



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER ENDED MARCH 31, 2010

The following Management Discussion and Analysis (“MD&A”) of Quadra Mining Ltd. and its subsidiaries (“Quadra” or the “Company”) has been prepared as at May 12, 2010 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the three month period ended March 31, 2010. 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. 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” or “Robinson Mine”) near Ely, Nevada, which has been in production since 2004, the Carlota mine (“Carlota” or “Carlota Mine”), a heap leach - SX/EW copper operation in Arizona, which commenced operations in 2008 and the Franke mine (“Franke” or “Franke Mine”), a heap leach – SX/EW copper operation in northern Chile, which achieved commercial production in October 2009. The Company also owns the Sierra Gorda project (“Sierra Gorda”), an advanced copper-molybdenum project in northern Chile, and the Malmbjerg molybdenum project (“Malmbjerg”) in Greenland. Quadra’s strategic plan is based on growing to a production rate in excess of 500 million pounds of copper per year from diverse operations and with a pipeline of development projects in place for long term sustainability and growth.

FIRST QUARTER HIGHLIGHTS:

- For the first quarter of 2010, the Company recorded earnings of \$55.6 million or \$0.56 per share (basic) compared to earnings of \$26.7 million or \$0.40 per share (basic) in the first quarter of 2009.
- Adjusted earnings* were \$55.7 million or \$0.56 per share (basic) after making adjustments to exclude the loss on derivatives and gains on marketable securities and the tax effects of these items.
- Total revenues from the Company’s three operating mines were \$192.9 million for the first quarter of 2010 compared to \$106.3 million for the first quarter of 2009.
- The Company produced 49.1 million pounds of copper and 26,846 ounces of gold from its three operating assets for the first quarter of 2010 compared to 43.3 million pounds of copper and 34,649 ounces of gold for the same quarter of 2009. Carlota’s first quarter copper production was impacted by a series of storm events and production at the Franke Mine was impacted by earthquake activity and lower initial leach recoveries.
- The cash cost per pound of copper produced* for the Robinson Mine was \$1.10 per pound in the first quarter of 2010 compared to \$0.80 in the same quarter of 2009. The cash cost per pound of copper produced* for the Company’s three operating mines was \$1.70 per pound in the first quarter of 2010.
- Cash flow from operating activities (before working capital changes)* was \$72.1 million or \$0.72 per share (basic) compared to \$55.0 million or \$0.83 per share (basic) for the first quarter of 2009.
- Robinson and Carlota continue to achieve excellent safety records with a combined Total Incidence Rate of 0.38 in the first quarter of 2010 compared to the U.S. average of 1.47 for open pit metal mines. At Franke, Quadra employees had no lost time accidents, but regrettably a maintenance contract worker was fatally injured.
- The Company executed a non-binding memorandum of understanding (“MOU”) with State Grid International Development, a wholly owned subsidiary of State Grid Corporation of China for the formation of a joint venture (the “Strategic JV”). The intent of the Strategic JV is to operate the Franke Mine and to finance and

develop Quadra's Sierra Gorda project and seek to acquire other copper production assets, initially in Chile (see **"Memorandum of Understanding with State Grid"**).

- On April 30 and May 4, 2010, the Company received positive legal rulings on two of the three outstanding lawsuits related to the Sierra Gorda project (see **"Contingencies"**).
- On March 23, 2010, the Company entered into a definitive agreement with FNX Mining Company Inc. ("FNX") to merge the two companies to create a new leading intermediate copper producer. The proposed merger is subject to approval by Quadra and FNX shareholders, and regulatory approvals. The Company will issue approximately 88,876,000 common shares in exchange for FNX common shares and reserve approximately 9,441,563 Quadra shares for issuance on the exercise of converted FNX options and warrants. (see **"Proposed Merger of Quadra and FNX"**).
- The Company ended the first quarter of 2010 with \$156.8 million of cash on hand.

* See **"Non-GAAP Financial Measures"** below for additional information.

FINANCIAL PERFORMANCE

Earnings

The Company recorded earnings of \$55.6 million or \$0.56 per share (basic) for the three months ended March 31, 2010, compared to earnings of \$26.7 million or \$0.40 per share (basic) in the same quarter of 2009. The increased earnings in the first quarter of 2010 were primarily a result of stronger copper prices in the current quarter, and also due to higher sales volumes from the Franke Mine which commenced operations in the second half of 2009. In the first quarter of 2010, the Company sold a total of 47.6 million pounds of copper at an average settlement price of \$3.32/lb. compared to 40.4 million pounds at an average settlement price of \$1.56/lb. in the first quarter of 2009.

Operating Income

Operating income for the quarter ended March 31, 2010 and 2009 was as follows:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Robinson	61,169	42,004
Carlota	11,149	4,240
Franke	9,456	-
Operating income	<u>81,774</u>	<u>46,244</u>

Operating income increased in the first quarter of 2010 primarily due to higher average copper prices and higher sales volumes in 2010 (see **"Revenues"**) partially offset by higher onsite costs (see **"Review of Operations and Projects"**). The 2009 first quarter operating income includes a reversal of \$5.3 million leach pad inventory write down at Carlota.

Revenues

	Three months ended March 31, 2010				Three months ended March 31, 2009			
	Robinson	Carlota	Franke	Total	Robinson	Carlota	Franke	Total
Copper sales (million pounds)	27.8	9.5	10.3	47.6	34.5	5.9	-	40.4
Average settlement price per pound	\$ 3.37	\$ 3.25	\$ 3.25	\$ 3.32	\$ 1.56	1.53	-	\$ 1.56
Gold sales (ozs)	23,928	-	-	23,928	30,258	-	-	30,258
Copper revenues	92,265	30,842	33,424	156,531	51,743	9,040	-	60,783
Gold revenues	28,018	-	-	28,018	27,435	-	-	27,435
Molybdenum revenues	-	-	-	-	561	-	-	561
Price adjustments	12,828	-	118	12,946	22,952	-	-	22,952
Refining and treatment charges	(4,583)	-	-	(4,583)	(5,415)	-	-	(5,415)
Total revenues	128,528	30,842	33,542	192,912	97,276	9,040	-	106,316

Robinson revenues

At the Robinson Mine, revenues are generated by the sale of copper in concentrates. Revenues are generally recognized at the time of delivery to a customer based on metal prices at that time, however, under Robinson's current sales contracts, which follow normal industry practice, final pricing for copper sold in concentrate is generally set at least three months after the time of arrival of a shipment at the customer's port of delivery. As a result, Robinson's quarterly revenues include estimated prices for sales, based on forward copper prices at quarter end, as well as pricing adjustments for sales that occurred in previous quarters, based on the actual price received and the price at quarter end for sales from previous quarters that were not settled in the quarter.

In the quarter ended March 31, 2010, revenues from concentrate sales at the Robinson Mine were higher than the first quarter of 2009 due to significantly higher copper prices offset by lower sales volumes. The lower sales volumes in the first quarter of 2010 were a result of lower copper and gold production in the current quarter (see **"Review of Operations and Projects"**). In the first quarter of 2010, copper prices increased from \$3.33/lb at December 31, 2009 to \$3.55/lb at March 31, 2010 resulting in positive pricing adjustments of \$1.2 million related to the fourth quarter of 2009 sales. In addition, the Company recorded a positive price adjustment of \$11.6 million related to the first quarter shipments from Robinson which were revalued using the copper price at March 31, 2010 of \$3.56.

