

MINING: BASE METALS & MINERALS

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Quadra Mining Ltd.

QUA-TSX

Carlota and Robinson Delivering – “On Plan” – 1Q09 Production

Event

Before market open on Apr-21-09 Quadra released its 1Q09 production results. Management indicated that both Robinson and Carlota achieved production that was in-line or better than their expectations.

Action

We recommend buying the shares of Quadra and reiterate our STRONG BUY rating and C\$18.00 target price.

Analysis

- **1Q09 production on track to achieve full year 2009 targets** – Quadra produced 43.3 mln lbs of copper and 34,649 oz of gold. Robinson produced 36.7 mln lbs of Cu and 34,649 ozs of gold, and is on track to achieve management’s prior 2009 guidance of 140 mln lbs of Cu and 100,000 ozs of gold. Carlota, which is in the process of ramping up following the first production of Cu cathode in Dec-2008, produced 6.6 mln lbs of Cu during the quarter, in-line with mine plan estimates. Management has previously provided 2009 production guidance for Carlota of 50 mln lbs.
- **Provisional pricing** – We conservatively estimate the positive impact of provisional pricing in 1Q09 to be ~US\$10 mln (based on 43.2 mln lbs of Cu provisionally priced at US\$1.33/lb and marked-to-market at US\$1.56/lb). The Cu spot price started April 2009 at ~US\$1.80/lb and is currently ~US\$2.08/lb, and as such the company could continue to realize additional positive provisional pricing adjustments in the coming period.
- **1Q09 earnings impact** – After updating our model, we now estimate EPS of US\$0.19 (prev. US\$0.09). Quadra will report its 1Q09 results on May 12. Our NAV/share has increased to C\$25.96 (prev. C\$25.89).

Valuation

Quadra’s shares trade at a P/NAV of 0.21x vs. the peer group of copper producers at 0.50x. Our target price is based on a 0.70x P/NAV multiple (in-line with liquidity and risk-adjusted historic producer target multiples).

RATING & TARGET

RATING	STRONG BUY 1 =
Target Price (6-12 mths) (C\$)	18.00 =
Closing Price (C\$)	5.56
Total Return to Target	224%

MARKET DATA

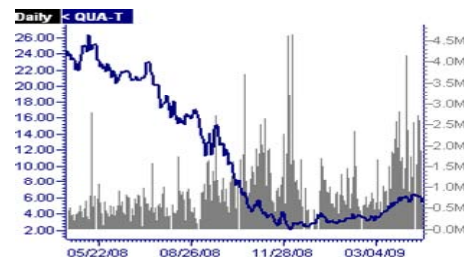
Market Capitalization (US\$mIn)	435
Current Net Debt (US\$mIn) (Q2-09E)	(86)
Enterprise Value (US\$mIn) (2009E)	349
Basic Shares Outstanding (mIn)	99.0
Avg Daily Dollar Volume (3mo, mIn)	n/a
52 Week Range (C\$)	\$1.97 - \$27.00

KEY FINANCIAL METRICS

FY-Dec 31	2008A	2009E	2010E
EPS (US\$)	0.61	1.27	3.24
P/E (x)	29.2	5.5	2.2
EPS - 1Q (US\$)	1.44	0.19	0.80
EPS - 2Q (US\$)	1.10	0.16	0.80
EPS - 3Q (US\$)	0.31	0.41	0.83
EPS - 4Q (US\$)	(1.94)	0.59	0.83
NAVPS (C\$)		25.96	
P/NAV(x)		0.21	
Revenue (US\$mIn)	488	519	854
EBITDA (US\$mIn)	183	238	508

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

Good Production Performance in 1Q09 at Both Robinson and Carlota

Robinson produced 36.7 million pounds of copper and 34,649 ounces of gold, and is on track to achieve management's prior 2009 guidance of 140 million pounds of copper and 100,000 ounces of gold. The copper head grades were higher than expected, while the gold grades were slightly lower than expected but more than offset by higher gold recovery. In the press release it was noted that metallurgical performance has improved through ore blending and flotation practices. We note that due to the nature of the ore body, production at Robinson is expected to be variable from quarter-to-quarter. The solid 1Q09 production was achieved despite lower pit productivity as a result of movement of major loading equipment in the Kimbley/Wedge area of the Ruth pit, where mining operations were started during the quarter.

Carlota produced 6.6 million pounds of copper, in-line with mine plan estimates. Management has previously provided 2009 production guidance for Carlota of 50 million pounds. Ore placement is on schedule, and the leaching characteristics and acid consumption have met expectations. Given that Carlota has not yet reached commercial production, the 5.9 million pounds of copper sold by Carlota at an average price of US\$1.49/lb will not flow through the income statement in 1Q09. We expect Carlota to reach commercial production in 2Q09.

Changes to Estimates

We have updated our model to account for the higher than expected sales in 1Q09 and our estimate for a positive provisional pricing adjustment. Our EPS forecast for 2009E is US\$1.27 (previously US\$1.21). We have not made any change to our EPS estimates for 2010 and 2011 of US\$3.24 and US\$3.87, respectively.

Exhibit 1: Changes to our Forecasts

New Estimates	2008A	2009E	2010E	2011E
Attributable Cu Production (tonnes)	73,490	93,734	126,040	139,494
Attributable Au Production (ounces)	137,629	99,833	110,288	66,814
Copper Cash Cost (C1) (US\$/lb)	1.15	1.31	1.19	1.28
Total Production Cost (US/lb)	1.36	1.56	1.43	1.48
EPS Basic (US\$)	0.61	1.27	3.24	3.87
CEPS (US\$)	2.64	1.77	3.94	4.54
Previous Estimates	2008A	2009E	2010E	2011E
<i>Attributable Cu Production (tonnes)</i>	<i>73,490</i>	<i>93,734</i>	<i>126,040</i>	<i>139,494</i>
<i>Attributable Au Production (ounces)</i>	<i>137,629</i>	<i>99,833</i>	<i>110,288</i>	<i>66,814</i>
<i>Copper Cash Cost (C1) (US\$/lb)</i>	<i>1.15</i>	<i>1.30</i>	<i>1.19</i>	<i>1.28</i>
<i>Total Production Cost (US/lb)</i>	<i>1.36</i>	<i>1.56</i>	<i>1.43</i>	<i>1.48</i>
<i>EPS Basic (US\$)</i>	<i>0.61</i>	<i>1.21</i>	<i>3.24</i>	<i>3.87</i>
<i>CEPS (US\$)</i>	<i>2.64</i>	<i>1.71</i>	<i>3.94</i>	<i>4.54</i>
% Change	2008A	2009E	2010E	2011E
Attributable Cu Production (tonnes)	0%	0%	0%	0%
Attributable Au Production (ounces)	0%	0%	0%	0%
Copper Cash Cost (C1) (US\$/lb)	0%	0%	0%	0%
Total Production Cost (US/lb)	0%	0%	0%	0%
EPS Basic (US\$)	0%	5%	0%	0%
CEPS (US\$)	0%	4%	0%	0%
Copper Price Forecast (US\$/lb)	3.16	2.31	3.10	3.23
Gold Price Forecast (US\$/oz)	873	1,000	1,050	950

Source: Raymond James Ltd.

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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COMPANY	SYMBOL	EXCHANGE	DISCLOSURES
Quadra Mining Ltd.	QUA	TSX	1a, 1b, 1e, 6

