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Quadra Mining Ltd.

QUA-TSX

3Q08 Result Hit by Provisional Pricing

Event

Quadra reported worse-than-expected 2Q08 EPS of US\$0.31 (basic) versus the RJ estimate at US\$0.58 and consensus of US\$0.59 before market open yesterday. The result included a US\$64.4 million negative provisional pricing impact (RJ estimate US\$33 mln) and is the key reason for the lower-than-expected bottom line.

Action

We maintain our STRONG BUY rating and recommend buying Quadra shares. In our view, the positive investment case remains intact and the shares are inexpensive.

Analysis

- We have lowered our '08E EPS estimate to US\$3.07 (prev. US\$3.48) and our NAVPS estimate to C\$38.10 (prev. C\$38.13).
- Quadra reported sales volumes of 40.4 mln lbs of Cu and 37,488 ozs of Au at a cash operating cost of US\$1.21/lb (RJ US\$1.21/lb).
- Quadra closed the quarter with US\$266 mln in cash, no debt in addition to holding marketable securities valued at US\$37.7 mln (as at Sept-30-08).
- Construction at Carlota is essentially complete (~US\$10 mln still to spend on the US\$225 mln project). First cathode is expected in December and commercial production is likely in 2Q09, according to our estimates.
- Given difficult Cu market conditions the company is reviewing all discretionary spending on the Malmbjerg and Sierra Gorda development projects. Quadra plans on providing 2009 guidance after a comprehensive review of spending plans in late November.
- The company has a put option program in place for 66 mln lbs of Cu at an average strike price of US\$2.33/lb between Sept-30-08 and June 2009, however the benefits would be partially offset by the 51 mln lbs of Cu provisionally valued at US\$2.91/lb.

Valuation

QUA shares trade at a P/NAV of 0.15x vs. the peer group at 0.45x. Our target price is based on a 0.60x P/NAV multiple (inline with liquidity-adjusted, risk adjusted historic producer target multiples).

RATING & TARGET

RATING	STRONG BUY 1 =
Target Price (6-12 mths) (C\$)	23.00 =
Closing Price (C\$)	5.76
Total Return to Target	299%

MARKET DATA

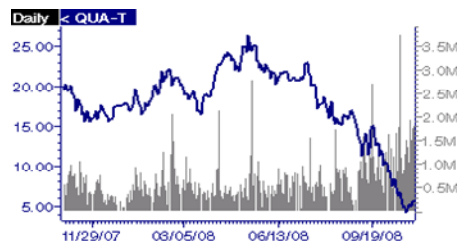
Market Capitalization (US\$m)	313
Current Net Debt (US\$m) (Q2-08A)	(262)
Enterprise Value (US\$m) (2008E)	51
Basic Shares Outstanding (mln)	66.0
Avg Daily Dollar Volume (3mo, min)	n/a
52 Week Range (C\$)	\$3.75 - \$27.00

KEY FINANCIAL METRICS

FY-Dec 31	2007A	2008E	2009E
EPS (US\$)	2.80	3.07	4.16
P/E (x)	5.6	2.3	1.7
EPS - 1Q (US\$)	1.15	1.44	0.82
EPS - 2Q (US\$)	0.76	1.10	0.82
EPS - 3Q (US\$)	0.88	0.31	1.26
EPS - 4Q (US\$)	0.16	0.32	1.26
NAVPS (C\$)		38.10	
P/NAV(x)		0.15	
Revenue (US\$m)	494	581	625
EBITDA (US\$m)	223	292	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 Malmbjerg molybdenum project in Greenland.



Sources: Raymond James Ltd., Thomson ONE

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