At December 31, 2009, receivables include 20 million pounds of copper which has been provisionally valued at \$3.34 per pound. During the first quarter of 2010, these receivables were settled at an average final price of \$3.37 per pound. In the first quarter of 2010, Robinson shipped approximately 29.1 million pounds of copper at an average provisional price of \$3.17 per pound. At March 31, 2010, receivables include 29.4 million pounds of copper which has been provisionally valued at \$3.56 per pound.

Carlota revenues

At the Carlota Mine, revenues are generated by the sale of copper cathodes. The pricing of copper cathode sales is generally set in the month of shipment and therefore pricing adjustments in subsequent periods are minimal.

In the first quarter of 2010, revenues from cathode sales at the Carlota Mine were higher than the same quarter of 2009 due to higher sales volumes and higher average copper prices in the current quarter. The increased sales volumes were a result of higher cathode production as the Carlota Mine continues to ramp up production.

Franke revenues

At the Franke Mine, revenues are generated by the sale of copper cathodes. Under Franke's current sales contracts, final pricing for copper sold is generally set one month after the time of shipment. As a result, Franke's quarterly revenues include estimated prices for sales, based on forward 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 first quarter of 2010, Franke recorded revenues of \$33.5 million from the sale of 10.3 million pounds of copper cathode. Franke did not have any production or sales in the first quarter of 2009.

Operating expenses

	Three months ended March 31, 2010				Three months ended March 31, 2009			
	Robinson	Carlota	Franke	Total	Robinson	Carlota	Franke	Total
Cost of sales	54,753	15,190	20,484	90,427	47,653	9,068	-	56,721
Start-up inventory adjustment	-	-	-	-	-	(5,305)	-	(5,305)
Amortization, depletion, depreciation and accretion	6,092	2,949	3,602	12,643	4,702	627	-	5,329
Royalties and mineral taxes	6,514	1,554	-	8,068	2,917	410	-	3,327
Operating expenses	67,359	19,693	24,086	111,138	55,272	4,800	-	60,072

Robinson

Cost of sales at Robinson were higher in the first quarter of 2010 than the same quarter of 2009 as a result of the higher onsite costs in the current quarter (see “**Review of Operations and Projects**”). Cost of sales in the first quarter of 2009 was also impacted by an accounting adjustment to capitalize \$8.5 million of stripping costs at Robinson related to the new Ruth pit area. No stripping costs were capitalized in the first quarter of 2010.

Amortization, depletion, depreciation and accretion were higher in the first quarter of 2010 than the same quarter of 2009, mainly due to the amortization of stripping costs that were capitalized during 2009.

Royalties and mineral taxes in for the first quarter of 2010 were significantly higher than the same quarter of 2009 mainly due to the higher copper prices in the first quarter of 2010.

Carlota

Cost of sales at Carlota were higher in the first quarter of 2010 than the same quarter of 2009 as a result of the higher sales volumes and increased onsite costs in the current year (see “**Review of Operations and Projects**”). Operating expenses in the first quarter of 2009 also included a reversal of a start-up inventory adjustment of \$5.3 million due to the increase in copper prices and the resulting increase in the net realizable value of the inventory.

Amortization, depletion, depreciation and accretion were higher in the first quarter of 2010 than the same quarter of 2009 mainly due to the higher sales volumes in the current quarter.

Royalties and mineral taxes in for the first quarter of 2010 were significantly higher than the same quarter of 2009 mainly due the higher sales volumes and higher copper prices in the first quarter of 2010.

Franke

The Franke Mine recorded cost of sales of \$20.0 million and amortization, depletion and depreciation of \$3.6 million in the first quarter of 2010. Franke did not have any production or cost of sales in the first quarter of 2009.

General & administrative and other expenses

General and administrative expenses for the first quarter of 2010 were \$6.6 million compared to \$3.5 million for the same quarter of 2009, reflecting the increased activity level and payroll costs in the current year, as well as costs associated with the non-binding MOU that was agreed with State Grid International Development during the first quarter of 2010. Stock-based compensation expense for the first quarter of 2010 was \$1.6 million which was in line with the first quarter of 2009.

The Company recognized a loss on derivatives of \$7.1 million during the first quarter of 2010 due to the decrease in the fair value of the copper put options purchased in the quarter as well as an increase in the liability associated with the Franke copper collars, both of which were a result of the increasing copper price. The loss on derivatives for the first quarter of 2009 of \$8.8 million related to a decline in value of copper put options.

In the first quarter of 2010, the Company recorded net interest and other income of \$2.6 million compared to \$0.1 million in same quarter of 2009. This increase in other income is primarily related to unrealized gains on marketable securities that arose in the first quarter of 2010, partially offset by the transaction costs for the proposed merger with FNX.

The Company recorded an income tax expense of \$13.3 million in the first quarter of 2010, compared to \$6.2 million in the same quarter of 2009. The tax expense for the first three months of 2010 has been recorded based on an estimated annual effective tax rate of 21% (2009 – 24%). The decrease in effective tax rate in 2010 is mainly due to the utilization of U.S. Alternative Minimum Tax credits which were earned in prior years and the operation of the Franke Mine in Chile which has a lower statutory tax rate. Tax expense in the first quarter of 2010 also included a \$1.1 million future income tax recovery related to the gain on marketable securities which has been recorded in other comprehensive income.

REVIEW OF OPERATIONS AND PROJECTS

Production for the first quarter of 2010 and 2009 from the Company's three operating mines is summarized as follows:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Copper production (Million lbs)		
Robinson Mine	32.0	36.7
Carlota Mine	8.2	6.6
Franke Mine	8.9	-
	49.1	43.3
Gold production (ozs)		
Robinson Mine	26,846	34,649

ROBINSON MINE (NEVADA)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Copper production (Million lbs)	32.0	36.7
Gold production (ozs)	26,846	34,649
Waste mined (Tonnes 000's)	9,759	8,379
Ore mined (Tonnes 000's)	3,127	3,493
Ore milled (Tonnes 000's)	3,302	3,407
Copper grade (%)	0.59	0.65
Gold grade (g/t)	0.31	0.42
Copper recovery	72.2%	75.4%
Gold recovery	78.1%	75.4%
Onsite costs	\$ 51,974	\$ 44,878
Offsite costs	\$ 12,604	\$ 12,791
Total onsite and offsite costs	\$ 64,578	\$ 57,669
Cash cost per pound of copper produced	\$ 1.10	\$ 0.80
Capital expenditure	\$ 7,129	\$ 3,136

Total ore and waste mined in the first quarter of 2010 were slightly higher than in 2009 due to the development of, and transition to, the mining areas on the eastern side of the property (the Ruth and Wedge pits) in accordance with the mine plan. Copper and gold production were lower for the first quarter of 2010 than for the same quarter of 2009 due to lower feed grades for both copper and gold. Copper recovery was lower in the first quarter of 2010 than in the first quarter of 2009 due to higher oxide copper content in the ore.

