



Quadra Mining Ltd.

June 30, 2007

(Unaudited)

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

Quadra Mining Ltd.

CONSOLIDATED BALANCE SHEETS

(US Dollars in Thousands)

(Unaudited)

| | | June 30, 2007 | December 31, 2006 |
|---|-------------|--------------------------|------------------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | | 278,462 | 47,774 |
| Receivables and prepaid expenses | | 31,144 | 6,645 |
| Inventory | Note 5 | 35,360 | 38,068 |
| Derivative instrument asset | Note 12 | 2,347 | - |
| Future income tax assets | Note 10 | 3,995 | 22,146 |
| Security deposits | Note 6 | - | 458 |
| Total Current Assets | | 351,308 | 115,091 |
| Security deposits | Note 6 | 17,585 | 23,281 |
| Environmental trust and bond | Note 7 | 43,778 | 43,391 |
| Prepaid royalties | | 4,065 | 3,665 |
| Mineral properties, plant and equipment | Note 9 | 256,844 | 128,568 |
| Other assets and deferred charges | | 13,106 | 14,821 |
| Future income tax assets | Note 10 | 771 | 7,149 |
| Total Assets | | 687,457 | 335,966 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current | | | |
| Bank indebtedness | Note 11 (a) | - | 16,900 |
| Accounts payable and accrued liabilities | | 39,169 | 39,543 |
| Deferred gold consideration payable | Note 9 (a) | 15,773 | 11,556 |
| Tax payable | | 4,793 | 15,275 |
| Obligations under capital leases - current portion | Note 18 (c) | 1,475 | 1,379 |
| Derivative instrument liability | Note 12 | - | 46,468 |
| Notes payable | | - | 2,668 |
| Total Current Liabilities | | 61,210 | 133,789 |
| Secured Credit Facility | Note 11 (b) | 144,620 | - |
| Asset retirement obligations | Note 13 | 35,211 | 24,093 |
| Future income tax liabilities | Note 8 | 11,479 | - |
| Obligations under capital leases | Note 18 (c) | 8,399 | 9,191 |
| Deferred gold consideration payable | | - | 3,777 |
| Total Liabilities | | 260,919 | 170,850 |
| Non-controlling interest | | 2,768 | - |
| Shareholders' Equity | | | |
| Share capital | Note 14 (a) | 320,820 | 162,315 |
| Stock options and warrants | Note 14 (b) | 24,980 | 4,498 |
| Retained earnings (deficit) | | 77,970 | (1,697) |
| Total Shareholders' Equity | | 423,770 | 165,116 |
| Total Liabilities and Shareholders' Equity | | 687,457 | 335,966 |
| Commitments (Note 18), Contingency (Note 19) | | | |

