



## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2008

The following Management Discussion and Analysis (“MD&A”) of Quadra Mining Ltd. and its subsidiaries (“Quadra” or the “Company”) has been prepared as at November 3, 2008 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the three and nine month periods ended September 30, 2008. This MD&A contains ‘forward looking information’ and reference to the cautionary statement at the end of this MD&A is advised. Additional information relating to the Company, including its Annual Information Form, is available on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company is a reporting issuer in all provinces and territories of Canada and its common shares are traded on the Toronto Stock Exchange under the symbol: QUA.

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

### DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Quadra is a mining company that owns and operates the Robinson copper mine (“Robinson Mine”) near Ely, Nevada. In addition, Quadra holds a 100% interest in the Carlota Copper Project (“Carlota”), a heap leach - SX/EW copper operation in Arizona. The Company also owns the Sierra Gorda project (“Sierra Gorda”), a late stage exploration property in northern Chile, through option agreements that were exercised in the second quarter of 2008, along with a 99% interest in the Malmbjerg molybdenum project (“Malmbjerg”) in Greenland. The strategic plan of the Company includes growth by optimising operations, developing projects, and pursuing merger and acquisition opportunities.

### THIRD QUARTER AND RECENT HIGHLIGHTS:

- Earnings for the quarter ended September 30, 2008 were \$20,117 or \$0.31 per share (basic) compared to earnings of \$48,755 or \$0.90 per share (basic) in the third quarter of 2007.
- The Company generated cash flow from operating activities (before working capital changes)\* of \$27,553 for the third quarter compared to \$61,806 in the third quarter of 2007.
- The Robinson Mine generated net revenue of \$115,957 in the third quarter from the sale of 40.4 million pounds of copper and 37,488 ounces of gold in concentrates compared to net revenue of \$134,587 generated from the sale of 32.5 million pounds of copper and 26,067 ounces of gold in the third quarter of 2007.
- The Robinson Mine produced 38.6 million pounds of copper and 30,629 ounces of gold in the third quarter of 2008.
- The cash cost per pound of copper produced\* was \$1.21 per pound in the third quarter, compared to \$1.62 per pound in the third quarter of 2007. The reduction in unit costs is a result of increased production and by-product revenues and was achieved despite inflationary pressure on input costs.
- Robinson continues to have an excellent safety record with a Total Recordable Injury Rate of 0.8 compared to the U.S. national average of 3.4.
- Leaching activities commenced at Carlota in early October and the first production of copper cathode is expected before the end of 2008.
- The Company advanced metallurgical, engineering and environmental studies at Sierra Gorda, and is working towards a scoping study to be completed in the first quarter of 2009.
- The Company ended the quarter with cash and cash equivalents of \$266 million and no debt; however a portion of the Company’s cash balance will have to be repaid to customers if the recent declines in copper prices are sustained.

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

## FINANCIAL PERFORMANCE

### Earnings

Earnings for the quarter ended September 30, 2008 were \$20,117 or \$0.31 per share (basic) compared to earnings of \$48,755 or \$0.90 per share (basic) in the third quarter of 2007. The lower third quarter earnings in 2008 are primarily related to the significant decline in copper prices across the quarter which resulted in significant adjustments to provisional sales prices (see “**Revenues**” section below).

Earnings for the first nine months of 2008 were \$164,934 or \$2.74 per share (basic) compared to \$128,422 or \$2.76 per share (basic) for the same nine month period in 2007. The higher earnings for the first nine months of 2008 are primarily due to increased metal production at Robinson and higher average copper and gold prices in the current year.

Operating income for the quarter ended September 30, 2008 decreased to \$33,850 from \$64,527 in the third quarter of 2007 mainly due to the decline in the copper price across the quarter. Operating income for the first nine months of the year increased to \$253,272 in 2008 from \$202,115 in 2007, due primarily to higher sales volumes and higher average metal prices.

### Revenues

All of the Company’s revenues to date have been generated by the Robinson Mine. Revenues from sales of concentrate are generally recognized at the time of shipment based on metal prices at that time; however, under the Company’s current sales contracts (and industry practice), final pricing for copper sales is generally set at least four months after the time of shipment. As a result, quarterly revenues include estimated prices for sales in the quarter, based on copper prices at quarter-end, as well as pricing adjustments for sales that occurred in previous quarters, based on the actual price received.

In the quarter ended September 30, 2008, revenues from concentrate sales were \$115,957 compared to \$134,587 for the third quarter of 2007. In the third quarter of 2008, the Company sold 40.4 million pounds of copper and 37,488 ounces of gold, compared to 32.5 million pounds of copper and 26,067 ounces of gold in the third quarter of 2007. As a result of the declining copper price across the quarter, third quarter revenues in 2008 include negative pricing adjustments of \$33,008 related to second quarter sales. In addition, the Company recorded negative price adjustment of \$31,390 related to the third quarter shipments which were revalued at a price of \$2.91 at September 30, 2008.

At June 30, 2008, the end of the previous quarter, accounts receivable included approximately 51.8 million pounds of copper provisionally valued at \$3.91 per pound. During the third quarter, 41.7 million pounds of copper that had been provisionally valued at June 30, 2008 was settled at an average final price of \$3.44 per pound. In the third quarter, the Company shipped approximately 41.9 million pounds of copper at an average provisional price of \$3.61 per pound. At September 30, 2008, receivables include 51.0 million pounds of copper which has been provisionally valued at \$2.91 per pound. At October 31, 2008, the copper price was \$1.81 per pound (see “**Liquidity Outlook**”).

