



Quadra Mining Ltd.

March 31, 2006

(Unaudited)

(Expressed in thousands of U.S. dollars, except where indicated)

Quadra Mining Ltd.

CONSOLIDATED BALANCE SHEETS

[US Dollars in Thousands]
Unaudited

		March 31, 2006	December 31, 2005
ASSETS			
Current			
Cash and cash equivalents		24,421	9,128
Receivables and prepaid expenses		41,016	24,438
Short-term investments	Note 3	4,095	-
Inventory	Note 4	30,366	30,283
Security deposits		1,400	2,075
Total Current Assets		<u>101,298</u>	<u>65,924</u>
Security deposits		20,438	16,830
Environmental trust and bond	Note 5	34,097	31,235
Prepaid Royalties		3,665	3,265
Mineral properties	Note 6	41,699	36,754
Property, plant and equipment	Note 7	66,485	67,410
Other assets and deferred charges	Note 8	42,745	37,132
Future income tax assets	Note 9	13,188	3,492
Total Assets		<u><u>323,615</u></u>	<u><u>262,042</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness		20,000	35,000
Accounts payable and accrued liabilities		22,555	15,564
Derivative instrument liability	Note 10	94,377	41,564
Notes payable - current portion		890	890
Deferred gold consideration payable	Note 6	14,175	13,276
Obligations under capital leases-current portion	Note 17	1,241	1,118
Total Current Liabilities		<u>153,238</u>	<u>107,412</u>
Asset retirement obligations	Note 11	27,591	27,067
Notes payable		2,131	2,131
Deferred gold consideration payable	Note 6	10,248	11,180
Obligations under capital leases	Note 17	10,260	10,100
Total Liabilities		<u>203,468</u>	<u>157,890</u>
Shareholders' equity			
Share capital	Note 12a	151,568	103,727
Stock options and warrants	Note 12b	4,439	5,155
Deficit		(35,860)	(4,730)
Total Shareholders' Equity		<u>120,147</u>	<u>104,152</u>
Total Liabilities and Shareholders' Equity		<u><u>323,615</u></u>	<u><u>262,042</u></u>
Commitments (Note 17)			

The accompanying notes are an integral part of these financial statements.

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

[US Dollars in Thousands]

Unaudited

		Three months ended March 31, 2006	Three months ended March 31, 2005
Net revenues from concentrate sales	Note 13	83,936	43,474
Cost of sales		45,067	35,199
Amortization, depletion and depreciation		2,857	1,653
Accretion of asset retirement obligations		524	486
Royalties and mineral taxes		2,307	76
		<u>50,755</u>	<u>37,413</u>
Operating income		33,181	6,060
General and administrative		1,773	1,546
Realized loss on derivatives	Note 10	9,985	-
Stock-based compensation	Note 12b	227	625
Foreign exchange loss		276	29
Net interest and other (income) expense		812	(49)
Earnings before unrealized (gain) loss on derivatives		<u>20,108</u>	<u>3,909</u>
Unrealized (gain) loss on derivatives	Note 10	<u>59,063</u>	<u>(599)</u>
Earnings (loss) before income taxes		(38,955)	4,508
Income tax - current		1,870	-
Future income tax expense (recovery)	Note 9	(9,695)	720
Earnings (loss) for the period		<u>(31,130)</u>	<u>3,788</u>
Deficit – beginning of period		<u>(4,730)</u>	<u>(2,707)</u>
Retained earnings(deficit) – end of period		<u>(35,860)</u>	<u>1,081</u>
Earnings (loss) per share			
Basic and diluted earnings (loss) per share		\$ (1.02)	\$ 0.14
Weighted average number of shares outstanding - basic		30,464	27,222

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[US Dollars in Thousands]

