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RATING & TARGET

RATING	STRONG BUY 1 =
Target Price (6-12 mths) (C\$)	23.00 ↓
Closing Price (C\$)	6.59
Total Return to Target	249%

MARKET DATA

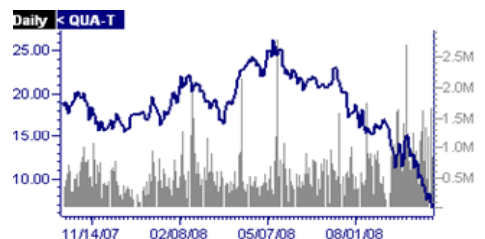
Market Capitalization (US\$m)	386
Current Net Debt (US\$m) (Q2-08A)	(262)
Enterprise Value (US\$m) (2008E)	124
Basic Shares Outstanding (mln)	66.0
Avg Daily Dollar Volume (3mo, mln)	n/a
52 Week Range (C\$)	\$7.06 - \$27.00

KEY FINANCIAL METRICS

FY-Dec 31	2007A	2008E	2009E
EPS (US\$)	2.80	4.18	4.17
P/E (x)	5.2	1.8	1.8
EPS - 1Q (US\$)	1.15	1.44	1.03
EPS - 2Q (US\$)	0.76	1.10	1.04
EPS - 3Q (US\$)	0.88	0.58	1.05
EPS - 4Q (US\$)	0.16	1.07	1.05
NAVPS (C\$)		38.06	
P/NAV(x)		0.17	
Revenue (US\$m)	494	630	625
EBITDA (US\$m)	223	374	413

COMPANY DESCRIPTION

Quadra Mining Ltd. (QUA-TSX) is a multi-asset copper and base metal producing company. It owns and operates the Robinson Mine in Nevada, where it produces copper and gold and is in the process of constructing the Carlota copper project in Arizona. Quadra is also advancing the Sierra Gorda copper project in northern Chile and the Malmberg molybdenum project in Greenland.



Sources: Raymond James Ltd., Thomson ONE

Quadra Mining Ltd.

QUA-TSX

3Q08 Production Report – Room to Exceed 2008 Guidance; Compressing Target Multiple

Event

Quadra released a better-than-expected 3Q08 operations report before market open yesterday. Despite the encouraging news, a depressed share valuation, a put option program for ~70% of its production over the next 9 months hedged at US\$2.39/lb Cu, no debt, and attractive long-term prospects we are compressing our target P/NAV multiple to valuation 0.60x from 1.0x to reflect challenging capital market conditions. Therefore our new target price is C\$23.00 (prev. C\$40.00) and implies a 2.0x '09E EV/EBITDA multiple.

Action

We recommend buying QUA shares. Here is a company that at one point yesterday had a market cap of C\$424 mln, yet will likely end 3Q08 with ~C\$320 mln (US\$276mln) in cash, will likely soon be generating cash flow from its US\$225 mln capital investment in the Carlota SX/EW project, not to mention that it has strong anchor cash flows from the much-improved Robinson mine.

Analysis

- **Estimate Changes.** As a result of marking copper prices to actual 3Q08 average of US\$3.49/lb (prev. US\$4.15/lb) and adjusting for our estimate of a ~US\$33 mln provisional pricing impact, we have reduced 3Q08E EPS to US\$0.58 (basic) (prev. US\$1.02) and our NAVPS increases to C\$38.06 (prev. C\$36.66, mostly due to weaker CAD). Our 2008 EPS estimate decreases to US\$4.18 (prev. US\$4.57).
- **Positive 3Q08 copper and gold production results.** Robinson produced 38.6 mln lbs of Cu and 30,629 oz of Au. 3Q08 sales were reported at 40.4 mln lbs of Cu (RJ 34.7 mln) and 35,151 Au ozs (RJ 23,531 ozs). In our view, Quadra is well on track to beat '08 production guidance of 150 mln lbs of Cu and 115,000 ozs of Au. Management also reported that leaching activities have started at the 100%-owned Carlota copper project and first cathode production is still anticipated before year end.

Valuation

In our opinion QUA shares are undervalued and trade at a P/NAV of 0.17x vs. the peer group at 0.30x.

Risks

Some of the risk factors that pertain to the projected 6-12 month stock price target for mining companies in our universe are as follows: Mining companies are subject to a range of risks, including, but not limited to: environmental risk, political risk, operational risk, financial risk, hedging risk, commodity price fluctuation risk, and currency risk. Any difference between our metal price forecasts and realized metal prices will likely have an impact on our earnings and valuation estimates for the mining companies in our research coverage universe. The operation of mines, and mills is complex and is exposed to a number of risks, most of which are beyond the company's control. These include: environmental compliance issues; personal accidents; metallurgical/other processing problems; unexpected rock formations; ground or slope failures; flooding or fires; earthquakes; rock bursts; equipment failures; consultant errors and, interruption due to inclement, weather conditions, road closures, and/or local protests. Other risks include, but are not limited to: uncertainties surrounding reclamation costs; aging equipment and facilities which could lead to increased costs; strikes; and, transportation disruptions.

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STRONG BUY 1: the stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months. OUTPERFORM 2: the stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months. MARKET PERFORM 3: the stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities. UNDERPERFORM 4: the stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

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Company	Symbol	Exchange	Disclosures
Quadra Mining Ltd.	QUA	TSX	1a, 1b, 1e, 6

