



## **Quadra Mining Ltd.**

June 30, 2006

(Unaudited)

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

**Quadra Mining Ltd.**

**CONSOLIDATED BALANCE SHEETS**

[US Dollars in Thousands]  
Unaudited

		<b>June 30, 2006</b>	<b>December 31, 2005</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		50,211	9,128
Receivables and prepaid expenses		49,687	24,438
Inventory	Note 4	21,159	30,283
Security deposits	Note 5	1,400	2,075
Short-term investments	Note 3	654	-
<b>Total Current Assets</b>		123,111	65,924
Security deposits	Note 5	22,528	16,830
Environmental trust and bond	Note 6	35,560	31,235
Prepaid royalties		3,665	3,265
Mineral properties	Note 7	46,664	36,754
Property, plant and equipment	Note 8	67,376	67,410
Other assets and deferred charges	Note 9	52,315	37,132
Future income tax assets	Note 10	19,208	3,492
<b>Total Assets</b>		370,427	262,042
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Bank indebtedness	Note 11	6,700	35,000
Accounts payable and accrued liabilities		24,510	15,564
Derivative instrument liability	Note 12	163,210	41,564
Deferred gold consideration payable	Note 7	14,993	13,276
Notes payable - current portion		890	890
Obligations under capital leases-current portion	Note 19	1,284	1,118
<b>Total Current Liabilities</b>		211,587	107,412
Asset retirement obligations	Note 13	28,126	27,067
Deferred gold consideration payable	Note 7	7,284	11,180
Notes payable		2,160	2,131
Obligations under capital leases	Note 19	9,905	10,100
<b>Total Liabilities</b>		259,062	157,890
<b>Shareholders' Equity</b>			
Share capital	Note 14a	157,784	103,727
Stock options and warrants	Note 14b	4,339	5,155
Deficit		(50,758)	(4,730)
<b>Total Shareholders' Equity</b>		111,365	104,152
<b>Total Liabilities and Shareholders' Equity</b>		370,427	262,042

**Commitments (Note 19), Subsequent event (Note 20)**

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

		<b>Three months ended June 30, 2006</b>	<b>Six months ended June 30, 2006</b>	<b>Three months ended June 30, 2005</b>	<b>Six months ended June 30, 2005</b>
Net revenues from concentrate sales	Note 15	142,225	226,161	55,998	99,471
Cost of sales		49,862	94,928	41,915	76,504
Amortization, depletion and depreciation		2,912	5,769	2,433	4,696
Accretion of asset retirement obligations		535	1,059	495	981
Royalties and mineral taxes		5,708	8,015	106	182
		<u>59,017</u>	<u>109,771</u>	<u>44,949</u>	<u>82,363</u>
Operating income		83,208	116,390	11,049	17,108
General and administrative		2,205	3,980	1,166	2,712
Realized loss on derivatives		64,801	74,785	141	141
Stock-based compensation	Note 14b	1,026	1,253	493	1,118
Foreign exchange (gain) loss		(533)	(257)	57	86
Net interest and other (income) expense		69	881	46	(3)
Earnings before unrealized loss on derivatives		<u>15,640</u>	<u>35,748</u>	<u>9,146</u>	<u>13,054</u>
Unrealized loss on derivatives		<u>36,559</u>	<u>95,622</u>	<u>7,746</u>	<u>7,146</u>
<b>Earnings (loss) before income taxes</b>		(20,919)	(59,874)	1,400	5,908
Income tax - current		-	1,870	67	67
Future income tax benefit	Note 10	(6,021)	(15,716)	(1,546)	(826)
<b>Earnings (loss) for the period</b>		<u>(14,898)</u>	<u>(46,028)</u>	<u>2,879</u>	<u>6,667</u>
<b>Retained earnings (deficit) – beginning of period</b>		<u>(35,860)</u>	<u>(4,730)</u>	<u>1,081</u>	<u>(2,707)</u>
<b>Retained earnings (deficit) – end of period</b>		<u>(50,758)</u>	<u>(50,758)</u>	<u>3,960</u>	<u>3,960</u>
<b>Earnings (loss) per share</b>					
Basic and diluted earnings (loss) per share		\$ (0.40)	\$ (1.30)	\$ 0.11	\$ 0.24
Weighted average number of shares outstanding - basic		37,401	35,312	27,346	27,284