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 June 30, 2007 | Six months ended June 30, 2007 | Three months ended June 30, 2006 | Six months ended June 30, 2006 |
|--|-------------|---|---|---|---|
| (As restated - Note 3) | | | | | |
| Revenues from concentrate sales | Note 15 | 141,139 | 277,594 | 142,225 | 226,161 |
| Cost of sales | | 57,103 | 119,337 | 60,639 | 111,826 |
| Amortization, depletion and depreciation | | 3,118 | 6,683 | 2,912 | 5,769 |
| Accretion of asset retirement obligations | | 489 | 968 | 535 | 1,059 |
| Royalties and mineral taxes | | 7,811 | 13,016 | 5,708 | 8,015 |
| | | <u>68,521</u> | <u>140,004</u> | <u>69,794</u> | <u>126,669</u> |
| Operating income | | 72,618 | 137,590 | 72,431 | 99,492 |
| General and administrative | | 2,243 | 4,535 | 2,205 | 3,980 |
| Loss on derivatives | Note 12 | 10,267 | 12,779 | 101,360 | 170,407 |
| Stock-based compensation | Note 14 (b) | 2,896 | 3,279 | 1,026 | 1,253 |
| Loss on settlement of debt | Note 11 (b) | 11,039 | 11,039 | - | - |
| Foreign exchange gain | | (2,888) | (2,868) | (533) | (257) |
| Net interest and other (income) expense | Note 7 | (1,711) | (1,822) | 69 | 881 |
| Earnings (loss) before income taxes | | <u>50,772</u> | <u>110,648</u> | <u>(31,696)</u> | <u>(76,772)</u> |
| Income tax expense (recovery) | Note 10 | 14,216 | 30,981 | (9,699) | (19,612) |
| Earnings (loss) for the period | | <u>36,556</u> | <u>79,667</u> | <u>(21,997)</u> | <u>(57,160)</u> |
| Retained earnings (deficit) – beginning of period | | | | | |
| As previously reported | | 41,414 | 27,494 | (35,860) | (4,730) |
| Retroactive application of EIC 160 | Note 3 | - | (29,191) | (15,433) | (11,400) |
| As restated | | <u>41,414</u> | <u>(1,697)</u> | <u>(51,293)</u> | <u>(16,130)</u> |
| Retained earnings (deficit) – end of period | | <u>77,970</u> | <u>77,970</u> | <u>(73,290)</u> | <u>(73,290)</u> |
| Earnings per share | | | | | |
| Basic earnings per share | | \$ 0.78 | \$ 1.87 | \$ (0.59) | \$ (1.62) |
| Diluted earnings per share | | \$ 0.76 | \$ 1.84 | \$ (0.59) | \$ (1.62) |
| Weighted average shares outstanding - basic | | 46,987 | 42,585 | 37,401 | 35,312 |
| Weighted average shares outstanding - diluted | | 48,218 | 43,275 | 37,401 | 35,312 |

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

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollars in Thousands)

(Unaudited)

| | Three months ended June 30, 2007 | Six months ended June 30, 2007 | Three months ended June 30, 2006 | Six months ended June 30, 2006 |
|--|---|---|---|---|
| | (As restated - Note 3) | | | |
| OPERATING ACTIVITIES | | | | |
| Earnings (loss) for the period | 36,556 | 79,667 | (21,997) | (57,160) |
| Adjustment for items not involving cash: | | | | |
| Stock-based compensation | 2,896 | 3,279 | 1,026 | 1,253 |
| Amortization, depletion, depreciation and accretion | 3,607 | 7,651 | 3,447 | 6,828 |
| Unrealized (gain) loss on derivatives | (21,941) | (41,655) | 36,559 | 95,622 |
| Loss on settlement of debt | 11,039 | 11,039 | - | - |
| Future income tax expense (recovery) | 10,915 | 24,529 | (9,699) | (21,482) |
| Amortization of financing fees | 326 | 495 | - | - |
| | <u>43,398</u> | <u>85,005</u> | <u>9,336</u> | <u>25,061</u> |
| Net changes in non-cash working capital: | Note 17 | (20,971) | (47,673) | 38,759 |
| Cash provided from operating activities | 22,427 | 37,332 | 48,095 | 43,422 |
| INVESTING ACTIVITIES | | | | |
| Additions to mineral properties, plant and equipment | (44,931) | (59,429) | (6,772) | (9,375) |
| (Increase) decrease in security deposits | | | | |
| and environmental bond and trust | (288) | 3,212 | (3,553) | (9,348) |
| Investment in other assets and deferred charges | 70 | (36) | 2 | 380 |
| Decrease in deferred gold consideration payable | - | - | (3,460) | (6,920) |
| Increase in prepaid royalties | - | (400) | - | (400) |
| Transaction costs for InterMoly acquisition | Note 8 | (2,135) | (2,135) | - |
| Cash used in investing activities | (47,284) | (58,788) | (13,783) | (25,663) |
| FINANCING ACTIVITIES | | | | |
| Increase in share capital and warrants net of issue costs | 134,437 | 134,466 | 5,090 | 52,217 |
| Increase (decrease) in secured credit facility | (55,000) | 137,942 | - | - |
| Decrease in bank indebtedness | - | (16,900) | (13,300) | (28,300) |
| Increase (decrease) in notes payable | - | (2,668) | - | - |
| Decrease in obligations under capital leases | (370) | (696) | (312) | (593) |
| Cash provided by (used in) financing activities | 79,067 | 252,144 | (8,522) | 23,324 |
| Net increase in cash and cash equivalents during the period | 54,210 | 230,688 | 25,790 | 41,083 |
| Cash and cash equivalents, beginning of period | 224,252 | 47,774 | 24,421 | 9,128 |
| Cash and cash equivalents, end of period | 278,462 | 278,462 | 50,211 | 50,211 |