For the first nine months of 2008 revenues from concentrate sales were \$494,559 compared to \$412,181 for the same nine month period in 2007. This increase in revenues in 2008 is due to higher metal prices and higher sales volumes in the current year. For the nine month period ended September 30, 2008, the Company sold 118.0 million pounds of copper and 105,205 ounces of gold, compared to 105.3 million pounds of copper and 80,912 ounces of gold in 2007.

### Cost of Sales and Expenses

Cost of sales for the quarter ended September 30, 2008 was \$67,642 compared to \$58,256 for the third quarter of 2007. For the nine months ended September 30, 2008, cost of sales increased to \$195,407 from \$177,593 in the same period of 2007. The increases in cost of sales were mainly due to the increased operating costs at the Robinson Mine (see “**Robinson Operating Costs**”).

Amortization, depletion and depreciation for the third quarter of 2008 were \$5,555 compared to \$3,810 for the third quarter of 2007. For the first nine months of 2008, amortization, depletion and depreciation was \$15,242 compared to \$10,493 in the same period of 2007. These increases are a result of the amortization of additional capital assets acquired during 2008 and 2007.

Royalties and mineral taxes for the third quarter of 2008 were \$8,048 compared to \$7,232 for the third quarter of 2007. For the nine months ended September 30, 2008, royalties and mineral taxes were \$28,144 compared to \$20,249 in 2007. These increases in royalties and mineral taxes were primarily due to higher metal prices and sales volumes in 2008.

General and administrative expenses for the third quarter of 2008 were \$3,859 compared to \$2,765 for the third quarter of 2007. General and administrative expenses for the first nine months of 2007 increased to \$12,005 from \$7,298 in 2007, due to increased staff levels and activities at the Company's corporate office.

Stock-based compensation expense for the third quarter of 2008 was \$1,722 compared to \$1,500 for the third quarter of 2007. For the nine months ended September 30, 2008, stock-based compensation expense was \$6,909 compared to \$4,779 in the same period of 2007. The increased expenses are a result of the higher average fair value of each option granted in 2008.

In June 2008 the Company retired its \$150 million first lien secured credit facility which resulted in a loss on settlement of debt of \$15,940 in the second quarter of 2008. This loss was comprised of a \$4,500 prepayment premium that was paid to the lenders, a \$7,500 loan amendment fee that was paid in the first quarter of 2008, and \$3,940 for amortization of debt issue costs that were capitalized for accounting purposes in 2007. In June 2007, the Company retired its \$50 million second lien secured credit facility and incurred a loss on settlement of debt of \$11,039. This loss included a \$5,000 prepayment premium paid to the lenders and \$6,039 for the amortization of debt issue costs.

The gain on derivatives in the third quarter of 2008 was \$4,405 and is primarily related to the increase in value of copper put options as a result of the declining copper price. The Company has a floor price protection program for a portion of its anticipated copper sales through June 2009 (see section below "**Financial Instruments**"). For the first nine months of 2008, the Company recognized a derivative loss of \$6,255 which primarily relates to the decline in value and expiry of copper put options. For the first nine months of 2007, the loss on derivatives of \$14,522 primarily related to the settlement of the remaining copper and gold forward sales contracts.

The Company realized a foreign exchange loss of \$1,452 in the third quarter of 2008 related to its Canadian dollar cash holdings compared to a gain of \$3,283 in the third quarter of 2007 due to the depreciation of Canadian dollar against U.S. dollar. For the nine months ended September 30, 2008, net interest and other income totalled \$5,481 compared to \$3,758 for the same period in 2007. The increase is due to a gain of \$1,888 realized on the sale of marketable securities in the first quarter of 2008.

The Company recorded an income tax expense of \$50,570 for the nine month period ended September 30, 2008, compared to \$45,965 for the nine months of 2007. The tax expense for the first nine months of 2008 has been recorded based on an estimated annual effective tax rate of 23% (2007: 27%), which is an increase from the previous estimate of 21%. As a result of the significant decline in the copper price during the third quarter, the Company is now expecting to use fewer AMT credits to offset federal tax payable in 2008 than previously forecasted.

