

Quadra Mining Ltd.

QUA-TSX

Investment Rationale

- No debt.** Quadra does not have debt at this time, which means the company will not have to answer to any debt-holders when pursuing its operating strategy. In our opinion, management can operate the mines in the best interests of long-term shareholders as opposed to the short-term interests of the debt-holders.
- 100% US\$ denominated costs.** In our view, as the long-term trend in U.S. dollar weakness resumes, Quadra stands to benefit from possible margin expansion as US\$ denominated metal prices inflate at a faster rate than the company's 100%-US\$ denominated cost base.
- Important gold by-product credit.** The Robinson mine is expected to produce 125,000 ounces of gold in 2009. We estimate that for every US\$100/oz increase in the gold price, the cash cost after by-product credits decrease by US\$0.10/lb at Robinson. Using management's guidance on operating costs, we estimate that cash costs after by-product credits at the Robinson mine fall to zero at a gold price of US\$2,256/oz.
- Carlota ramp-up.** According to management, the company is on-track to achieve first cathode from the company's 100%-owned Carlota copper project in 4Q08. We expect the production diversification to result in a trading multiple expansion following a successful ramp-up. Although costs in the first year of production have been guided to US\$1.50/lb, costs are expected to fall to US\$1.20/lb in 2010 once full production is achieved.
- Production growth.** We estimate that Quadra will produce ~88,000 tonnes of copper in 2010 at average cash cost of US\$1.32/lb. This compares with 2008 at 73,500 tonnes of copper at an average cash cost of US\$1.22/lb.
- Sierra Gorda project potential.** Quadra's 100%-owned Sierra Gorda copper project is a company making asset in our view given its size and favourable location in Chile. Refer to our May-13-08 report "Sierra Gorda Resource Update; Increasing Target Price," at share price of C\$26.31, for additional detail.

MINING: BASE METALS & MINERALS

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RATING & TARGET

RATING	STRONG BUY 1 =
Target Price (6-12 mths) (C\$)	21.00 =
Closing Price (C\$)	2.21
Total Return to Target	850%

MARKET DATA

Market Capitalization (US\$m)	120
Current Net Debt (US\$m) (Q3-08A)	(266)
Enterprise Value (US\$m) (2008E)	(146)
Basic Shares Outstanding (mln)	66.0
Avg Daily Dollar Volume (3mo, mln)	n/a
52 Week Range (C\$)	\$2.11 - \$27.00

KEY FINANCIAL METRICS

FY-Dec 31	2007A	2008E	2009E
EPS (US\$)	2.80	1.76	4.04
P/E (x)	5.6	1.5	0.7
EPS - 1Q (US\$)	1.15	1.44	0.74
EPS - 2Q (US\$)	0.76	1.10	0.74
EPS - 3Q (US\$)	0.88	0.31	1.28
EPS - 4Q (US\$)	0.16	(0.89)	1.28
NAVPS (C\$)		34.28	
P/NAV(x)		0.06	
Revenue (US\$m)	494	515	626
EBITDA (US\$m)	223	206	404

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

- **Unhedged production on the upside, protection on the downside.** Quadra shares have full exposure to higher copper and gold prices and downside protection on copper via a put option program of 35 million lbs (~54% of first half 2009 production) at an average strike price of US\$2.50/lb.

Valuation

Quadra's shares trade at a P/NAV of 0.06x vs. the peer group of copper producers at 0.42x. Our target price is based on a 0.60x P/NAV multiple (in-line with liquidity adjusted, risk-adjusted historic producer target multiples).

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.

Analyst Certification

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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