Unaudited

	Three months ended March 31, 2006	Three months ended March 31, 2005
OPERATING ACTIVITIES		
Income (loss) for the period	(31,130)	3,788
Adjustment for items not involving cash:		
Foreign exchange loss	276	29
Stock-based compensation	227	625
Amortization, depletion, depreciation and accretion	3,381	2,139
Unrealized (gain) loss on derivatives	59,063	(599)
Future income tax recovery	(9,695)	720
	<u>22,122</u>	<u>6,702</u>
Net changes in non-cash working capital:	(20,882)	(6,172)
Cash received from operating activities	1,240	530
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(858)	(1,532)
Increase in security deposits and environmental trust and bond	(4,915)	1,422
Increase in prepaid royalties	(400)	-
Additions to mineral properties	(1,744)	(1,862)
Investment in other assets and deferred charges	(6,140)	(598)
Decrease in deferred gold consideration payable	(3,460)	-
Cash used in investing activities	(17,517)	(2,570)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	(15,000)	12,000
Increase in notes payable	-	1,480
Decrease in obligations under capital leases	(281)	-
Increase in share capital net of issuance costs	47,127	25
Cash provided by financing activities	31,846	13,505
Net increase in cash and cash equivalents during the period	15,569	11,465
Effect of foreign exchange rates on cash and cash equivalents	(276)	(29)
Cash and cash equivalents, beginning of period	9,128	12,269
Cash and cash equivalents, end of period	24,421	23,705

Quadra Mining Ltd.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]

Three months ended March 31, 2006

1. NATURE OF OPERATIONS

Quadra Mining Ltd. ("Quadra" or the "Company") was incorporated on May 15, 2002 under the British Columbia Business Corporations Act. The Company is in the business of developing and operating mines, with a focus on copper. In 2004, the Company acquired the Robinson mine, an open pit copper mine, with gold and molybdenum by product credits, located in the United States. The Company also has an advanced exploration project in Chile (Note 6). In addition, on December 21, 2005 the Company acquired the Carlota copper project ("Carlota"). Carlota is a development ready SX-EW copper project located near Phoenix, Arizona in the United States (Note 6). In order to construct the Carlota project, the Company will be required to obtain additional financing. Some of the required financing was completed during the quarter ended March 31, 2006.

2. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in Canada ("Canadian GAAP"). They do not include all the disclosures required by generally accepted accounting principles for annual financial statements and should be read in conjunction with the Company's consolidated financial statements and the notes for the year ended December 31, 2005. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

These financial statements are prepared using the same accounting policies and methods of application as those disclosed in Note 2 to the Company's consolidated financial statements for the year ended December 31, 2005.

Deferred Stripping

The Emerging Issues Committee of the CICA issued "Stripping Costs Incurred in the Production Phase in a Mining Operation" (EIC 160), which only allows the capitalization of stripping costs which result in a betterment of the asset by providing access to additional sources of ore. EIC 160 also allows pre existing deferred stripping capitalized to be amortized using the unit of production method. This new standard applies to stripping costs incurred in fiscal years beginning on or after July 1, 2006, or it may be applied retroactively. The Company continues to account for stripping costs in 2006 based on the life-of-pit average strip ratio.

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NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Three months ended March 31, 2006

3. SHORT-TERM INVESTMENTS

During February 2006 the Company's wholly owned subsidiary Robinson Holdings (USA) Ltd. ("RHUSA") bought 12,500 ounces of gold at an average price of \$554 per ounce. On March 24, 2006, 6,250 ounces of gold was delivered to Cambior Inc. to settle the first deferred gold consideration payment relating to the purchase of the Carlota project. The remaining 6,250 ounces will be delivered to Cambior Inc. on June 30, 2006. As at March 31, 2006 the fair value of the 6,250 ounces of gold was \$3,638 based on the spot gold price of \$582 per ounce on March 31, 2006, resulting in a gain of \$178 which was capitalized to mineral property costs (Note 6).