Robinson Operating and Capital Costs

Operating costs are comprised of onsite and offsite costs (see "Non-GAAP Financial Measures"). Onsite costs include all stripping costs and are primarily driven by the volume of waste and ore moved, payroll costs, supplies and equipment maintenance costs, and royalties. Onsite costs in the first quarter of 2010 were \$7.0 million higher than the same quarter of 2009, primarily due to a \$2.6 million increase in diesel fuel consumption, a \$1.7 million increase in royalty payments due to higher metal prices, and \$2.1 million in truck replacement parts.

Offsite costs are primarily driven by smelting and refining charges, the volume of concentrate transported, and rail and ocean freight rates. Offsite costs in the first quarter of 2010 were generally in line with the same quarter of 2009.

The cash cost per pound of copper produced was \$1.10 in the first quarter of 2010 as compared to \$0.80 in same quarter of 2009. The increased unit cost in the current year is due to lower copper production, higher onsite costs, and lower gold by-product revenues. The cash cost per pound of copper produced is a non-GAAP term and consists of onsite costs (including all stripping costs), and offsite costs, less by-product revenue, divided by the pounds of copper produced in the period (see “**Non-GAAP Financial Measures**”).

Capital expenditures at Robinson in the first quarter of 2010 were primarily related to planned dewatering and hydrology and increased exploration expenses.

Robinson Outlook

In 2010, mining will continue in both the Veteran Pit and Ruth Pit areas. In order to better define the metallurgical variability of the ore in the upper levels of Ruth, a detailed definition drill program is being carried out to collect samples for metallurgical testing and provide a higher density of drilling for resource estimation.

The complex nature of the Robinson ore body will continue to cause metal production variations from quarter to quarter indefinitely. Additional flotation capacity was installed in the fourth quarter of 2009 and contracts were negotiated with concentrate customers that give Robinson more flexibility with respect to concentrate grade. Both measures are expected to help mitigate metallurgical challenges in 2010.

Onsite costs are expected to increase in 2010 over 2009 primarily as a result of expected increases in tonnage mined and milled as well as an increase in future royalty expenses due to anticipated higher copper prices. Capital costs are expected to be \$30 million primarily on Ruth Pit development, and updated reclamation bonding.

CARLOTA MINE (ARIZONA)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Copper cathode production (Million lbs)	8.2	6.6
Waste mined (Tonnes 000's)	5,023	4,518
Ore mined (Tonnes 000's)	989	1,731
Ore placed (Tonnes 000's)	989	1,732
Copper grade (%)	0.20	0.30
Onsite costs	\$ 26,081	\$ 18,032
Cash cost per pound of copper produced	\$ 3.19	\$ 2.74
Capital expenditure	\$ 5,199	\$ 2,836

Total tonnes mined in the first quarter of 2010 at Carlota were lower than the same quarter of 2009 due to the impact of a series of storm events, including a one in three hundred year storm in January, where seven inches of rain fell in a 24-hour period. The resulting cumulated water limited access to ore in the main pit and severely disrupted the chemistry of the heap leach operation. A water storage area was excavated during the quarter and storm water was being pumped from the pit at the end of the quarter. An alternative access into the pit was excavated and ore deliveries to the pad will recommence towards the end of the second quarter of 2010. Copper production in the first quarter of 2010 was higher than the same quarter of 2009 as leaching of ore stacked in fourth quarter of 2009 continued.

Carlota Operating and Capital Costs

Carlota’s onsite operating costs are mainly driven by the volume of waste and ore moved, payroll costs, supplies, process reagents, fuel, electricity, equipment maintenance costs, and royalties. Onsite costs in the first quarter of 2010 were \$8.0 million higher than the same quarter of 2009 due to a \$2.9 million increase in maintenance repairs to the mine equipment, \$1.1 million in corrective actions related to the storm recovery project, \$1.6 million for

increased use of ferric sulphate in the leach operation, a \$1.5 million increase in royalty expenses due to increased revenues and \$0.3 million in increased lease costs for new leased mine loading equipment.

Capital expenditures at the Carlota Mine in the first quarter of 2010 were primarily related to continuing work on the Pinto Creek Diversion Channel and initiation of construction on the Phase 2 leach pad.

Carlota Outlook

As noted, the rainfall events caused significant upsets to solution chemistry and have impacted the mine plan. Second quarter copper production is also expected to be negatively affected. However, the mine plan for the balance of the year has been revised and calls for increased metal production for the balance of the year. This assumes more normal rainfall levels going forward.

Onsite costs in 2010 are expected to be higher than the prior year due to increased forecasted mine production of 28 million tonnes in 2010 compared to 25 million tonnes in 2009. There will be additional onsite costs incurred to recover from the early 2010 rain events and the additional costs are currently estimated to be approximately \$5 million. Capital expenditures for 2010 are expected to be \$21 million, primarily related to the planned leach pad expansion and updated reclamation bonding. Total capital expenditures are lower than previously forecast due to the leasing of mine equipment which was originally forecast to be purchased.

FRANKE MINE (CHILE)

	Three months ended March 31, 2010
Copper cathode production (Million lbs)	8.9
Waste mined (Tonnes 000's)	1,087
Ore mined (Tonnes 000's)	1,044
Ore placed (Tonnes 000's)	761
Copper grade (%)	0.91
Onsite costs	\$ 22,216
Cash cost per pound of copper produced	\$ 2.49
Capital expenditure	\$ 2,358

A total of 8.9 million pounds of copper cathode was produced at Franke during the first quarter of 2010. Mine and process production was from the Franke orebody. There was no production from Franke in the first quarter of 2009, as the mine was still under construction.

Production at the Franke Mine was impacted by leach recovery and by collateral issues arising from a series of major earthquakes. Ore placed on the leach pads was not completely leached leading to lower copper recoveries. This is considered a ramp up tuning issue, and a number of adjustments have been put in place to resolve the issue, including reducing heap height, increasing leach solution application rates and acid cure additions, ore blending and crush size optimization. A second factor has been the ore sources which include historical stockpiles and ore from the fringes of the orebody which is considered atypical. The crushing systems are now performing at the design rates and are delivering planned quantities of ore to the heaps. There was a significant earthquake in Chile during the first quarter and subsequently, the reliability of the power supply was affected. During one of the outages, a transformer on one of the rectifiers was lost reducing the plating capacity to 70% of design capacity. The repaired transformer is expected to be operational in July 2010.

Franke Operating and Capital Costs

Franke's operating costs are mainly driven by the volume of waste and ore moved by the mining contractor, acid costs, payroll costs, fuel, electricity and equipment maintenance costs. Onsite costs in the first quarter of 2010 were in line with the Company's expectations for copper placed on the leach pads. Capital expenditures at the Franke Mine in the first quarter of 2010 were primarily related to leach pad construction, acid tank construction, and improvements to the crushing systems.

Franke Outlook

Franke is still ramping up production. As noted above, a number of measures have been put in place to improve copper recovery in the lower zone of the leach pad. Construction has begun on two additional leach pads earlier than originally scheduled to ensure that there is adequate leach capacity going forward. These changes are expected to have a beneficial effect on copper production in the third and fourth quarters.