**Quadra Mining Ltd.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

[US Dollars in Thousands]  
Unaudited

	<b>Three months ended June 30, 2006</b>	<b>Six months ended June 30, 2006</b>	<b>Three months ended June 30, 2005</b>	<b>Six months ended June 30, 2005</b>
<b>OPERATING ACTIVITIES</b>				
Earnings (loss) for the period	(14,898)	(46,028)	2,879	6,667
Adjustment for items not involving cash:				
Foreign exchange (gain) loss	(533)	(257)	57	86
Stock-based compensation	1,026	1,253	493	1,118
Amortization, depletion, depreciation and accretion	3,447	6,828	2,928	5,677
Unrealized loss on derivatives	36,559	95,622	7,746	7,146
Future income tax recovery	(6,021)	(15,716)	(1,546)	(826)
	19,580	41,702	12,557	19,868
Net changes in non-cash working capital:	Note 18	37,843	17,842	35
	(6,689)			
<b>Cash received from operating activities</b>	<b>57,423</b>	<b>59,544</b>	<b>12,592</b>	<b>13,179</b>
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(3,102)	(3,961)	(1,751)	(3,283)
Increase in security deposits and environmental trust and bond	(3,553)	(9,348)	(3,200)	(1,778)
Additions to mineral properties	(3,670)	(5,414)	(3,902)	(5,792)
Investment in other assets and deferred charges	(9,859)	(15,999)	(2,958)	(3,585)
Decrease in deferred gold consideration payable	(3,460)	(6,920)	-	-
Increase in prepaid royalties	-	(400)	-	-
<b>Cash used in investing activities</b>	<b>(23,644)</b>	<b>(42,042)</b>	<b>(11,811)</b>	<b>(14,438)</b>
<b>FINANCING ACTIVITIES</b>				
Increase (decrease) in bank indebtedness	(13,300)	(28,300)	(6,000)	6,000
Increase (decrease) in notes payable	-	-	(2)	1,478
Decrease in obligations under capital leases	(312)	(593)	-	-
Increase in share capital net of issuance costs	5,090	52,217	-	25
<b>Cash provided (used) by financing activities</b>	<b>(8,522)</b>	<b>23,324</b>	<b>(6,002)</b>	<b>7,503</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>25,257</b>	<b>40,826</b>	<b>(5,221)</b>	<b>6,244</b>
Effect of foreign exchange rates on cash and cash equivalents	533	257	(57)	(86)
<b>Cash and cash equivalents, beginning of period</b>	<b>24,421</b>	<b>9,128</b>	<b>23,705</b>	<b>12,269</b>
<b>Cash and cash equivalents, end of period</b>	<b>50,211</b>	<b>50,211</b>	<b>18,427</b>	<b>18,427</b>

## **Quadra Mining Ltd.**

### **NOTES TO FINANCIAL STATEMENTS**

[US Dollars in Thousands]  
Six months ended June 30, 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 near Ely, Nevada in the United States. The Company also has an advanced exploration project in Chile ("Sierra Gorda") (Note 7). In addition, on December 21, 2005 the Company acquired the Carlota copper project ("Carlota"). Carlota is a development ready Solvent Extraction Electro Winning (SX-EW) copper project located near Phoenix, Arizona in the United States (Note 7). In order to construct the Carlota mine, the Company will be required to obtain additional financing.

#### **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.

In certain cases prior period amounts have been revised to reflect current period presentation.

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 that 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.

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

[US Dollars in Thousands]  
Six months ended June 30, 2006

**3. SHORT-TERM INVESTMENTS**

In order to limit the acquisition cost of Carlota project, a wholly owned subsidiary of the Company purchased gold calls in February and March of 2006 which gives the Company 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 June 30, 2006, the fair market value of the calls was \$654, resulting in a gain of \$245 which was capitalized to mineral property costs (Note 7).

**4. INVENTORY**

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Concentrate	12,488	24,603
Supplies	8,671	5,680
Total	21,159	30,283

**5. SECURITY DEPOSITS**

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Security deposits - mining equipment	22,315	16,418
Security deposits - others	1,613	2,487
Total	23,928	18,905
Less: current portion	1,400	2,075
Long-term	22,528	16,830

During the quarter ended June 30, 2006, Carlota Copper Company (“Carlota”), the Company’s wholly owned subsidiary, signed a non-binding “letter of intent” with Road Machinery to purchase seven haul trucks and four crawler tractors for a total purchase price of \$21,052 and made a non-refundable security deposit of \$2,105. The current portion of the security deposits relates to a power contract with Deseret Generation and Transmission that was extended to September 2006.