In addition, in order to cap the cost of the gold to be delivered in September 2006 and December 2006, RHUSA purchased gold calls in February and March which give RHUSA the right to buy 6,250 ounces of gold at a price of \$594 per ounce on September 11, 2006 and 6,250 ounces of gold at a price of \$600 per ounce on December 11, 2006. As at March 31, 2006, the fair market value of the calls was \$457, resulting in a gain of \$48 which was capitalized to mineral property costs (Note 6).

4. INVENTORY

	March 31, 2006	December 31, 2005
Concentrate	22,685	24,603
Supplies	7,681	5,680
Total	30,366	30,283

5. ENVIRONMENTAL TRUST AND BOND

	March 31, 2006	December 31, 2005
Environmental bond (a)	20,643	20,075
Cash in trust for reclamation (b)	13,454	11,160
Total	34,097	31,235

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NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Three months ended March 31, 2006

(a)The Company has posted an environmental bond with the US Bureau of Land Management (BLM). As of March 31, 2006, the amount of the bond increased to \$20,643 including cumulative interest earned.

(b)The following table summarizes the continuity of the contributions to and payments of the trust as at March 31, 2006:

	Contributions to the trust	Reclamation costs paid by the trust	Net trust funds available
Balance as of January 1, 2006	16,060	4,900	11,160
Interest income	58	-	58
Contribution	2,236	-	2,236
Balance as of March 31, 2006	18,354	4,900	13,454

6. MINERAL PROPERTIES

	March 31, 2006	December 31, 2005
Sierra Gorda - option payments	2,286	2,286
Sierra Gorda - exploration	4,704	4,317
Carlota	34,709	30,151
Total	41,699	36,754

Sierra Gorda

During the quarter ended March 31, 2006, the Company spent \$387 on the Sierra Gorda project.

Carlota

During the quarter ended March 31, 2006, the Company spent \$1,357 to develop the Carlota project. The amount was capitalized under mineral properties.

As of March 31, 2006 the fair value of the remaining 43,750 ounces of deferred gold payments was estimated as \$24,423 based on the average forward price of \$614 per ounce on March 31,

Quadra Mining Ltd.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Three months ended March 31, 2006

2006, resulting in a loss on deferred gold consideration of \$3,427 which was capitalized to mineral property costs as part of the purchase consideration for Carlota.

7. PROPERTY, PLANT AND EQUIPMENT

			March 31, 2006	December 31, 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Plant and equipment	24,945	(3,478)	21,467	21,903
Equipment under capital leases	12,093	(1,008)	11,085	11,182
Asset retirement obligations	24,590	(4,208)	20,382	20,971
Buildings	12,557	(856)	11,701	11,430
Office equipment	2,359	(681)	1,678	1,765
Leasehold improvements	210	(38)	172	159
Total	76,754	(10,269)	66,485	67,410

8. OTHER ASSETS AND DEFERRED CHARGES

			March 31, 2006	December 31, 2005
	Cost	Accumulated Amortization	Net book Value	Net book Value
Robinson mine deferred start-up costs	17,922	(3,067)	14,855	15,284
Deferred pit cost	597	(86)	511	537
Deferred stripping	27,081	-	27,081	20,792
Deferred financing fee	-	-	-	229
Other long-term receivables	298	-	298	290
Total	45,898	(3,153)	42,745	37,132

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NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Three months ended March 31, 2006

9. INCOME TAXES

During the quarter ended March 31, 2006, the Company recognized future income tax benefits of \$9,695 arising from U.S operations based on the forecasted 2006 effective income tax rate of 20.33%. Pursuant to this, the future income tax assets for the quarter have increased to \$13,188. The Company has not recognized any tax benefits arising from Canadian and Chilean operations.

10. DERIVATIVE INSTRUMENTS

The Company buys gold forward sales contracts. As at March 31, 2006, the outstanding gold forward contracts were 40,000 ounces with a weighted-average price of \$418 per ounce. The realized loss resulting from the settlement of the contracts during the quarter ended March 31, 2006 was \$1,089. As at March 31, 2006 the unrealized loss from the mark-to-market adjustment of the outstanding contracts was \$6,903.