One of the remaining design issues at Franke is dust control across the crushing plant. Construction is now underway on covers for the fine ore and coarse ore stockpiles.

Franke's acid supply has been substantially contracted in advance for 2010 with half of the required quantity contracted for at a price dependent on copper price and the remainder at a fixed price. Average acid costs for 2010 are expected to be in the \$80-\$90 per tonne range based on current copper price.

SIERRA GORDA (CHILE)

In late 2009 the Company approved a budget of approximately \$40 million for 2010 to advance the Sierra Gorda project. During the first quarter of 2010, the Company incurred costs of \$14.8 million on the project. The principal activities were infill and condemnation drilling, metallurgical and process test work and the commencement of the actual study required to support a development decision and project financing. The engineering and preparation of the pre-feasibility study was awarded to SNC-Lavalin Inc., who subsequently mobilized. Their work is being supported by a number of other consultants and by Quadra management. The Environmental Impact Study ("EIS") is being prepared by Golder Associates and expected to be submitted to the regulatory authorities in the second quarter.

The objective of the infill drilling program is to increase the amount of measured and indicated resources to the confidence level required for pre-feasibility and feasibility studies while the condemnation drilling will ensure facility and infrastructure placements outside the zones of potential economic mineralization. During the first quarter, nine diamond drill rigs were committed to the project and approximately 40,000 meters of core drilling has been completed since the start of the program. This drilling has provided samples for metallurgical and advanced engineering test work. Results from these programs are being used to optimize the process flow sheet and for trade-off studies that are being incorporated into the study. Project designs and economics in the Scoping Study were based on mining and processing Sierra Gorda sulphide mineralization only; the significant measured and indicated oxide resources were assumed to be waste. Oxide column test work and associated engineering are in progress to evaluate the merits of this significant resource.

The Sierra Gorda project is subject to several lawsuits that have been filed in Chilean courts against the Company's wholly-owned Chilean subsidiary (see section below "**Contingencies**").

Sierra Gorda Outlook

The study is scheduled to be completed in December 2010. Resource drilling will be cut off around mid-year to allow final resource modeling and mine planning to be completed. Trade-off studies to optimize plant designs are continuing and engineering design activities are ramping up to meet the schedule. A historical review of other projects in Chile shows that the permitting process, currently considered to be the critical path, has taken anywhere from 9 to 15 months to complete. Based on this, the earliest date for the commencement of development is the fourth quarter of 2011. To ensure maximum optionality the delivery situation for key equipment is being assessed with a view to placing orders as required for key mobile and other equipment in advance of completing the study. An order has already been placed for two electric shovels.

MALMBJERG MOLYBDENUM PROJECT (GREENLAND)

In May 2009, the Company received the exploitation license for the project. While there have been no significant expenditures at Malmbjerg during the first quarter of 2010, the Company has continued to advance environmental baseline studies and commitments associated with the Environmental Statement Impact Analysis.

Malmbjerg Outlook

Additional development activities at Malmbjerg have been suspended. Quadra is continuing the search for a partner or partners to advance the project through to production.

MEMORANDUM OF UNDERSTANDING WITH STATE GRID

In March 2010, Quadra executed a non-binding MOU with State Grid International Development (“SGID”), a wholly owned subsidiary of State Grid Corporation of China, the largest Chinese utility company and a major end user of copper for the formation of a joint venture (the “Strategic JV”). The intent of the Strategic JV is to operate the Franke Mine and to finance and develop Quadra’s Sierra Gorda project and seek to acquire other copper production assets, initially in Chile. The parties will be entitled to their proportionate share of the concentrate or cathode production of the Strategic JV on arms-length terms. Quadra will be responsible for supervising day-to-day operations of the Strategic JV under the oversight and direction of a Board of Directors of the JV consisting of an equal number of representatives from both parties. SGID will lead the efforts of the Strategic JV to arrange the necessary project financing with a target of not less than a 60:40 debt equity ratio, subject to a bankable feasibility study and other conditions.

A definitive agreement will be negotiated covering the structure, terms and conditions of the joint venture. Quadra will contribute the Sierra Gorda project and the Franke Mine, representing \$900 million in assets, and SGID will contribute capital to each gain a 50% equity interest in the Strategic JV. Thereafter each party can contribute 50% of any further equity requirement to maintain its interest.

The MOU is non-binding except in certain limited respects but establishes the basis for the negotiation of definitive Strategic JV agreements. Execution of definitive agreements is subject to a number of conditions for the benefit of both parties and common to agreements of this nature, including further due diligence and the applicable regulatory and government approvals. Both parties are working towards execution of definitive agreements by late in the second quarter of 2010.

In addition, as part of the MOU, SGID and Quadra have completed a private placement pursuant to which SGID subscribed for 10,945,997 subscription receipts of Quadra at a price of CDN\$13.91 each, being the market price of Quadra common shares on the date the Company applied for TSX approval during the course of negotiations, for aggregate subscription proceeds of approximately CDN\$152.3 million. Each subscription receipt entitles SGID at no additional cost and without further action by SGID, to receive one common share of Quadra upon closing of the Strategic JV. The subscription proceeds are being held by an escrow agent and, upon issuance of the common shares, would be released to Quadra. Under the MOU, a SGID nominee will be invited to join the Board of Quadra.

PROPOSED MERGER OF QUADRA AND FNX

On March 23, 2010, the Company and FNX entered into a definitive agreement to merge the two companies. Under the terms of the transaction, which is structured as a plan of arrangement, each FNX common share would be exchanged for 0.87 of the Company common share and \$0.0001. The merger is subject to the satisfaction of a number of conditions, including the Company and FNX shareholder approval and regulatory approvals. The shareholder votes to approve the transaction are scheduled for May 19, 2010.

Under the terms of the Agreement, all outstanding options of FNX (whether vested or unvested) will be exchanged for Quadra stock options, adjusted based on the same exchange ratio. All outstanding warrants of FNX will be exercisable for common shares of Quadra, adjusted based on the same exchange ratio. Assuming no issuance of additional FNX shares, the Company will issue approximately 88,876,000 common shares in exchange for FNX common shares and reserve approximately 9,441,563 Quadra shares for issuance on the exercise of converted FNX options and warrants.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash flow from operating activities of \$55.9 million for the three month period ended March 31, 2010 compared to \$27.8 million in the first quarter of 2009. The increase in operating cash flow is largely driven by the increased copper price as well as higher sales volumes due to the operation of the Franke mine. Capital spending in the first quarter of 2010 was \$22.9 million for operations and projects. An additional \$5.9 million was paid to increase environmental bonding at the Robinson Mine.

On May 14, 2009 Quadra signed an agreement with a syndicate of lenders in which the lenders provided a \$37.5 million secured project debt facility to a wholly-owned Chilean subsidiary of the Company. In the first quarter of 2010, the project finance facility was increased by \$12.5 million, to a total of \$50 million, without any additional hedging requirements. The facility now consists of an amortizing \$42.5 million project finance facility and a \$7.5 million working capital facility bearing interest at LIBOR plus 5.75% and 6.75%, respectively.