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

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NOTES TO FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2007
(Unaudited)

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 base metals and particularly copper. In 2004, the Company acquired the Robinson mine, an open pit copper mine, with gold and molybdenum by-product credits, located in Nevada in the United States. All of the Company's revenues and operating income are generated by the Robinson mine.

The Company also owns the Carlota copper mine, which is currently under construction in Arizona in the United States, and has an option to purchase an advanced exploration project in Chile. During the quarter ended June 30, 2007 the Company acquired an 82% interest in International Molybdenum Plc. ("InterMoly") which holds the rights to the Malmbjerg molybdenum project in Greenland (Note 8).

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 for the year ended December 31, 2006. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

Other than as described in Note 3, 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, 2006.

Certain prior year balances have been reclassified to conform to the current year presentation.

3. CHANGES IN ACCOUNTING POLICY

(a) Deferred stripping costs

The Emerging Issues Committee of the CICA issued Abstract 160 "Stripping Costs Incurred in the Production Phase of a Mining Operation" (EIC 160), which indicates that generally, stripping costs should be accounted for as variable production costs unless the costs result in a

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betterment of the mineral property by providing access to additional sources of ore, in which case they can be capitalized and amortized over the additional reserves directly impacted by the stripping activities. The new standard applies to fiscal years beginning on or after July 1, 2006. Effective January 1, 2007, the Company changed its method of accounting for stripping costs to the method described in EIC 160. Previously, the Company deferred stripping costs incurred in excess of the life-of-pit average strip ratio. This change in accounting policy has been applied retroactively and the comparative financial statements have been restated as noted below:

| | Three months ended June 30, 2006 | Six months ended June 30, 2006 |
|---|---|---|
| Effect on consolidated statements of operations: | | |
| Increase in cost of sales | 10,777 | 16,898 |
| Increase in future income tax recovery | 3,678 | 5,766 |
| Increase in loss | <u>7,099</u> | <u>11,132</u> |
| Effect on consolidated statement of cash flows: | | |
| Decrease in cash received from operating activities | (9,862) | (15,982) |
| Decrease in cash used in investing activities | 9,862 | 15,982 |

(b) Financial Instruments

Effective January 1, 2007, the Company adopted CICA Handbook Section 3855 “Financial Instruments – Recognition and Measurement”, Section 3865 “Hedges” and Section 1530 “Comprehensive Income”. These new standards were adopted on a prospective basis in 2007 with no restatement of prior period financial statements.

In accordance with these standards the Company classified all financial instruments as either held-to-maturity, available-for-sale, held for trading, or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations. Transaction costs on financial assets and liabilities classified other than as held for trading are treated as part of the investment cost. The Company currently does not apply hedge accounting to its derivative instruments.

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NOTES TO FINANCIAL STATEMENTS

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4. FINANCIAL INSTRUMENTS

The Company's financial instruments are comprised of cash and cash equivalents, receivables, security deposits, bank indebtedness, accounts payable, notes payable, prepaid royalties, environmental trust and bond, deferred gold consideration, derivative instruments, the senior secured credit facility and obligations under capital lease. The fair values of short-term financial instruments approximate their carrying values due to the immediate or short-term maturity of those instruments. Management also estimates that the fair values of the non-current portion of the security deposits, environment trust and bond, and obligations under capital leases approximate their carrying value. The Secured Credit Facility is carried at amortized cost.

