



March 17th 2008

President's Letter to the Shareholders

Dear Shareholders:

We look back at 2007 as a break-out year for the Company and are both pleased with and proud of our achievements through the year. We were able to deliver above guidance results from Robinson, in this our third year of production and we feel much more confident that we know how to manage the complex mineralogy at the mine. We commenced construction at our Carlota mine which we expect to begin commercial production this year, moving Quadra into the ranks of multi-asset producers. We continued to firm up the potential at Sierra Gorda through an extensive drilling program. We acquired 82% of the Malmbjerg project in Greenland and immediately commenced feasibility level studies that are well on the way to completion. We strengthened our balance sheet through a debt issue in connection with Carlota and an equity issue at \$12.60 per share, over double the 2004 IPO price. We are now well positioned, with a mine in production, a mine in construction and two quality projects in our pipeline to fully participate in what we continue to foresee a "stronger for longer" metals market.

Our share price increased significantly over the year, moving from \$10.25 at the end of December 2006 to \$17.63 at the end of December 2007. It has since reached an historic intraday high of \$22.48 on February 19th, 2008. We reached a \$1 billion market cap in the third quarter of 2007 and were added to the S&P/ TSX Composite index on September 24th.

### **We are Delivering Results**

We can measure success in a number of ways, but the four most important to us are through production results, financial metrics, safety records and delivering on our business growth plan.

During 2007, production and cost performance at Robinson continued to improve over the previous year. The mine produced 131.9 million pounds of copper and 108 thousand ounces of gold, generating net revenues of

\$494 million, some 26% higher than in 2006. Looking forward, the Company expects to produce 130 million pounds of copper and 100,000 ounces of gold from Robinson in 2008.

Earnings for 2007 were \$136 million or \$2.80 per share, a significant increase over the year ended December 31, 2006 when we earned just \$14.4 million or \$0.40 per share. It should of course be noted that a significant component of the improvement in earnings for 2007 was the realized copper price received, with the derivatives positions put in place in late 2005 and spanning 2006 being closed out by mid – 2007. Once these obligations were met, we began to reap the full benefits of strong – albeit volatile - copper and gold prices. However, price was not the only factor, with increased production and sales volumes for both copper and gold playing their part.

Our number one priority within Quadra is the safety of our employees, who are integral to our success as a Company. We strive to operate with a top tier safety record. During 2007, the Total Recordable Injury Rate (TRIR) at Robinson was reduced from 2.6 in 2006 to 0.97 in 2007, well below the MSHA national average of 3.36. Carlota has sustained zero injuries since construction commenced last year and at Sierra Gorda, we have not recorded a single Lost Time Incident since the project's commencement in 2004. History has long shown that the best mines have the best safety records and I would like to congratulate all of our operations and projects on these results.

Another priority of the organization is to safeguard the environment within which we operate and the communities within which we also live. We are proud of our record to date, with no environmental incidents of note since Quadra re-started the Robinson Mine in 2004 and construction of the Carlota project in early 2007.

In 2007, we continued to focus on our strategic plan of becoming a multi- asset producer, completing the acquisition of Malmbjerg, commencing construction at Carlota and working on numerous evaluations of potential M&A transactions. We continue to put substantial effort and focus into different opportunities, effort that will eventually deliver for Quadra.

## **We are Producing**

### **Robinson Mine**

**The Robinson Mine is in full production, generating a strong cash flow with significant copper revenues and gold by-product credits.**

There are no two ways about it, Robinson is a difficult deposit, in terms of its metallurgy and its geotechnical characteristics. It is also a deposit that was available at the right time and the right price. It has challenged

Quadra as it challenged our predecessors. However, over the past three years we have assembled a strong team at the mine, who have found ways of dealing with the many issues, so that the mine is now operating with a much greater degree of predictability than ever before. 'Skarn' deposits like Robinson are characterized by variability in their mineralogy and in the grade of ore mined, which will always result in month-to-month and quarter to quarter fluctuations in production. During 2007 we were finally in a position to give, deliver and even exceed production guidance.

With increases in copper production and a significant revenue stream from our by-product gold production, our 2007 cash costs per pound produced of \$1.49 was a significant improvement over 2006, when costs were \$1.74 per pound produced. In what remains a very inflationary environment for mining costs, focus at the mine was on cost containment rather than cost reduction. The net effect of the changes in our onsite and offsite costs, comparing 2006 with 2007, is that the combined cash costs of \$278 million for 2007 at Robinson were actually only 6% above the total cash costs for the same period in 2006.