During 2005 the Company entered into various short-term copper forward sales contracts. The realized loss from the copper forward contracts for the quarter ended March 31, 2006 was \$8,896. As at March 31, 2006 the outstanding copper forward sales contracts were 51,820 tonnes of copper metal with a weighted-average price of \$1.69 per pound. The unrealized loss from the mark-to-market adjustment of the outstanding contracts as at March 31, 2006 was \$87,474.

11. ASSET RETIREMENT OBLIGATIONS

	March 31, 2006	December 31, 2005
Balance at January 1, 2006	27,067	25,067
Accretion	524	2,000
Balance at March 31, 2006	27,591	27,067

Quadra Mining Ltd.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Three months ended March 31, 2006

12. SHARE CAPITAL

(a) Common Shares

The Company has authorized capital of 1,000,000,000 common shares with no par value.

	Number of Shares	Dollar Amount
Balance at January 1, 2006	27,345,931	103,727
Capital stock issued		
Shares issued for cash	8,280,000	45,544
Employee stock options exercised	157,001	749
Broker warrants exercised	753,666	3,895
Transfer from contributed surplus:		
Employee options exercised		214
Broker warrants exercised		729
Issue costs		
Cash payment		(3,290)
Balance at March 31, 2006	36,536,598	151,568

On January 31, 2006 the Company filed a short form prospectus to issue 8,280,000 common shares at CAD\$6.30 per share for gross proceeds of \$45,544.

(b) Stock Options and Warrants

Stock Options

The following table summarizes the stock option activity for the three month period ending March 31, 2006 (in Canadian dollars):

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[US Dollars in Thousands]
Three months ended March 31, 2006

	Options	Weighted-average exercise price
		\$
Outstanding at January 1, 2006	2,653,500	6.13
Granted	85,000	5.68
Cancelled	(96,333)	6.77
Exercised	(157,001)	5.78
Outstanding at March 31, 2006	2,485,166	6.11
Exercisable at March 31, 2006	1,485,999	6.10

The following table summarizes information relating to stock options outstanding and exercisable at March 31, 2006 (in Canadian dollars):

Exercise price per share	Options outstanding			Options exercisable	
	Number outstanding	Weighted- average remaining contractual life (years)	Weighted- average exercise price \$	Number exercisable	Weighted- average exercise price \$
\$4.60 - \$4.91	78,000	3.14	4.80	41,333	4.77
\$5.16 - \$5.75	467,000	4.48	5.30	155,667	5.30
\$6.00 - \$7.40	1,940,166	3.32	6.36	1,288,999	6.36
	2,485,166	3.53	6.11	1,485,999	6.10

During the quarter ending March 31, 2006, the Company granted 85,000 stock options to employees. For accounting purposes, the estimated weighted-average fair value per stock option is \$1.77 for a total value of \$151. The fair value of each option is estimated as at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

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Three months ended March 31, 2006

Expected volatility	30%
Risk-free interest rate	5.00%
Expected lives	5 year
Dividend yield	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected lives. Changes in these assumptions can materially affect the estimated fair value of options granted.

Warrants

During the quarter ended March 31, 2006, 753,666 broker warrants were exercised at CAD\$6.00 per share. As at March 31, 2006, the number of broker warrants outstanding was 695,694 with an exercise price of CAD\$6.00 per share. These warrants were exercised in April 2006.