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

[US Dollars in Thousands]  
Six months ended June 30, 2006

**6. ENVIRONMENTAL TRUST AND BOND**

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Environmental bond (a)	20,557	20,075
Cash in trust for reclamation (b)	15,003	11,160
<b>Total</b>	<b>35,560</b>	<b>31,235</b>

(a)The Company has posted an environmental bond with the US Bureau of Land Management (BLM) bearing an interest rate of 5%.

(b) Under the terms of the Kennecott Royalty Agreement that was assumed by the Company on the acquisition of the Robinson Mine, a 3% net smelter return royalty is payable to Royal Gold Inc. (formerly Kennecott). The agreement provides that the first royalty payments with accumulated interest will be paid into a trust until such time that \$20,000 funds are available to pay for qualified rehabilitation expenditures on the Robinson Mine. During the quarter ended June 30, 2006, the total contributions to the trust reached \$19,903, which is sufficient to meet the trust funding requirement when future interest is earned. The Company commenced royalty payments to Royal Gold Inc. in June 2006. The following table summarizes the contributions to and payments by the trust as at June 30, 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	166	-	166
Contribution	3,677	-	3,677
<b>Balance as of June 30, 2006</b>	<b>19,903</b>	<b>(4,900)</b>	<b>15,003</b>

## Quadra Mining Ltd.

### NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]  
Six months ended June 30, 2006

#### 7. MINERAL PROPERTIES

	Sierra Gorda	Carlota	Total
Balance at December 31, 2005	6,603	30,151	36,754
Option payments and acquisition costs	484	4,496	4,980
Project expenditures	1,081	3,849	4,930
Balance at June 30, 2006	8,168	38,496	46,664

#### Carlota

During the year ended December 31, 2005 the Company completed the acquisition of Carlota project. Part of the cost of acquisition included 37,500 ounces of gold. These deferred gold payments had an estimated fair value of \$22,277, based on the average forward price of \$646 per ounce on June 30, 2006, resulting in a loss in deferred gold consideration of \$1,540 for the quarter ended June 30, 2006. This loss had been included in the cost of mineral properties.

#### 8. PROPERTY, PLANT AND EQUIPMENT

			June 30, 2006	December 31, 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Plant and equipment	28,058	(4,113)	23,945	21,903
Equipment under capital leases	12,086	(1,411)	10,675	11,182
Asset retirement obligations	24,590	(4,860)	19,730	20,971
Buildings	12,557	(1,288)	11,269	11,430
Office equipment	2,386	(790)	1,596	1,765
Leasehold improvements	210	(49)	161	159
<b>Total</b>	<b>79,887</b>	<b>(12,511)</b>	<b>67,376</b>	<b>67,410</b>

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

[US Dollars in Thousands]  
Six months ended June 30, 2006

**9. OTHER ASSETS AND DEFERRED CHARGES**

			<b>June 30, 2006</b>	<b>December 31, 2005</b>
	Cost	Accumulated Amortization	Net book Value	Net book Value
Robinson mine deferred start-up cost	17,922	(3,542)	14,380	15,284
Robinson mine deferred pit cost	597	(127)	470	537
Robinson mine deferred stripping	37,171	-	37,171	20,792
Other long-term receivables	294	-	294	290
Deferred financing fee	-	-	-	229
<b>Total</b>	<b>55,984</b>	<b>(3,669)</b>	<b>52,315</b>	<b>36,903</b>

**10. INCOME TAXES**

During the six months ended June 30, 2006, the Company recognized future income tax benefits of \$15,716 arising from U.S operations based on the forecasted 2006 effective income tax rate of 23.07%. The Company has not recognized any tax benefits arising from Canadian and Chilean operations since management believes that sufficient uncertainty exists regarding the realization of this future income tax asset.

**11. BANK INDEBTEDNESS**

**Bridge Facility**

During the six months ended June 30, 2006 the Company repaid the \$15,000 Bridge Facility.