During the quarter ended March 31, 2010 the Company settled 9.9 million pounds of Franke copper collars and paid \$11.1 million to the counter parties. In addition, the Company purchased additional copper put options under the price protection program at a cost of \$3.3 million.

During the quarter ended March 31, 2010 the Company entered into new operating lease agreements for loading equipment for deployment at Carlota with a value of \$15 million.

At March 31, 2010, the Company had cash and cash equivalents of \$156.8 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 March 31, 2010, the Company had working capital of \$262.4 million as compared to \$217.3 million at December 31, 2009. The increase in working capital during the first quarter of 2010 is primarily the result of operating cash flow net of capital expenditures. At March 31, 2010, accounts receivable and revenues include approximately 29.4 million pounds of copper that has been provisionally valued at \$3.56 per pound. The final pricing for these provisionally priced sales is expected to occur between April 2010 and June 2010. 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 first and second quarters of 2010. On May 12, 2010 the copper price was \$3.21/lb.

Liquidity Outlook

The Company's future profitability and cash position is highly dependent on the price of copper and gold. Future changes in the price of copper will also impact the final settlement price of provisionally priced sales. The Company has purchased copper put options to protect a minimum floor price for a portion of its future copper production, and the Company also has copper collar contracts which cap the copper sales price at \$2.16/lb for 9.9 million pounds of copper from the Franke Mine during the second quarter of 2010 (see "**Financial Instruments**").

The Company is planning to spend \$40 million before the end of 2010 to complete the Sierra Gorda study and may incur other expenses at Sierra Gorda including land, water rights, equipment deposits, litigation expenses and mineral claim acquisitions. In 2010, the Company expects total capital expenditures of approximately \$61 million at its three operating mines. The Franke project loan facility has scheduled principal repayments of \$6.9 million in 2010 and additional semi-annual payments are required in an amount equal to 67% of Excess Cashflow from the Franke Mine, as defined in the agreement. Based on the current copper price and the projected Excess Cash Flow from the Franke Mine, it is expected that the Company will repay the balance of the facility in the next 12 months.

At current metal prices, the Company expects that it would be able to fund the Sierra Gorda study, and capital expenditures at operating mines, from existing cash on hand and internally generated funds. In the event of a decline in metal prices, the Company may require external financing to complete the Sierra Gorda pre-feasibility study and maintain an appropriate minimum cash balance.

Based on the results of the scoping study, development of the Sierra Gorda project will require a total capital cost in the range of \$1.7 billion and total costs in the range of \$2.0 billion. The Company has been in discussions with potential partners with the objective of putting in place the financing for the project. In March 2010, the Company

executed a non-binding MOU to form a Strategic JV with SGID (see section above “**Memorandum of Understanding with State Grid**”). SGID will lead the efforts of the Strategic JV to arrange the necessary project financing with a target of not less than a 60:40 debt equity ratio, subject to a bankable feasibility study and other conditions. The proposed arrangement with SGID and the contemplated financing are expected to be sufficient to fund the development of Sierra Gorda based on the scoping study.

Commitments and contractual obligations

(\$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	
Project debt facility	37,500	12,500	-	-	-	-	50,000
Reclamation liabilities	389	279	1,197	3,164	7,551	90,887	103,467
Franke Mine contracts	20,895	27,649	27,576	21,807	19,575	92,793	210,295
Robinson Mine power supply contract	6,865	9,166	9,179	-	-	-	25,210
Minimum lease payments (capital and operating)	15,079	11,355	5,540	3,697	1,659	-	37,330
Total	80,728	60,949	43,492	28,668	28,785	183,680	426,302

Project debt facility

On May 14, 2009 Quadra signed an agreement with a syndicate of lenders in which the lenders provided a \$37.5 million secured project debt facility to a wholly-owned Chilean subsidiary of the Company. In January 2010, the Company drew down an additional \$12.5 million in connection with an increase in the project debt facility from \$37.5 million to \$50.0 million (see “**Liquidity and Capital Resources**”).

Reclamation liabilities

The Company has estimated total future reclamation costs of \$103.5 million (undiscounted), which primarily relate to the closure of the Robinson, Carlota and Franke Mines. The Company has estimated the fair value of this liability to be \$51.3 million at March 31, 2010 based on the estimated discounted future payments. To secure a portion of the closure costs related to the Robinson and Carlota Mines, the Company has posted environmental bonds and held cash in a reclamation trust totalling \$65.6 million as at March 31, 2010. 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. The reclamation plan and cost estimate for the Carlota Mine is updated every five years as required by the regulator and the amount of the bond is adjusted accordingly. There is currently no environmental bonding in place at the Franke Mine.

Franke Mine contracts

The Company has a long-term supply contract for sulphuric acid for use in the copper extraction process at the Franke Mine. The minimum commitment under the contract is estimated to be \$4.1 million per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2022. The Company is committed to purchase 150,000 tonnes of sulfuric acid per annum at a base price of \$27/tonne. The base price for acid in the contract is increased by \$2.50/tonne for each \$0.10/lb that the copper price exceeds \$1.10/lb.

The Franke Mine also has a long-term supply contract for industrial water. The minimum commitment under the contract is estimated to be approximately \$1.1 million per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2020. The copper price adjustment requires, on an annualized basis, that approximately an additional \$120 be paid for each \$0.15/lb that the copper price exceeds a base price of \$1.50/lb.

The Company has also entered into various supply and other contracts for operation and development of the Franke Mine.

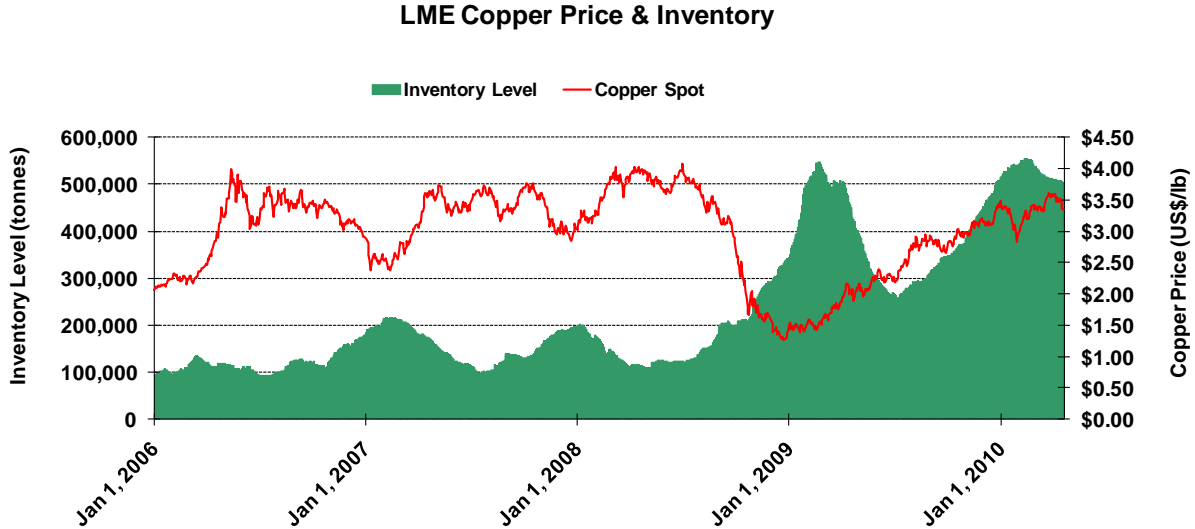
Robinson Mine power supply contract

The Robinson Mine has a three year supply contract for electricity. The minimum commitment under the contract is estimated to \$8.8 million plus service charges per annum over the term of the contact which expires in 2012.