We began an exploration program at Robinson in 2007 aimed at evaluating the potential for additional reserves and this continues into 2008. As of January 1, 2008, the mine had proven and probable mineral reserves of 104 million tonnes, at a grade of 0.68% copper and 0.23 g/t gold. At current production rates, this gives a remaining mine life of 7 - 8 years.

## **We are Building**

### **Carlota Mine**

**Everything is in place to bring the Carlota mine into production this year. Construction is well underway—on time and on budget.**

With financing secured in early 2007, all the essentials were in place to move forward with the construction of Carlota, which commenced in March. Work progressed on a broad front and included commencement of pre-stripping, installation of an access road, power supply and run-off control infra-structure and development of the leach pad and SX/EW facilities. The project is moving forward as planned - on time and on budget - and we expect to be in production in the second half of this year

While work on the ground has been moving ahead as planned, we were disappointed with the court decision on the National Pollution Discharge Elimination permit for Carlota, which was vacated and returned to the Environmental Protection Agency (EPA) by the United States Court of Appeals for the 9<sup>th</sup> Circuit during the third quarter of 2007. The court's decision means that Quadra will either have to obtain a new permit, or take

steps to ensure that there will be no water discharge. To give the permit some context, its primary purpose is to deal with the situation where, once we are in operation, we have a major storm event that gives rise to excess water that requires discharge. The EPA decided not to appeal, despite having worked with Quadra and our predecessors for a significant number of years on the permit. Quadra is pursuing its own appeal, in the belief that we have a strong case. While the ultimate objective is to operate Carlota with this permit, we have continued to modify the mine-site design to manage and contain storm water run-off in such a way to obviate the need for the permit should it not be reissued. While there are cost implications in pursuing this zero-discharge option, we do not anticipate any delays or material cost overruns and are continuing with the development of the project as planned.

The impact of bringing Quadra's second mine into production will be significant. Carlota will add an additional 75 million pounds of copper production annually, will lower our overall average cash cost of production and will diversify our production from a single asset.

## **We are Planning for the Future**

### **Sierra Gorda Project**

**We have completed three exploratory drill programs over four years and have identified a resource of 5 billion pounds of contained copper equivalent, as well as a substantial new zone of classic porphyry copper mineralization.**

The company made significant progress at Sierra Gorda during 2007, carrying out a large drill program to expand the high grade sulphide mineralized zone - known as the 281 Zone – that was discovered in 2006 and has the potential to become a large porphyry deposit. The Sierra Gorda team completed over 48,000 metres of drilling on the property during the year with five or six drill rigs on site for most of the year. When the data from this drilling is compiled, we will be in a position to prepare an NI 43-101 compliant technical report defining the inferred category mineral resource for the property. We expect this to be ready in the second quarter of this year. In the mean time, we have enough data to prepare plans going forward. The next logical steps include infill drilling, metallurgical, geotechnical, environmental studies and other engineering studies leading to pre-feasibility and feasibility studies.

In order to advance this project, in this desert region of northern Chile, water resources are essential to mine development and operation. During 2007 we were successful in securing pumping rights from various vendors but as we now envision a project that could potentially be both an oxide heap leaching project as well as a large primary sulphide production facility, we continue to seek out additional water supplies.

While development work and research remains to be done, we are very much encouraged by the results achieved to date and see the potential for a world class asset.

### **Malmbjerg Deposit**

**In continuing with our growth strategy, the Company acquired 82.5% of International Molybdenum which holds the rights to the Malmbjerg primary molybdenum project in Greenland. The project has an average resource grade of 0.12% Mo—one of the highest grade molybdenum deposits currently considered for open pit mining.**

Management believes the supply /demand fundamentals that drive the copper price (China demand, weak supply side response) also drive most of the other base metals, in particular molybdenum. Given the current supply-demand fundamentals and global economic projections, we expect prices of molybdenum to remain high for a long time.

In this context, your Company acquired 82.5% of the outstanding shares of International Molybdenum Plc and the associated 100% interest in the Malmbjerg project for a total transaction cost of \$39.8 million in early 2007.