## SUMMARY OF QUARTERLY RESULTS

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

SUMMARY OF QUARTERLY RESULTS								
	2008			2007			2006	
\$000's	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Statement of Operations</b>								
Revenues - initial provisional price	184,719	183,046	170,174	110,012	127,985	129,832	127,533	117,300
Revenues - price adjustments	(64,398)	1,550	33,567	(22,215)	12,847	17,766	19,330	(9,912)
Refining and treatment charges	(4,364)	(4,026)	(5,709)	(6,130)	(6,245)	(6,459)	(10,408)	(8,215)
Revenues - total*	115,957	180,570	198,032	81,667	134,587	141,139	136,455	99,173
Operating income	33,850	103,533	115,889	14,649	64,527	72,618	64,972	30,713
Earnings before income taxes	32,619	80,465	102,420	10,810	63,739	50,772	59,876	56,375
Earnings	20,117	65,006	79,811	7,990	48,755	36,556	43,111	50,960
Basic earnings per share	\$ 0.31	\$ 1.10	\$ 1.44	\$ 0.15	\$ 0.90	\$ 0.78	\$ 1.13	\$ 1.34
Diluted earnings per share	\$ 0.30	\$ 1.05	\$ 1.41	\$ 0.14	\$ 0.86	\$ 0.76	\$ 1.12	\$ 1.32
<b>Financial Position</b>								
Cash	266,384	262,155	305,292	263,586	285,210	278,462	224,252	47,774
Total Assets	1,081,432	1,006,669	881,478	789,219	758,900	687,457	531,266	335,966
Total Liabilities and non-controlling interest	187,589	137,479	296,405	290,840	270,671	263,687	318,461	170,850
Shareholders' equity	893,843	869,190	585,073	498,379	488,229	423,770	212,805	165,116
<b>Production Statistics - Robinson mine</b>								
Copper production (million lbs)	38.6	44.6	42.0	32.4	30.7	32.2	36.6	35.3
Copper sales (million lbs)*	40.4	38.7	38.9	28.9	32.5	32.3	40.5	34.1
Average final settlement price per pound	\$ 3.44	\$ 3.81	\$ 3.64	\$ 3.24	\$ 3.52	\$ 3.37	\$ 3.29	\$ 3.24
Gold production (ozs)	30,629	42,348	37,738	27,048	24,138	25,893	31,040	27,646
Copper grade (%)	0.64	0.72	0.68	0.59	0.66	0.59	0.67	0.67
Gold grade (g/t)	0.42	0.51	0.45	0.38	0.39	0.36	0.46	0.41
Copper recovery	78.7%	81.8%	78.6%	66.1%	58.1%	74.1%	75.0%	61.0%
Gold recovery	65.8%	75.2%	72.6%	59.2%	52.5%	64.0%	63.1%	53.7%
Onsite costs	61,102	61,229	55,580	57,273	52,656	53,716	45,424	46,250
Offsite costs	16,409	15,303	17,892	15,891	16,284	15,681	20,666	17,916

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

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

Quarterly earnings during 2006 and the first two quarters of 2007 were impacted by derivative losses and gains related to outstanding forward sale contracts for copper and gold. There have been no forward sale contracts outstanding since the third quarter of 2007.

In the third quarter of 2007, the Company retired its \$50 million second lien facility and recorded a loss on settlement of \$11 million. The \$150 million senior credit facility was retired in the second quarter of 2008, resulting in a loss on settlement of \$16 million.

The increase in the cash balance in the first and second quarters of 2007 is related to debt and equity financings that were completed in these periods.

The increase in the onsite costs in the second and third quarters of 2008 was primarily related to the increase in the cost of fuel and other supplies, equipment maintenance activities, and the increase in royalty expenses due to higher metal prices (see "Robinson Operating Costs").

## REVIEW OF OPERATIONS AND PROJECTS

### ROBINSON MINE (NEVADA)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Copper production (Million lbs)	38.6	30.7	125.2	99.5
Gold production (ozs)	30,629	24,138	110,715	81,071
Waste mined (Tonnes 000's)	14,263	13,977	44,257	45,696
Ore mined (Tonnes 000's)	3,970	4,405	11,034	10,928
Ore milled (Tonnes 000's)	3,489	3,648	10,484	10,418
Onsite costs	\$ 61,102	\$ 52,656	\$ 177,911	\$ 151,796
Offsite costs	\$ 16,409	\$ 16,284	\$ 49,604	\$ 52,631
Total onsite and offsite costs	\$ 77,511	\$ 68,940	\$ 227,515	\$ 204,427
Capital expenditure	\$ 14,699	\$ 6,856	\$ 35,745	\$ 18,022
By product credits				
- Gold and silver	\$ 30,380	\$ 18,658	\$ 97,031	\$ 57,532
- Molybdenum	\$ 579	\$ 681	\$ 1,226	\$ 1,790
Copper grade (%)	0.64	0.66	0.70	0.64
Gold grade (g/t)	0.42	0.39	0.48	0.40
Copper recovery	78.7%	58.1%	80.3%	67.8%
Gold recovery	65.8%	52.5%	74.4%	59.9%
Mill Operating Time	96%	92%	94%	91%

During the three month period ended September 30, 2008, a total of 18.2 million tonnes of ore and waste were mined from the Veteran area of the Tripp-Veteran pit. Copper production in the third quarter of 2008 was 38.6 million pounds, compared to 30.7 million pounds in the third quarter of 2007. The increased copper production in the third quarter 2008 is primarily the result of improved recovery. Mill feed was a mixture of hypogene and supergene ore and blending and reagent strategies developed in late 2007 continued to improve copper and gold recoveries and concentrate grades in the first nine months of 2008.

Gold production for the three month period ended September 30, 2008 was 30,629 ounces compared to 24,138 ounces for the third quarter 2007. The increased gold production in the third quarter of 2008 is the result of higher head grade and recovery compared to the third quarter of 2007.

Copper and gold production for the third quarter of 2008 was lower than in the first two quarters of 2008, in line with expectations based on the block model.