MARKET TRENDS AND FUNDAMENTALS

Between 2006 and mid 2008, 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, together with a weakening U.S. dollar led to a substantial increase in the copper price. The subsequent global credit and consumer confidence crises and the resulting global economic downturn led to a collapse in the price of copper, which reached a low of \$1.26 per pound in December 2008, before recovering to \$3.55 per pound at the end of March 2010. The sharp rebound in the price of copper was due to a significant tightening in the global supply of copper scrap and continued strong Chinese demand. The Company believes that, copper fundamentals will remain robust as continued growth in Chinese copper demand coupled with increased rest-of-world copper demand arising from the recovery in the global economy, will drive global copper demand ahead of the growth in both scrap and primary mine supply.

The following graph shows the inventory level, as published by the London Metal Exchange (“LME”), of copper and the spot price of copper from 2006 to April 30, 2010.



At March 31, 2010 the closing spot price was \$3.55 per pound. At May 12, 2010, the closing spot price was \$3.21 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 AND OTHER 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.

The following table summarizes the impact of the changes in copper price on the Company’s after tax earnings for 2010, excluding the impact of changes in fair value of copper put options:

Copper price	Impact on the after tax earnings (excluding derivatives)
+\$0.20/lb	32,114
-\$0.20/lb	(32,114)

The Company has a floor price protection program for a portion of its anticipated copper sales through September 2010. During the first quarter of 2010, a total of 41.7 million pounds of copper put options expired unexercised. In addition, the Company purchased additional copper put options for 56 million pounds of copper at a cost of \$3.3 million. At March 31, 2010, the Company had 78.3 million pounds of copper puts outstanding with an average strike price of \$2.26/lb (December 31, 2009 – 64 million pounds). The expiry dates of these put options are between April and September 2010.

Under the terms of the Franke project loan facility, the Company was required to enter into a copper price protection program in order to establish a minimum floor price for a portion of anticipated copper sales from the Franke Mine. During the three months ended March 31, 2010, the Company settled 9.9 million pounds of copper collar contracts with cash payments of \$11.1 million. At March 31, 2010 the fair values of put and collar instruments outstanding are as follows:

Expiry	Pounds (millions)	Instrument	Floor price	Cap price	Fair value
April 2010 to June 2010	9.9	Collar	\$ 1.79	\$ 2.16	(18,008)
July 2010 to December 2010	15.0	Put	\$ 1.79		2
Total	24.9				(18,006)

Under the terms of these contracts, if the average LME cash price for the month is less than the strike price of the put option or the floor price of the collar, the Company will receive the difference in price for the contracted number of pounds. If the average LME cash price for the month is higher than the cap price of the collar, the Company will pay 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 credit or collection issues at the current time. The change in fair value of these instruments is recorded as a derivative gain or loss on the statement of earnings.

The following table summarizes the impact of different copper prices on the Company's cash flows from copper put options and collars in the remainder of 2010:

Copper price	Cash flows from copper put options and collars for 2010
\$1.50/lb	66,729
\$2.00/lb	20,358
\$2.50/lb	(3,366)
\$3.00/lb	(8,316)
\$3.50/lb	(13,266)
\$4.00/lb	(18,216)

The Company has entered into NYMEX heating oil futures contracts and collar contracts in order to manage the price risk associated with diesel fuel. In the first quarter of 2010, the Company settled 2.8 million gallons of NYMEX heating oil contracts. These settlements resulted in cash payments to the Company of \$0.1 million in the first quarter of 2010, which have been recorded in cost of sales on the statement of earnings. During the first quarter of 2010, the Company had entered into a total of 2.7 million gallons of NYMEX heating oil futures at no cost.

At March 31, 2010 the following NYMEX heating oil futures contracts remain outstanding (December 31, 2009 – 10.9 million gallons):

Expiry	Gallons (millions)	Contract	Fair value
April to December 2010	7.5	Futures, strike price \$2.13/gallon	926
April 2010	0.6	Collars, cap \$2.00/gallon; floor \$1.7/gallon	114
January to March 2011	2.7	Futures, strike price \$2.26/gallon	185
Total	10.8		1,225

CONTINGENCIES

- (a) The Company has been served with four lawsuits that were filed in Chilean Courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada ("MQCL"). These lawsuits were served on August 13, 2007, April 2, 2008, June 20, 2008 and July 10, 2008 and seek to invalidate certain of the 10 option agreements under which the Company acquired mining tenements that comprise a significant part of the Sierra Gorda project. Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the lawsuits are without merit. MQCL settled one of the four lawsuits in the second quarter of 2009 for less than \$0.5 million.

The plaintiffs in the remaining three lawsuits are or were shareholders in the "sociedades legales mineras" (SLM) or legal mining companies that owned certain of the mining tenements that were optioned to the Company in 2004. The Company believes it fully complied with the terms of all 10 option agreements and the plaintiffs accepted all option payments until April 2007. In the first two lawsuits, the plaintiffs are requesting that the option agreements be declared null and void. The plaintiffs in these cases are claiming that the SLMs were not authorized to sell the mining tenements under the option agreements. In the third lawsuit, the plaintiffs argue that if either of the first two lawsuits 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 Court referred this matter to arbitration and the Company has applied for a declaration from the arbitrator that the third lawsuit is without merit.

On April 30, 2010 the arbitrator in the third case found that MQCL had fully complied with all its contractual obligations and that the option agreements at issue in this case are valid. The decision by the arbitrator cannot be appealed.

On May 4, 2010 the court ruled in favour of MQCL in the first case and awarded the Company costs. The plaintiffs have a right to appeal this decision.

Although the Company believes, based on advice from Chilean counsel, that the remaining disputed option agreements are valid and that the legal claims are without merit, the outcome is uncertain. These lawsuits are subject to the procedural and substantive laws of Chile and the allegations are based on the actions of the SLM management, in respect of which MQCL has no direct knowledge. MQCL is vigorously defending these lawsuits, however, there is no assurance that it will be successful. Furthermore, should the lawsuits not be resolved on a timely basis, the project financing for the Sierra Gorda project could be delayed.

In the unlikely event that MQCL loses one or both of the first two lawsuits, based on advice from Chilean counsel the precise legal situation is unclear in that:

- The SLMs were dissolved automatically under Chilean law when the mining tenements that are the subject of the lawsuits were sold to the Company. These SLMs would somehow have to be recreated. Based on advice from Chilean counsel, there is no Chilean precedent for this.
- Before the title to the mining tenements that are the subject of the lawsuits are transferred back to the SLMs, Quadra should be entitled to be reimbursed all amounts paid to the plaintiffs and other shareholders under the option agreements.
- The mining tenements that are the subject of the lawsuits comprise an important part of the Company's current plan for the development of the Sierra Gorda project. Given Quadra's other landholdings in the area, the Company believes that it would be very difficult for the plaintiffs in the lawsuits to be able to economically exploit the mining tenements that are the subject of the lawsuits.