Based on a technical report prepared for International Molybdenum plc, a resource of 560 million pounds of contained molybdenum using a resource cut-off grade of 0.07% Mo, was identified and proposed a conventional open pit and milling operation that would produce approximately over 20 million pounds of molybdenum annually over an estimated mine life of 15 to 20 years, an amount that represents roughly 4 % of current global demand.

We hit the ground running after the acquisition, commencing feasibility level studies, including a drill program, an environmental baseline program and metallurgical studies, as well as cost studies aimed at providing capital and operating costs. Our objective is to confirm the economics of the project and then to evaluate funding options, including bringing in a partner.

**We are focused on growth and on delivering the shareholder value that growth represents.**

Quadra's objective remains unchanged, that is to become a multi-asset base metals development and operating company producing about 500 million pounds of copper equivalent per year and holding a pipeline of projects to

support sustained production. We have always stated that we intend to deliver on this plan through mergers and acquisitions and by organic growth within our existing asset portfolio.

This growth strategy is based on our view that overall size and operating risk are key components of the stock market valuation of mining companies. Management believes that it will maximize shareholder returns by increasing the Company's production base and diversifying risks over several operations. Achieving this critical mass will also allow the Company to finance further organic growth, and to participate in future industry consolidation and merger and acquisition opportunities from a position of strength.

The Company's view of metal prices has remained unchanged over the last four years, that prices will remain robust going forward. It is interesting to note that others in the metals commodity community are now beginning to take the same view and there appears to be increasing acceptance that there is no going back to 60¢ copper, or even \$1.20 copper. Rapidly growing economies in developing countries coupled with a supply side that simply has been unable to respond to the demand – is expected to result in robust metal prices going forward. The weak US dollar will continue to exacerbate the situation.

Over the last four years, Quadra has grown from a single asset company to a company with a market cap in excess of \$1 billion, with four assets in three countries and more than 800 employees. We have no intention of stopping now.

On behalf of the Board, I would like to thank you our shareholders for your ongoing support. I would also like to thank our employees for their commitment to delivering the results that generate value for our shareholders. Without each of these people, and our shared principles and values, we would never have accomplished so much in such a short time.

A handwritten signature in black ink, appearing to read 'Paul M. Blythe', with a horizontal line extending to the right.

Paul M. Blythe  
President & CEO

## CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Letter contains forward-looking statements concerning Quadra's plans at the Robinson Mine the Carlota, Sierra Gorda and Malmberg Projects, estimated production, capital and operating cash flow estimates and other matters. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning mineral resource estimates may also be deemed to constitute "forward-looking statements" to the extent that they involve estimates of the mineralization that will be encountered if a given property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "is expected", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- uncertainty of production at Quadra's mineral exploration and development properties;
- risks related to Quadra's ability to commence production and generate material revenues or obtain adequate financing for its planned exploration and development activities;
- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- risks related to Quadra's ability to finance the development of its mineral properties;
- the risk that permits and governmental approvals necessary to develop and operate mines on Quadra's properties will not be available on a timely basis or at all;
- risks and uncertainties relating to the interpretation of drill results, and the geology, grade and continuity of Quadra's mineral deposits;
- commodity price fluctuations;
- risks related to Quadra's current practice of not using hedging arrangements;
- currency fluctuations;
- risks related to governmental regulation, including environmental regulation;
- risks related to the need for reclamation activities on Quadra's properties and uncertainty of cost estimates related thereto;
- Quadra's need to attract and retain qualified management and technical personnel;
- mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in development, construction or production;
- uncertainty related to title to Quadra's mineral properties;
- Quadra's history of losses and expectation of future losses;
- risks related to the integration of new acquisitions into Quadra's existing operations;
- uncertainty inherent in litigation including the effects of discovery of new evidence or advancement of new legal theories, and the difficulty of predicting decisions of judges and juries;
- risks related to increases in demand for equipment, skilled labour and services needed for exploration and development of mineral properties and related cost increases;
- increased competition in the mining industry; and
- uncertainty as to Quadra's ability to acquire additional commercially mineable mineral rights.

This list is not exhaustive of the factors that may affect any of Quadra's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of Quadra or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this AIF under the heading "Risk Factors" and elsewhere. Quadra's forward-looking statements are based on the beliefs, expectations and opinions of management as of the date hereof and which Quadra believes are reasonable in the circumstances, but no assurance can be given that these expectations will prove to be correct. Quadra does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, undue reliance should not be placed on forward-looking statements.