#### Robinson Operating Costs

Operating costs are comprised of onsite and offsite costs (see "Non-GAAP Financial Measures"). Onsite costs are primarily driven by the volume of waste and ore moved, payroll costs, supplies and equipment maintenance costs, and royalties. Onsite costs for the quarter ended September 30, 2008 were \$61,102 compared to \$52,656 in 2007. This increase is mainly related to a \$3.3 million increase in the cost of supplies (mostly fuel), \$2.0 million in gainshare payments related to the improved mill performance, and a \$1.8 million increase in royalty costs. Onsite costs for the nine month period ended September 30, 2008 were \$177,911 compared to \$151,796 the same period of 2007. This increase primarily relates to a \$6.3 million increase in mine equipment maintenance activities (primarily for a shovel rebuild and haul truck beds), \$6.4 million for the cost of supplies (particularly fuel), \$6.0 million in gainshare payments related to the improved mill performance, and a \$5.5 million increase in royalty costs due to higher metal prices and increased production volumes.

Offsite costs are primarily driven by smelting and refining charges, the volume of concentrate transported, and rail and ocean freight rates. Offsite costs for the three month period ended September 30, 2008 were \$16,409 compared to \$16,284 for the third quarter of 2007. For the first nine months of 2008, offsite costs decreased to \$49,604 from \$52,631 in the same period of 2007. This reduction in offsite costs is due to lower rates for treatment and refining costs, partially offset by increases in ocean freight rates. The mine has produced higher grade copper concentrates in the first nine months of 2008, which has also contributed to reductions in ocean freight and treatment costs.

The cash cost per pound of copper produced for the three month period ended September 30, 2008 was \$1.21 compared to \$1.62 for the same period of 2007. The cash cost per pound of copper produced was \$1.03 for the nine month period ended September 30, 2008, compared to \$1.46 for the first nine months of 2007. These reductions in cash cost per pound are primarily due to the increased copper production in the current year, coupled with higher by-product revenues. 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 (see “**Non-GAAP Financial Measures**”).

### **Robinson Production Outlook**

In 2008, the Company expects Robinson to meet or exceed its previously issued production guidance for copper of 150 million pounds of copper and to exceed its production guidance of 115,000 ounces of gold.

Due to the variable mineralogy of the Robinson ore body, metal production will continue to vary from quarter to quarter. Mill recoveries are also expected to follow the trends previously observed in the Veteran pit, with higher recoveries from the hypogene material, and lower recoveries from the supergene material. Operating procedures developed this year will be used to optimize economic performance.

The Company has been evaluating two options for the Robinson mine plan going forward – either moving to the Ruth pit in 2010 when the existing reserves in the Veteran pit have been mined, or expanding the Veteran pit for an additional phase of mining. Recent hydrological work relating to the Ruth pit area has identified that additional permitting will be required in order to dispose of excess water from the surrounding aquifer system, above amounts permitted under Robinson’s water use permits. This will require a permit modification and additional permits, the timing for which is uncertain, followed by the installation of additional infrastructure. At the same time, the results of previous exploration drilling indicate that the potential exists to expand the Veteran pit, and add additional reserves which could be mined before the transition to the Ruth pit. Furthermore, recent testwork indicates that the concentrate grades from ore mined in the early supergene area of Ruth may not meet the contained copper specification unless this ore is blended with material from another source. As a result, the Company is considering an additional phase of mining in the Veteran Pit, and revising the sequencing of mining operations, which would allow time to obtain the additional permits for the Ruth pit, and also allow for an orderly blending plan to be executed.

An expansion of the Veteran pit and the transition to the Ruth pit will require significant capital investments. In light of the recent declines in copper price, the Company is reviewing all work programs and expenditures, including its 2009 mine plans and capital budgets (see “**Liquidity Outlook**”).

### **Robinson Operating Cost Outlook**

Fuel costs at Robinson have been falling in recent weeks in line with the recent declines in global energy prices. In October, the Company acquired NYMEX heating oil futures for 7.8 million gallons at an average price of \$2.51/gallon. The futures contracts mature between December 2008 and November 2009, and will reduce the impact of changes in the diesel price over this period (see **Financial Instruments**). As a result, 2009 fuel costs are expected to be lower than those experienced in 2008. Management also expects some (as yet undetermined) reduction in other operating costs as a result of falling commodity prices, if the recent price declines are sustained in 2009.

### **CARLOTA COPPER PROJECT (ARIZONA)**

During the quarter ended September 30, 2008, the Company incurred capital expenditures of \$36.5 million for construction, purchase of equipment, and other project development costs. Total capital expenditures on the project to date are \$214.3 million. Construction activities are substantially complete, on schedule and budget. A total of 6.7 million tons of ore and waste have been mined as at September 30, 2008. Pit surveys and blasthole grades indicate that the metal content of the material mined so far is consistent with reserve estimates. Pit operations are now functioning at near full capacity.

Approval of the modified Aquifer Protection Permit from ADEQ was received on October 10, 2008. Application of leaching solutions was then able to commence in October and the processing plant and supporting infrastructure is ready to receive solutions from the run-of-mine leach pad.

### **Carlota Outlook**

Production of copper cathode is expected to commence before the end of 2008. Ramp up activities will be completed over the next few quarters. Commercial production is expected to be achieved in early 2009, at which point the Company will begin recognizing revenues on the statement of earnings.

The Company has a contract for the supply of sulphuric acid at market prices and believes that sufficient quantities will be available to meet its requirements. Recent information indicates that sulphuric acid supply and prices are softening.

### **SIERRA GORDA (CHILE)**

During the quarter ended September 30, 2008, the Company incurred expenditures of \$5.5 million for exploration and project development costs at Sierra Gorda. Metallurgical sampling was completed in the third quarter and testwork is underway on both sulphide and oxide material. Conceptual engineering and cost studies, geotechnical studies, and environmental studies are also in progress. Drilling has been focussed on defining and extending deep sulphide resources in the 281 Zone area and other targets identified by previous exploration. During the nine month period ended September 30, 2008, the Company incurred costs of \$15.2 million for the Sierra Gorda project.