MQCL is aware that the same plaintiffs are attempting to initiate additional lawsuits seeking to declare null and void the option agreements relating to the mineral properties that are already the subject of the first case. However, none of the Company or any of its subsidiaries has of the date hereof been served with any additional legal actions.

- (b) The Company is subject to other lawsuits from time to time which are not disclosed on the grounds that they are not believed to be 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 months ended March 31, 2010 the Company incurred legal fees of \$0.5 million with that entity (three months ended March 31, 2009: \$0.1 million), all of which 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 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 management's view of 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 March 31, 2010

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 product is sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. For sales of Robinson's concentrates, final pricing is generally determined three to four months after the date of sale. For the sales of copper cathode, final pricing is generally determined in the month or the subsequent month after the date of sale. The Company estimates provisional pricing for its product 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.

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 2009 and in previous years the Company has revised its estimate of the timing and amount of closure costs at its mines, 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 March 31, 2010. At March 31, 2010 the Company had additional available U.S. Alternative Minimum Tax Credits of \$6.3 million, which have not been recognized due to the uncertainty of realization. The Company also has not recognized the benefit of the tax basis of Carlota and Franke in excess of the acquisition price, and certain 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 and Chile. 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.

OUTSTANDING SHARE DATA

The Company had 99,636,130 common shares issued and outstanding common shares at March 31, 2010. As of May 12, 2010 the Company had 99,650,130 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 internal control over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Canadian publicly listed companies will be required to prepare financial statements in accordance with IFRS for interim and annual periods beginning on or after January 1, 2011. Quadra's reporting under IFRS will commence in the first quarter of 2011.

The Company has appointed a project manager to lead the conversion to IFRS. The project manager is working with other members of the finance group to execute the implementation plan. The project planning is substantially completed and included an initial diagnostic review of significant IFRS differences that was completed by the Company's external auditors. Based on the work done so far, the Company does not expect that the conversion to IFRS will have a significant impact on its accounting processes and internal controls (including information technology systems). The Company will be updating its disclosure controls and procedures to ensure they are appropriate for reporting under IFRS. In addition, the Company does not expect the conversion to IFRS to have a significant impact on its risk management or other business activities.

Significant accounting impacts of conversion to IFRS

The Company has not yet completed its assessment of all accounting policy differences that may arise on conversion to IFRS. The following is a summary of the key accounting policy differences that have been identified to date. The Company has not yet quantified the impact of these differences on its consolidated financial statements

Property, Plant & Equipment – IFRS requires that the Company identify the different components of its fixed assets and record amortization based on the useful lives of each component. The Company has reviewed the depreciation of its existing property, plant & equipment and does not expect any material differences between IFRS and the Company’s current depreciation policies.

In addition, based on the current IFRS guidance, the Company does not expect its current accounting policies for stripping costs and exploration costs to be impacted by the conversion to IFRS.

Business Combinations – IFRS 1 “*First time adoption of International Financial Reporting Standards*” provides an exemption that allows companies transitioning to IFRS not to restate business combinations entered into prior to the date of transition. The Company plans to use this exemption and will not be restating the accounting for any of its previous acquisitions.

Asset Retirement Obligations – IFRS will require the Company to re-measure its asset retirement obligations on a quarterly basis using a current discount rate, which may result in some variability in both the carrying value of the liability and the income statement. The Company plans to use an IFRS 1 exemption and will not to comply with IFRIC 1 “*Changes in Existing Decommissioning, Restoration and Similar Liabilities*” for changes in such liabilities that occurred before the date of transition.

Impairment - International Accounting Standard (IAS) 36, “*Impairment of Assets*”, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. IFRS also has the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

A number of other differences between Canadian GAAP and IFRS have been identified, but not yet assessed by the Company, including the accounting for income taxes, financial instruments and disclosure requirements. These differences may have a material impact on the Company’s financial statements. A more detailed review of the impact of IFRS on the Company’s consolidated financial statements is in progress and will be completed during 2010.

SUMMARY OF QUARTERLY RESULTS

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

SUMMARY OF QUARTERLY RESULTS								
	2010				2009			
\$000's	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Statement of Operations								
Revenues - initial provisional price	120,282	122,131	66,849	67,465	79,739	80,796	184,719	183,046
Revenues - price adjustments	12,828	14,001	6,822	16,776	22,952	(84,560)	(64,398)	1,550
Refining and treatment charges	(4,582)	(5,630)	(3,575)	(4,487)	(5,415)	(3,294)	(4,364)	(4,026)
Revenues - Robinson concentrate*	128,528	130,502	70,096	79,754	97,276	(7,058)	115,957	180,570
Revenues - Carlota cathode	30,842	19,171	17,070	15,812	9,040	-	-	-
Revenues - Franke cathode	33,542	20,820	-	-	-	-	-	-
Revenues - total	192,912	170,493	87,166	95,566	106,316	(7,058)	115,957	180,570
Operating income (loss)	81,774	63,357	31,567	24,126	46,244	(93,422)	34,320	104,001
Earnings (loss) before income taxes	68,975	45,646	21,196	(7,515)	32,823	(159,278)	33,626	81,000
Earnings (loss)	55,647	46,454	14,701	(7,328)	26,655	(126,080)	20,772	65,354
Basic earnings (loss) per share	\$ 0.56	\$ 0.47	\$ 0.16	\$ (0.08)	\$ 0.40	\$ (1.94)	\$ 0.32	\$ 1.11
Diluted earnings (loss) per share	\$ 0.55	\$ 0.46	\$ 0.15	\$ (0.08)	\$ 0.40	\$ (1.94)	\$ 0.31	\$ 1.06
Financial Position								
Cash and cash equivalents	156,811	133,208	85,485	124,515	111,014	107,797	266,384	262,155
Total Assets	1,334,449	1,247,025	1,157,034	1,104,403	875,423	851,967	1,057,458	981,687
Total Liabilities	264,233	241,665	211,632	186,538	103,030	120,435	179,198	128,735
Shareholders' equity	1,070,216	1,005,360	945,402	917,865	772,393	731,532	878,260	852,952
Production Statistics - Robinson mine								
Copper production (million lbs)	32.0	29.3	33.6	22.9	36.7	34.5	38.6	44.6
Copper sales (million lbs)*	27.8	31.7	21.1	24.2	34.5	29.2	40.4	38.7
Average final settlement price per pound	\$ 3.37	\$ 3.02	\$ 2.42	\$ 2.14	\$ 1.56	\$ 1.83	\$ 3.44	\$ 3.81
Gold production (ozs)	26,846	25,148	21,142	18,031	34,649	26,913	30,629	42,348
Copper grade (%)	0.59	0.59	0.75	0.58	0.65	0.68	0.64	0.72
Gold grade (g/t)	0.31	0.31	0.26	0.25	0.42	0.44	0.42	0.51
Copper recovery	72.2%	65.9%	57.4%	56.3%	75.4%	68.1%	78.7%	81.8%
Gold recovery	78.1%	73.1%	71.4%	70.4%	75.4%	52.2%	65.8%	75.2%
Onsite costs	51,974	60,241	49,394	51,821	44,878	59,659	61,102	61,229
Offsite costs	12,604	12,637	11,079	10,076	12,791	13,089	16,409	15,303
Production Statistics - Carlota mine								
Copper production (million lbs)	8.2	8.0	6.6	6.8	6.6	0.8	-	-
Copper sales (million lbs)	9.5	6.4	6.5	7.5	5.9	-	-	-
Average realized price per pound	\$ 3.25	\$ 3.01	\$ 2.63	\$ 2.10	\$ 1.53	-	-	-
Copper grade (%)	0.20	0.37	0.35	0.29	0.30	0.23	-	-
Onsite costs	26,081	20,048	17,806	18,809	18,032	21,765	-	-
Production Statistics - Franke mine								
Copper production (million lbs)	8.9	9.4	4.1	-	-	-	-	-
Copper sales (million lbs)	10.3	6.9	-	-	-	-	-	-
Average realized price per pound	\$ 3.25	\$ 3.03	-	-	-	-	-	-
Copper grade (%)	0.91	0.85	-	-	-	-	-	-
Onsite costs	22,216	22,867	17,410	-	-	-	-	-