The following table summarizes the movement in the stock options and warrants account for the period ending March 31, 2006:

	Stock options and warrants
Balance at January 1, 2006	5,155
Stock-based compensation	227
Stock options exercised	(214)
Warrants exercised	(729)
Balance at March 31, 2006	4,439

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NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Three months ended March 31, 2006

13. NET REVENUS FROM CONCENTRATE SALES

	Three months ended March 31, 2006	Three months ended March 31, 2005
Copper revenues	69,687	43,488
Gold revenues	8,123	5,480
Molybdenum revenues	3,150	-
Adjustments for final settlement	15,949	-
Refining and treatment charges	(12,973)	(5,494)
	<u>83,936</u>	<u>43,474</u>

14. SEGMENTED INFORMATION

The Company's reportable geographic segments are as follows:

	March 31, 2006				
	Robinson Mine	South America Exploration (Chile)	Carlota Project	Corporate	Total
Cash	2,727	551	73	21,070	24,421
Other current assets	72,403	7	4,344	123	76,877
Long-term assets	168,459	7,114	46,574	170	222,317
Total assets	243,589	7,672	50,991	21,363	323,615
Current liabilities	137,397	72	15,009	760	153,238
Long-term liabilities	39,982	-	10,248	-	50,230
Total liabilities	177,379	72	25,257	760	203,468
Earnings (loss)	(30,512)	(3)	(226)	(389)	(31,130)
Three months ended March 31, 2005					
Earnings (loss)	4,009	(12)	-	(209)	3,788

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[US Dollars in Thousands]
Three months ended March 31, 2006

	December 31, 2005				
	Robinson Mine	South America Exploration (Chile)	Carlota Project	Corporate	Total
Cash	6,520	55	31	2,522	9,128
Other current assets	56,353	10	249	184	56,796
Long-term assets	147,835	6,707	41,165	411	196,118
Total assets	210,708	6,772	41,445	3,117	262,042
Current liabilities	76,203	102	28,757	2,350	107,412
Long-term liabilities	39,298	-	11,180	-	50,478
Total liabilities	115,501	102	39,937	2,350	157,890
Earnings (Loss)	4,452	(6,762)	(114)	401	(2,023)

15. RELATED PARTY TRANSACTIONS

One of the Directors of the Company is a Partner of an affiliate of Blake, Cassels & Graydon LLP and one is a partner of Chancellor Partners Management Consultants Inc. During the three month period ending March 31, 2006 the Company incurred legal fees of \$161 and recruiting and human resources consulting fees of \$92 respectively payable to those entities (March 31, 2005: \$46 and \$78 respectively).

Quadra Mining Ltd.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Three months ended March 31, 2006

16. STATEMENT OF CASH FLOWS

Changes in non-cash working capital consisted of the following:

	Three months ended March 31, 2006	Three months ended March 31, 2005
Increase in receivables and prepaid expenses	(16,579)	(5,984)
Increase in short-term investments	(3,869)	-
Increase in inventory	(295)	(2,116)
Increase in payables and accruals	(139)	1,928
Net changes in non-cash working capital	<u>(20,882)</u>	<u>(6,172)</u>

17. COMMITMENTS

- (a) On February 1, 2006 Robinson Nevada Mining Company, the Company's wholly own subsidiary, leased a P & H 28 yard Bucket ("Bucket") from Caterpillar Financial Group ("CAT") as part of the lease agreement signed on October 21, 2005. The total lease payments of the Bucket are \$708 and the fair value is \$564. The aggregate total lease payments due to CAT are \$18,156. The equipment under capital lease is amortized on a straight-line basis over the period of expected use. The amount of interest expense in the quarter ending March 31, 2006 was \$410.

The following schedule summarizes the future minimum lease payments under the capital lease expiring December 31, 2011.

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[US Dollars in Thousands]
Three months ended March 31, 2006

	March 31, 2006
2006	2,116
2007	2,822
2008	2,822
2009	2,822
2010	6,342
2011	89
Total minimum lease payments	17,013
Amount representing notional interest	(5,512)
Balance of the obligation	11,501

- (b) On March 3, 2006 the Company's wholly own subsidiary Carlota Copper Company, entered into an agreement to purchase a Hitachi EX5500 shovel for \$6,945 and made a non refundable down payment of \$450. The shovel will be delivered in May 2007.