**Working Capital Facility**

Draw downs under the \$20,000 Working Capital Facility can be made as Concentrate Advances, which are referenced to the hedged value of concentrate available for shipment, and by Corporate Advances which are not referenced to the hedged value of concentrate available for shipment. Subsequent to June 30, 2006 and until September 30, 2006 the Company may draw up to \$20,000 in Concentrate Advances or up to \$5,000 in Corporate Advances subject to the

## Quadra Mining Ltd.

### NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]  
Six months ended June 30, 2006

limit that the total of Concentrate Advances and Corporate Advances cannot exceed the Working Capital Facility limit of \$20,000. After September 30, 2006 and until March 31, 2007, only Concentrate Advances can be made under the Working Capital Facility.

During the six months ended June 30, 2006 the Company repaid \$13,300 under the Working Capital Facility. As at June 30, 2006 the Company had drawn down \$6,700 of Concentrate Advances under the Working Capital Facility.

#### 12. DERIVATIVE INSTRUMENTS

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 June 30, 2006 was \$63,547. As at June 30, 2006 the outstanding copper forward sales contracts were 33,180 tonnes of copper metal with a weighted-average price of \$1.64 per pound. The liability from the mark-to-market adjustment of the outstanding contracts as at June 30, 2006 was \$156,273, of which \$123,398 was unrealized.

The Company buys gold forward sales contracts. As at June 30, 2006, the outstanding gold forward contracts were 34,000 ounces with a weighted-average price of \$421 per ounce. The realized loss resulting from the settlement of the contracts during the quarter ended June 30, 2006 was \$1,254. As at June 30, 2006 the liability from the mark-to-market adjustment of the outstanding contracts was \$6,937, of which \$6,585 was unrealized.

#### 13. ASSET RETIREMENT OBLIGATIONS

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Balance at January 1, 2006	27,067	25,067
Accretion	1,059	2,000
Balance at June 30, 2006	28,126	27,067

#### 14. SHARE CAPITAL

##### (a) Common Shares

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

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

[US Dollars in Thousands]  
Six months ended June 30, 2006

	<b>Number of Shares</b>	<b>Dollar Amount</b>
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	438,667	2,240
Broker warrants exercised	1,449,360	7,507
Transfer from contributed surplus:		
Employee options exercised		666
Broker warrants exercised		1,403
Issue costs		
Cash payment		(3,303)
Balance at June 30, 2006	37,513,958	157,784

(b) Stock Options and Warrants

**Stock Options**

The following table summarizes the stock option activity for the six month period ended June 30, 2006 (in Canadian dollars):

	<b>Options</b>	<b>Weighted-average exercise price</b>
		<b>\$</b>
Outstanding at January 1, 2006	2,653,500	6.13
Granted	606,100	10.05
Cancelled	(96,333)	6.77
Exercised	(438,667)	5.94
Outstanding at June 30, 2006	2,724,600	6.98
Exercisable at June 30, 2006	1,824,367	6.57

## Quadra Mining Ltd.

### NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]  
Six months ended June 30, 2006

The following table summarizes information relating to stock options outstanding and exercisable at June 30, 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	70,000	2.90	4.82	53,333	4.80
\$5.16 - \$5.75	421,667	4.21	5.29	164,334	5.27
\$6.00 - \$7.40	1,726,833	3.37	6.35	1,438,000	6.27
\$9.20 - \$11.25	506,100	4.86	10.87	168,700	10.87
	2,724,600	3.05	6.98	1,824,367	6.57

During the quarter ended June 30, 2006, the Company granted 521,100 stock options to directors and employees. For accounting purposes, the estimated weighted-average fair value per stock option is \$3.47 for a total value of \$1,810, which is amortized over a two year vesting period. 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:

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 June 30, 2006, all broker warrants were exercised, and accordingly the balance at June 30, 2006 was entirely for stock options.