* Revenues from sales of Robinson's 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.

The decline in the cash balance in the fourth quarter of 2008 is due to the decline in copper prices, and the resulting impact of settlement of provisional price adjustments.

In the fourth quarter of 2008, the Company recorded a \$96 million write down related to the impairment of the Malmbjerg mineral property.

In the second quarter of 2009, the Company completed the acquisition of Centenario and, as a result, increased its total assets by \$262 million and its total liabilities by \$195 million.

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 (including all pre-stripping 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 that 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 March 31 2010				Three months ended March 31 2009			
	Robinson	Carlota	Franke	Total	Robinson	Carlota	Franke	Total
Cost of sales	54,753	15,190	20,484	90,427	47,653	3,763	-	51,416
Adjustment for change in inventory	1,581	9,337	1,732	12,650	(5,771)	14,269	-	8,498
Refining and treatment charges	4,583	-	-	4,583	5,415	-	-	5,415
Capitalized stripping costs	-	-	-	-	8,451	-	-	8,451
Royalties	3,661	1,554	-	5,215	1,921	-	-	1,921
Total onsite and offsite costs	64,578	26,081	22,216	112,875	57,669	18,032	-	75,701
By-product revenues	(29,483)	-	-	(29,483)	(28,215)	-	-	(28,215)
	35,095	26,081	22,216	83,392	29,454	18,032	-	47,486
Copper production (million lbs.)	32.0	8.2	8.9	49.1	36.7	6.6	-	43.3
Cash cost per pound of copper produced	\$ 1.10	\$ 3.19	\$ 2.49	\$ 1.70	\$ 0.80	\$ 2.73	\$ -	\$ 1.10

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.

Adjusted earnings and adjusted earnings per share are non-GAAP measures which determine the performance of the Company, excluding certain impacts which the Company believes are either non-recurring, or recurring, but of a nature which are not reflective of the Company’s underlying performance, such as the impact of gain and loss on derivatives, gains and losses from marketable securities and adjustments of prior year taxes. Management believes that these measures provide investors with ability to better evaluate underlying performance. The following table provides a reconciliation of earnings to adjusted earnings for the periods presented:

	<u>Three months ended March 31, 2010</u>	<u>Three months ended March 31, 2009</u>
Net earnings - GAAP	55,647	26,655
Adjusting items:		
Loss on derivatives	7,078	8,810
Gains on marketable securities	(5,620)	-
Tax impact of the above items	(1,435)	(1,674)
	<u>23</u>	<u>7,136</u>
Net earnings - Adjusted	<u>55,670</u>	<u>33,791</u>
Weighted-average number of shares outstanding -basic	99,534	66,001
Earnings per share - adjusted	\$ 0.56	\$ 0.51

May 12, 2010

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, financing plans, 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), end-use demand for copper, currency exchange rates, debt reductions, use of future tax assets, 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, anticipated impact of converting to IFRS the proposed strategic joint venture with State Grid International Development Limited, the proposed merger with FNX Mining Company Inc. 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, and developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to:

- ❖ uncertainties relating to fluctuations in copper and other metal prices;
- ❖ uncertainties related to the possible recalculation or reduction of the Company's mineral reserves and resources;
- ❖ uncertainties related to actual capital costs, operating costs and expenditures, production schedules and economic returns from the Company’s mining projects;
- ❖ uncertainties related to the current global financial conditions;
- ❖ risks associated with Quadra's substantial reliance on the Robinson Mine for revenues;
- ❖ uncertainties related to Quadra's ability to expand or replace depleted reserves;
- ❖ risks related to the integration of businesses and assets acquired by Quadra;
- ❖ inherent hazards and risks associated with mining operations;
- ❖ inherent uncertainties associated with mineral exploration;
- ❖ uncertainties related to the competitiveness of the mining industry;
- ❖ risks associated with Quadra being subject to government regulation, including changes in regulation;
- ❖ risks associated with Quadra being subject to extensive environmental laws and regulations, including changes in regulation;

- ❖ risks associated with Quadra's need for governmental license, permits and approvals;
- ❖ risks that Quadra's title to its property could be challenged;
- ❖ political and country risk;
- ❖ risks resulting from Quadra's need to attract and retain qualified personnel;
- ❖ risks relating to the availability and cost of key operating supplies and services;
- ❖ risks associated with Quadra's dependence on transportation facilities and infrastructure;
- ❖ risks related to the stability of mine pit walls;
- ❖ risks associated with the mineralogy and associated metal recovery, and particularly the complex mineralogy at the Robinson Mine;
- ❖ risks related to the development of the Ruth pit at the Robinson Mine;
- ❖ risks related to the need for reclamation activities on Quadra's properties, including the nature of reclamation required and uncertainty of costs estimates related thereto;
- ❖ risks related to flooding and waste water control at the Carlota Mine;
- ❖ uncertainties related to production ramp-up at the Carlota Mine and the Franke Mine;
- ❖ risks associated with the development of the Sierra Gorda Project, a large project with significant capital expenditure, permitting and infrastructure requirements;
- ❖ risks relating to the preliminary nature of the testwork underlying the scoping study described in the Sierra Gorda Technical Report;
- ❖ risks associating with ongoing litigation at Sierra Gorda and with potential future litigation;
- ❖ risks relating to Quadra's ability to find a suitable partner or obtain project financing for Sierra Gorda;
- ❖ risks related to the formation of the State Grid Strategic joint venture;
- ❖ risks related to the completion of the proposed merger with FNX pursuant to the FNX Arrangement Agreement which is subject to several conditions;
- ❖ risks associated with potential conflicts of interest;
- ❖ risks related to Quadra's shareholder rights plan;
- ❖ risk related to derivative contracts and exposure to the credit risk of counterparties; and
- ❖ risks associated with taxation.

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.