In January and February 2004, Quadra, through its Chilean subsidiary, Minera Quadra Chile Limitada (MQCL), entered into letter agreements under which MQCL and the vendors agreed to enter into separate Option Agreements, which entitled MQCL to purchase the contiguous properties in Chile. The Option Agreements had differing terms, conditions and adjustments. In the second quarter of 2008, the Company made scheduled and accelerated payments totalling \$24.9 million to exercise eight of the Sierra Gorda option agreements. In June 2008, the Company entered into one new option agreement for property contiguous to Sierra Gorda. Three of the Sierra Gorda option agreements are the subject of litigation (see section below "Contingencies").

In May 2008, the Company completed an updated Technical Report which includes a new mineral resource estimate for the project. The new estimate includes an indicated mineral resource containing 10.6 billion pounds of copper and 474 million pounds of molybdenum and an additional inferred mineral resource containing 5.5 billion pounds of copper and 211 million pounds of molybdenum. The Technical Report was prepared in compliance with requirements set out in National Instrument 43-101 by Steven Ristorcelli, P.Ge., Mine Development Associates of Reno, Nevada, assisted by Peter Ronning, P.Eng, New Caledonian Geological Consulting with the QA/QC work reviewed by Mr. Gary Lustig, P. Geo. Patrick Fahey, P. Geo, Vice President, Exploration for Quadra was also a co-author of the report.

In May 2008, the Company completed the acquisition of pumping rights to 319 litres per second of water located in Region II, northern Chile. These rights were acquired for a cash payment of \$10.0 million and the issuance of 1,231,916 common shares at a value of \$30.2 million. During 2008, the Company acquired additional water rights located in Region II, northern Chile, for total payments of \$7.0 million.

### **Sierra Gorda Outlook**

The Company is advancing the project towards a "scoping study", which is intended to identify the basic project parameters and is expected to be completed in the first quarter of 2009. Work required will include metallurgical, geotechnical, environmental, infrastructure, cost and engineering studies, along with a gold resource estimate. While the Company intends to complete the scoping study, further development activities related to the subsequent pre-feasibility study, including drilling and water acquisitions, have been suspended due to the recent declines in the copper price. Quadra may also seek a partner or partners to advance this project through to production.

## **MALMBJERG MOLYBDENUM PROJECT (GREENLAND)**

During the third quarter, the Company continued discussions with the Greenland's Bureau of Minerals and Petroleum ("BMP") in connection with its application for an Exploitation License, which was submitted in March 2008. The primary review of submittals to the BMP has been completed.

Site activity was undertaken and completed during the period July through early September. This program included the continuation of baseline environmental work, as well as geotechnical work related to site facilities, roads and port area. The work will be used to minimize implementation risks and improve engineering cost estimates.

During the nine months ended September 30, 2008, the Company incurred development costs on the project of \$5.1 million to advance permitting and engineering studies. During 2008, the Company has also increased its interest in InterMoly, and its Malmbjerg molybdenum project, from 82.5% to 99%.

### **Malmbjerg Outlook**

The Danish-Greenland Joint Committee on Mineral Resources in Greenland is expected to consider Quadra's application for an Exploitation License in early November 2008.

The Company is continuing to work on the cost and schedule analyses required to produce a NI 43-101 Technical Report. Such a report requires a definitive view of the execution plan by the permitting authorities. However, additional development expenditures at Malmbjerg have been suspended due to the recent declines in metal prices. Quadra may seek a partner or partners to advance the project through to production.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's primary source of cash flow from operations is the Robinson Mine. The Company generated cash flow from operations (excluding working capital changes) of \$216.8 million for the nine month period ended September 30, 2008 compared to \$146.8 million for the same period in 2007.

The Company incurred cash expenditures of \$125.8 million at the Carlota project in the nine month period ended September 30, 2008, for the purchase of equipment and other project construction costs. Capital expenditures at the Robinson Mine were \$35.7 million and related to normal equipment replacement and upgrades, commencement of pre-mining works for the Ruth pit and the development and exploration drilling program. The Company spent a further \$20.5 million on exploration and development of the Sierra Gorda and Malmbjerg projects. During the first nine months of 2008, the Company spent \$42.3 million on acquisition of land and water rights related to the Sierra Gorda project.

In the nine month period ended September 30, 2008, the Company also invested \$45.0 million in marketable securities on a net basis, received \$14.9 million for a refund of a security deposit. The Company also paid \$16.9 million for the remaining deferred gold consideration to the vendors of the Carlota copper project during this period.

On June 5, 2008, the Company completed an equity financing with a syndicate of underwriters through which the Company issued 7,145,000 common shares at a price of Cdn\$24.50 per share for net proceeds of \$164.3 million. On July 8, 2008, the underwriters exercised a portion of their over-allotment option and purchased an additional 821,750 common shares at price of Cdn\$24.50, for net proceeds of \$19.0 million. The majority of the proceeds of this equity financing were used to retire the \$150 million senior credit facility. A prepayment premium of \$4.5 million was required in order to retire this debt.