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**NOTES TO FINANCIAL STATEMENTS**

[US Dollars in Thousands]  
Six months ended June 30, 2006

The following table summarizes the movement in the stock options and warrants account for the period ended June 30, 2006:

	Stock options and warrants
Balance at January 1, 2006	5,155
Stock-based compensation	1,253
Stock options exercised	(666)
Warrants exercised	(1,403)
Balance at June 30, 2006	4,339

**15. NET REVENUES FROM CONCENTRATE SALES**

	<b>Three months ended June 30, 2006</b>	<b>Six months ended June 30, 2006</b>	<b>Three months ended June 30, 2005</b>	<b>Six months ended June 30, 2005</b>
Copper revenues	104,089	171,505	54,845	96,889
Gold revenues	9,757	20,373	8,727	14,207
Molybdenum revenues	1,507	4,657	-	-
Adjustments for final settlement	42,629	58,356	1,923	3,366
Refining and treatment charges	(15,757)	(28,730)	(9,497)	(14,991)
	<u>142,225</u>	<u>226,161</u>	<u>55,998</u>	<u>99,471</u>

**Quadra Mining Ltd.****NOTES TO FINANCIAL STATEMENTS**

[US Dollars in Thousands]  
Six months ended June 30, 2006

**16. SEGMENTED INFORMATION**

The Company's reportable geographic segments are as follows:

	<b>June 30, 2006</b>				
	Robinson Mine	South America Exploration (Chile)	Carlota Project	Corporate	Total
Cash	29,825	357	790	19,239	50,211
Other current assets	71,606	15	903	376	72,900
Long-term assets	186,373	8,309	52,466	168	247,316
Total assets	287,804	8,681	54,159	19,783	370,427
Current liabilities	193,704	336	15,869	1,678	211,587
Long-term liabilities	40,191	-	7,284	-	47,475
Total liabilities	233,895	336	23,153	1,678	259,062
Loss for the three months ended June 30, 2006	(14,699)	(20)	-	(179)	(14,898)
Loss for the six months ended June 30, 2006	(45,436)	(23)	-	(569)	(46,028)
Earnings (loss) for the three months ended June 30, 2005	2,048	(26)	-	857	2,879
Earnings (loss) for the six months ended June 30, 2005	6,057	(38)	-	648	6,667

All of the Company's revenues to June 30, 2006 have been generated from concentrate sales at the Robinson Mine.

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**NOTES TO FINANCIAL STATEMENTS**

[US Dollars in Thousands]  
Six months ended June 30, 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)

**17. 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 ended June 30, 2006 the Company incurred legal fees of \$38 and recruiting and human resources consulting fees of \$122. During the six month period ended June 30, 2006 the Company incurred legal fees of \$199 and recruiting and human resources consulting fees of \$214 respectively payable to those entities (Three months ended June 30, 2005: \$346 and \$61 respectively; six months ended June 30, 2005: \$392 and \$139 respectively).

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**NOTES TO FINANCIAL STATEMENTS**

[US Dollars in Thousands]  
Six months ended June 30, 2006

**18. STATEMENT OF CASH FLOWS**

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

	<b>Three months ended June 30, 2006</b>	<b>Six months ended June 30, 2006</b>	<b>Three months ended June 30, 2005</b>	<b>Six months ended June 30, 2005</b>
Increase in receivables and prepaid expenses	(8,671)	(25,249)	(5,943)	(11,870)
(Increase) decrease in short-term investments	3,460	(409)	-	-
Decrease in inventory	8,825	8,530	5,426	2,701
Increase in accounts payable and accruals	34,229	34,970	552	2,480
Net changes in non-cash working capital	<u>37,843</u>	<u>17,842</u>	<u>35</u>	<u>(6,689)</u>

**19. COMMITMENTS**

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

	<b>June 30, 2006</b>
2006	1,409
2007	2,817
2008	2,817
2009	2,817
2010	6,333
2011	89
Total minimum lease payments	16,282
Amount representing notional interest	(5,093)
Balance of the obligation	11,189
Current portion	(1,284)
Long-term portion	<u>9,905</u>

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- (b) On March 3, 2006 the Company's wholly owned 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.

**20. SUBSEQUENT EVENT**

On July 19, 2006 the Company signed a call option agreement with a subsidiary of AMP Life Limited ("AMP") and filed a bidder statement in compliance with Australian Stock Exchange requirements in order to acquire all of the issued and outstanding shares of Equatorial Mining Ltd. ("EQM"). The estimated cost of the acquisition is \$337,000. In order to finance the acquisition, the Company signed a bank financing commitment letter with UBS Loan Finance LLC and UBS Securities LLC to enter into a seven year loan for \$350,000

EQM's principal assets include a 39% interest in the El Tesoro Copper mine, located near Antofagasta, Chile along with associated water and exploration rights. In addition, the Company has in excess of \$100,000 Australian cash and a 7.7% share of Mercator Minerals Limited.