securities**

Okay. And finally—sorry?

**Paul Blythe, President & Chief Executive Officer**

Does that make sense?

**Matt Murphy, UBS Securities**

Yep, sounds good. I was also wondering if you'd done any flotation test work in the Kimbley Wedge.

**Paul Blythe, President & Chief Executive Officer**

Yes we have. We've done extensive test work both in Ruth and Kimbley Wedge. We started in 2007. We've been metallurgical, ah, getting drill samples from metallurgical testing across Ruth and Kimbley Wedge, so yeah, we have the supergene/hypogene data and recoveries and we have, you know, we know how this fits into the blending strategy. So we think we're in good shape. You know, this is Robinson, so never say never, but we've got a much better handle on it than we had say two years ago.

**Matt Murphy, UBS Securities**

Okay, great. Thanks a lot.

**Operator**

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

**Alex Terentiew, Scotia Capital**

Good morning. Thank you, guys. Two quick questions. First, you guys mentioned a couple times that Quadra wants to maintain a minimum cash balance; I was wondering if you could elaborate a bit on what that number might be and how you arrived at that.

**Paul Blythe, President & Chief Executive Officer**

Yeah, the original logic, if I can take us back to December 1st, we put out the release indicating the impact of provisional payments on our cash balance and at the

time we indicated that we expected to have about \$125 million of cash at the end of the year. We don't actually have a magic number, Alex, but we believe somewhere in the range of \$100 million, and then probably \$75 million to \$125 million. We need that to, A, give us access in terms of M&A opportunities and, B, make sure that we have adequate cash if we have to move to care and maintenance to get off care and maintenance and restart again. So we're assuming, obviously by definition, that somewhere, not 100 years from now, the recession is going to lift and we're going to see higher copper prices and so we believe we need enough funds to be able to move off care and maintenance if we have to move on to it.

**Alex Terentiew, Scotia Capital**

Okay, great. Thanks. And second question, I just want to be clear I guess on the mine plan, the sequencing for 2009. So I think right now you're still probably doing some supergene blending but the remainder of the Veteran pit is predominately hypogene ore, so for the rest of 2009 you would have mainly hypogene ore and then in 2010, when you get into the

Kimbley Wedge, start blending with some of the supergene ore from the Kimbley Wedge and Ruth pit. Is that correct?

**Paul Blythe, President & Chief Executive Officer**

We'll be getting ore from Kimbley Wedge actually in 2009.

**Alex Terentiew, Scotia Capital**

Oh, okay.

**Paul Blythe, President & Chief Executive Officer**

The way we're trying to deal with this is the biggest, the way we see it is the biggest asset we've got is hypogene, because there's lots of supergene out there that's very economic if you can blend it, less so if you can't, so we're treating that as an asset. So we're trying not to just run hypogene, pure hypogene through the mill. We believe we can get a better return on the combination by finding sources of supergene that we can blend that with, and

that's part of the driver—the two drivers for the Kimbley Wedge were supergene, it'll help us maintain a balance and it'll preserve enough of the Veteran ore, the Veteran hypogene that we can use the rest up with Ruth.

**Alex Terentiew, Scotia Capital**

Great, thank you.

**Operator**

Thank you. Once again, please press star one if you have a question.

Mr. Blythe, there are no further questions.

**Stuart McDonald, Chief Financial Officer**

It's Stuart McDonald here. There was a question about the sensitivity of fuel costs at Robinson and I just wanted to answer that. I believe it was David Charles who asked.

The usage at Robinson is 6 million gallons a year and, as Paul indicated, we've hedged about two-thirds of that at \$2.80, and spot price is, give or take, around \$1.50 a gallon. So that's how we arrived at our assumption of, weighted average assumption of \$2.32. But it's 6 million gallons a year so you can do the sensitivity from that.

**Paul Blythe, President & Chief Executive Officer**

Thank you, Stuart.

Thank you, everybody, appreciate your time, and if you have any more questions, feel free to contact Derek or myself.  
Thank you.

**Operator**

Thank you. This concludes today's conference call. Please disconnect your lines and thank you for your participation.