At September 30, 2008, the Company had cash and cash equivalents of \$266.4 million. These amounts are comprised of cash deposits and highly liquid investments that are readily convertible to cash. The counter-parties include banks, governments and government agencies.

At September 30, 2008, the Company had working capital of \$275.8 million as compared to \$287.2 million at December 31, 2007. The Company's working capital was negatively impacted by the decline in copper prices during the third quarter of 2008. At September 30, 2008, working capital and revenues includes approximately 51.0 million pounds of copper that has been provisionally valued at \$2.91 per pound. The final pricing for these provisionally priced sales is expected to occur between October 2008 and January 2009. Changes in the price of copper from the amounts used to calculate the provisional values will impact the Company's revenues and working

capital position in the fourth quarter of 2008. On October 31, 2008 the copper price had declined further to \$1.81 per pound.

### Liquidity Outlook

The Company's future profitability and cash position is highly dependent on the price of copper and gold. The Company's working capital position at September 30, 2008 includes 51.0 million pounds of copper provisionally valued at \$2.91 per pound. Since September 30, 2008 the copper price has declined to \$1.81 per pound (October 31, 2008). If sustained, this copper price would create additional negative price adjustments of approximately \$50 million, which would have to be repaid to customers over the period to January 2009. The Company holds copper put options which, at \$1.81/lb. copper (October 31, 2008), would provide cash proceeds of approximately \$11 million over this period (see "Financial Instruments").

Current planning calls for the expenditure of approximately \$30 million on capital projects and environmental bonding at the Robinson Mine in the fourth quarter of 2008, primarily related to the development of the Ruth pit, an exploration and development drilling program, and normal replacements and upgrades. In the fourth quarter of 2008, the Company also expects to spend approximately \$10 million to complete the remaining construction activities at Carlota, and approximately \$10 million on the approved development programs for the Sierra Gorda and Malmbjerg projects.

In view of the current commodity price environment, the Company is reviewing all work programs and expenditures, including its 2009 mine plans and capital and operating budgets. At the Robinson Mine, the potential expansion of the Veteran pit and the transition to the Ruth pit will require significant capital investments. The commitment to, and timing of, these additional expenditures will be dependent on future copper prices. The Company's focus in the review process is on ensuring adequate liquidity while maintaining copper production from both of its operations. Continuing depressed copper prices may necessitate the deferral of capital projects which may impact future production from the Company's mining operations.

Any development programs at the Sierra Gorda and Malmbjerg projects in 2009 will also be dependent on future copper prices. The Company will continue to monitor the impact of commodity prices and will adjust its capital expenditures and development programs accordingly.

### Commitments and contractual obligations

The following table summarizes the Company's commitments and contractual obligations for the next 5 years:

(\$000's)	Payment Due By Period						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
Reclamation liabilities (a)	-	-	-	-	-	89,630	89,630
Tire supply contract (b)	1,650	6,600	1,650	-	-	-	9,900
Equipment purchase (c)		25,086					25,086
Minimum lease payments (capital and operating)	3,180	13,160	16,263	7,889	2,429	-	42,921
Total	4,830	44,846	17,913	7,889	2,429	89,630	167,537

#### (a) Reclamation liabilities

The Company has estimated total future reclamation costs of \$89.6 million (undiscounted), which primarily relate to the closure of the Robinson Mine. The Company has estimated the fair value of this liability to be \$39.4 million at September 30, 2008 based on the estimated discounted future payments. To secure a portion of the closure costs related to the Robinson Mine and Carlota, the Company has posted environmental bonds and held cash in a reclamation trust totalling \$54.8 million as at September 30, 2008. The Company revises the reclamation plan and cost estimate for the Robinson Mine annually as required by US Bureau of Land Management and adjusts the amount of the bond accordingly.

### (b) Tire supply contract

The Company has a tire supply contract for a total commitment of approximately \$6.6 million per year.

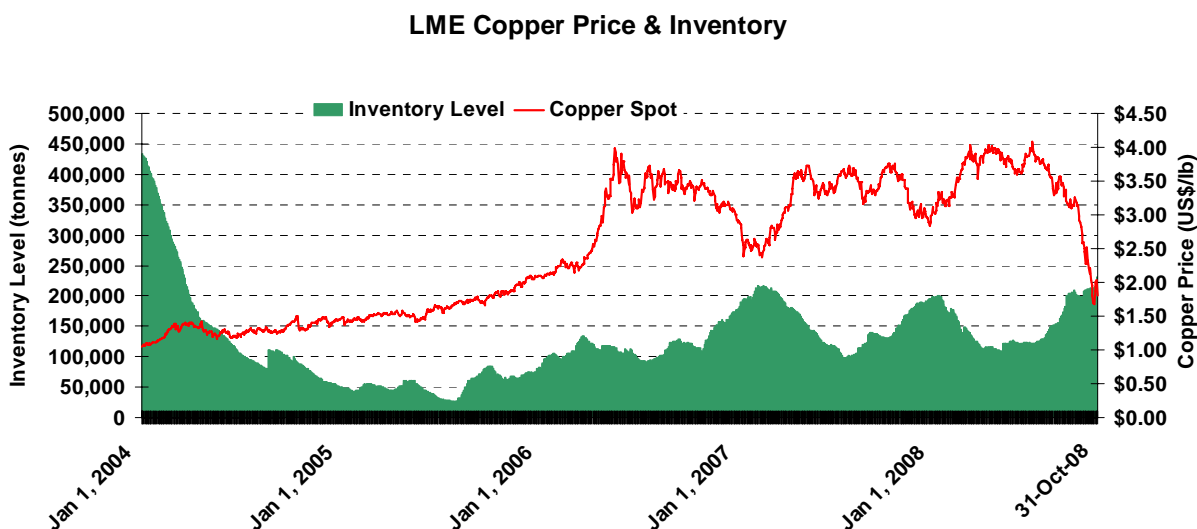
### (c) Equipment purchase

As at September 30, 2008, the Company had committed to capital expenditures of \$25 million related to equipment for the Carlota and Robinson mines.

## MARKET TRENDS AND FUNDAMENTALS

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 global inventories of copper. The combination of high demand and low inventories, together with a weakening U.S. dollar, led to a substantial increase in the copper price through the first half of 2008. Recent events in the credit markets, together with impact of unwinding speculative long positions and fears of a global recession have led to downward pressure on the price of copper.

The following graph shows the inventory level, as published by the London Metal Exchange (“LME”), of copper and the spot price of copper from 2004 to October 31, 2008.



The copper price has remained volatile during the last year, with the spot price ranging from a low of \$2.85 per pound to a high of \$4.07 per pound during the twelve month period ended September 30, 2008. At September 30, 2008 the closing spot price was \$2.91 per pound. At October 31, 2008, the closing spot price was \$1.81 per pound.

The reference price of copper metal is determined by trading on the LME, where the price is set in U.S. dollars at the end of each business day.

## FINANCIAL INSTRUMENTS

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

In recognition of the volatility of the commodities market the Company has instituted a floor price protection program. Under this program, the Company purchased copper put options at various times during 2007 at a total cost of \$11.5 million and in the nine month period ended September 30, 2008 the Company spent an additional \$2.5 million on copper put options. During the nine months ended September 30, 2008, a total of 149 million pounds of copper put options that the Company purchased in 2007 expired.

At September 30, 2008 the following copper put options were outstanding:

<b>Expiry</b>	<b>Pounds (millions)</b>	<b>Strike price</b>	<b>Fair value</b>
October to December 2008	31.0	\$ 2.15	276
January to March 2009	17.8	\$ 2.50	2,173
April to June 2009	17.2	\$ 2.50	3,069
<b>Total</b>	<b>66.0</b>	<b>\$ 2.33</b>	<b>5,518</b>

Under the terms of the derivative contract, if the average LME cash price for the month is less than the strike price, the Company will receive the difference in price for the contracted number of pounds. The counter-parties consist of several international financial institutions. The Company monitors its counter-party exposures and does not believe there are any issues at the current time.

The change in fair value of these copper put options is recorded as a derivative gain or loss on the statement of earnings. For the first nine months of 2008, the Company recorded a \$5.7 million loss on derivatives resulting from a reduction in fair value of the put options.

In October 2008, the Company entered into NYMEX heating oil futures contracts for 7.8 million gallons at an strike price of \$2.51/gallon. The contracts were acquired at no cost but are subject to a margin call. The settlement of these contracts will occur between December 2008 and November 2009. The Company will pay or receive cash based on the difference between the strike price and the actual cost of NYMEX heating oil in the month of settlement.

## **CONTINGENCIES**

- (a) The Company has been served with four lawsuits that have been filed in Chilean courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada. The lawsuits were filed on August 13, 2007, April 2, 2008, June 20, 2008 and July 10, 2008. Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the legal claims are without merit.

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

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

- (b) In October 2007 the U.S. Court of Appeals ordered that the National Pollution Discharge Elimination System (NPDES) permit for the Company's Carlota copper project be "vacated". The Company is appealing this decision to the U.S. Supreme Court. The Company has modified the design of the Carlota mine site and management believes that this modification will obviate the need for a NPDES permit. This approach does have operational implications following a major storm event including potential interruptions to production and higher operating costs until the storm water is disposed of. Accordingly the Company is appealing the decision to the US Supreme Court. The permit remains valid during the appeal process.
- (c) The Company is subject to other lawsuits from time to time which are not disclosed on the grounds that they are not material.

## **TRANSACTIONS WITH RELATED PARTIES**

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the three and nine months ended September 30, 2008, the Company incurred legal fees of \$333 and \$508, respectively, with that entity (three and nine months ended September 30, 2007: \$572 and \$761, respectively). All of the fees incurred were at normal business terms.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

### **Mineral Properties**

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

An impairment loss is recognized for a mineral property if its carrying value exceeds the total undiscounted cash flows expected from its use and disposal. Undiscounted cash flows for mineral properties are estimated based on a number of assumptions including long-term commodity prices, proven and probable reserves, estimated value beyond proven and probable reserves, and estimates of future operating, capital, and reclamation costs. Based on management's view of future metal prices and cost assumptions, the carrying value of the Company's mineral properties was not impaired at September 30, 2008.

### **Revenue Recognition**

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

Currently the Carlota project is in a pre-production phase. When commercial production is achieved at the project, the Company will begin recognizing revenues from the sale of copper cathode on the statement of earnings. The proceeds from any sales made prior to commencement of commercial production will be offset against capitalized pre-production costs on the balance sheet.

### **Asset Retirement Obligations, Reclamation and Mine Closure**

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

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

### **Future Income Tax Assets**

Management believes that uncertainty exists regarding the realization of certain future tax assets and therefore a valuation allowance has been recorded as of September 30, 2008. Based on a forecast of metal prices, mine production and costs for the remainder of 2008, management believes that it will be able to utilize a portion of the Company's U.S. Alternative Minimum Tax Credits in 2008. These tax credits were earned in prior years, but the tax benefit was not recognized in prior years due to the uncertainty of realization. The Company has not recognized the benefit of the tax basis of Carlota in excess of the acquisition price, and non-capital losses. However, the Company has recognized a net current future income tax asset for other temporary differences created between the tax and accounting basis of assets and liabilities in the United States. Management estimates that, using long term copper prices in line with its mine plan estimates, the future taxable income will be sufficient to utilize the future tax assets which have been recognized.

## **CHANGE IN ACCOUNTING POLICIES**

Effective January 1, 2008, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

### **(a) Inventory – Section 3031**

This standard requires that inventories be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

### **(b) Capital Disclosures – Section 1535**

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

### **(c) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)**

These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

### **(d) International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has begun assessing the implications of IFRS adoption. Based on management's preliminary assessment, there are a number of significant IFRS differences that will impact the Company's financial statements. There may be changes in accounting policies and these changes may materially impact the Company's financial statements in the future. A work plan is currently

being developed to address the impact of adoption of IFRS on the Company's financial statements, internal controls over financial reporting, disclosure controls, and information systems.

## OUTSTANDING SHARE DATA

The Company had 66,000,747 common shares issued and outstanding at September 30, 2008. As of November 3, 2008 the Company had 66,000,747 common shares issued and outstanding.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## NON-GAAP FINANCIAL MEASURES

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

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Cost of sales	67,642	58,256	195,407	177,593
Adjustment for change in concentrate inventory	(1,243)	(526)	341	(8,383)
Refining and treatment charges	4,364	6,245	14,099	23,112
Royalties	6,748	4,965	17,668	12,105
<b>Total onsite and offsite costs</b>	<b>77,511</b>	<b>68,940</b>	<b>227,515</b>	<b>204,427</b>
By-product revenues	(30,959)	(19,339)	(98,257)	(59,322)
	<b>46,552</b>	<b>\$49,601</b>	<b>129,258</b>	<b>145,105</b>
Copper production (million lbs.)	<b>38.6</b>	30.7	<b>125.2</b>	99.5
<b>Cash cost per pound of copper produced</b>	<b>\$ 1.21</b>	\$ 1.62	<b>\$ 1.03</b>	\$ 1.46

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

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, projected life of Quadra’s mines, reclamation and other post closure obligations and estimated future expenditures for those matters, completion dates for the various development stages of mines, availability of water for milling and mining, future copper, gold, molybdenum and other mineral prices (including the long-term estimated prices used in calculating Quadra’s mineral reserves), currency exchange rates, debt reductions, timing of expected sales and final pricing of concentrate sales, the percentage of anticipated production covered by option contracts or agreements, anticipated outcome of litigation 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.
- ❖ Provisional payments on concentrate material that the Company sells; 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 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 related to capital cost estimates for mine construction activities.
- ❖ Uncertainties relating to the availability of adequate water resources for mining and milling operations and uncertainties related to whether the Company will be able to pump water in the expected quantities from the properties on which it holds water rights.
- ❖ Uncertainties related to the ability to obtain and retain necessary licences, permits, electricity, surface rights, water rights and title for mineral properties and project delays due to third party opposition.
- ❖ Uncertainties in obtaining additional financing that may result in delay or postponement of development projects.
- ❖ 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, including whether the permits required for development and operating activities will be obtained and whether existing permits will be challenged.
- ❖ Changes in, and the effects of, the laws, regulations and government policies affecting Quadra’s 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 or royalties in jurisdictions in which Quadra’s operations are located;
  - the protection of the health and safety of mine workers; and
  - mineral rights ownership in countries where Quadra’s 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, diesel fuel, petroleum, steel, concrete, sulphuric acid, explosives, truck tires and other operating supplies, refining and treatment costs, transportation charges,

electricity and other forms of energy, mining equipment, and fluctuations in exchange rates, particularly with respect to the value of the U.S. dollar and Canadian dollar.

- ❖ The effects of derivative instruments to protect against fluctuations in copper, gold and other metal prices, exchange rate movements, fuel price changes, and the associated market risks.
- ❖ Uncertainties related to the collectibility of amounts owed to the Company by contract counter-parties including, but not limited to, sales contracts and derivative contracts.
- ❖ 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 used to report Quadra's financial condition
- ❖ 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 in which Quadra operates.
- ❖ Labour strikes, work stoppages, or other interruptions to, or difficulties in, the employment of labour in markets in which Quadra operates 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 Quadra's mines or interrupt the delivery of Quadra's product to customers.
- ❖ Quadra's reliance on a single producing property.
- ❖ Uncertainties relating to development projects, including whether the Carlota copper project, the Sierra Gorda project and the Malmbjerg molybdenum project can be brought into production.
- ❖ Quadra's reliance on a single producing property and on a start-up property.
- ❖ Uncertainties related to the production start-up and ongoing production at the Carlota property
- ❖ Uncertainties relating to development projects, including whether the Sierra Gorda project and the Malmbjerg molybdenum project can be brought into production.
- ❖ Uncertainties related to potential future breaches of covenants and undertakings contained in agreements, by Quadra or its suppliers, that could result in a significant loss to Quadra

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