5. INVENTORY

| | June 30, 2007 | December 31, 2006 |
|-------------|------------------|----------------------|
| Concentrate | 18,947 | 27,081 |
| Supplies | 16,413 | 10,987 |
| Total | 35,360 | 38,068 |

6. SECURITY DEPOSITS

| | June 30, 2007 | December 31, 2006 |
|--------------------------------------|------------------|----------------------|
| Security deposits - mining equipment | 16,129 | 22,320 |
| Security deposits - others | 1,456 | 1,419 |
| Total | 17,585 | 23,739 |
| Less: current portion | - | 458 |
| Long-term | 17,585 | 23,281 |

The Company has entered into agreements related to the leasing of mining mobile equipment. These lease arrangements initially required security deposits of \$19,764 of which \$3,685 was refunded to the Company on March 21, 2007. In addition, during March 2007, the Company made the decision to purchase additional mobile equipment for the Carlota project. As a result,

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the security deposit as at December 31, 2006 of \$2,555 was reclassified as property, plant and equipment.

7. ENVIRONMENTAL TRUST AND BOND

| | June 30, 2007 | December 31, 2006 |
|--|--------------------------|------------------------------|
| Environmental bond - Robinson mine | 20,885 | 20,840 |
| Cash in trust for Robinson reclamation | 15,718 | 15,376 |
| Environmental bond - Carlota project | 7,125 | 7,125 |
| Environmental bond - other | 50 | 50 |
| Total | 43,778 | 43,391 |

The cash in trust for Robinson reclamation accrued interest of \$342 during the six month period ended June 30, 2007 (six months ended June 30, 2006: \$166).

8. ACQUISITION OF INTERNATIONAL MOLYBDENUM PLC.

On March 30, 2007 the Company announced its intention to make an offer to acquire all of the issued shares and traded warrants of InterMoly, a public company listed on the Alternative Investment Market of the London Stock Exchange. InterMoly is the holder of the rights to the Malmbjerg molybdenum project in Greenland. The offer closed on June 22, 2007 with Quadra having received 82.47% of InterMoly shares and 90.82% of InterMoly warrants. The Company has exercised its right to acquire compulsorily all of the remaining InterMoly warrants that it does not hold.

A total of 3,238,696 common shares of the Company were issued in exchange for the interest in InterMoly. The measurement of the common share component of the consideration is based on the closing share price of the Company's common share on the date of issuance of C\$12.47. The transaction is considered to be an asset purchase and the allocation of the purchase price to the fair value of the assets and liabilities acquired is as follows:

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NOTES TO FINANCIAL STATEMENTS

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Purchase price:

| | |
|---|--------|
| Common shares issued | 37,234 |
| Transaction costs, net of cash acquired | 2,615 |
| Total | 39,849 |

Fair value of assets and liabilities acquired:

| | |
|--|----------|
| Malmbjerg mineral property and equipment | 58,626 |
| Net working capital | (3,518) |
| Asset retirement obligations | (997) |
| Future income tax liability | (11,479) |
| Non-controlling interest | (2,783) |
| Net assets acquired | 39,849 |

The future income tax liability of \$11,479 relates to the difference between the fair value allocated to the Malmbjerg mineral property and its tax basis. The non-controlling interest represents 17.53% of InterMoly's shareholders equity.

9. MINERAL PROPERTIES, PLANT AND EQUIPMENT

| | June 30, 2007 | December 31, 2006 |
|--|--------------------------|------------------------------|
| Mineral property acquisition and development costs | 140,793 | 59,376 |
| Plant, buildings and equipment | 98,427 | 56,778 |
| Equipment under capital leases | 12,076 | 12,076 |
| Asset retirement obligations | 29,607 | 19,457 |
| | 280,903 | 147,687 |
| Accumulated depreciation, depletion and amortization | (24,059) | (19,119) |
| | 256,844 | 128,568 |

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Mineral properties, plant and equipment allocated by project:

| | | | June 30, 2007 | December, 31, 2006 |
|----------------------------------|----------------|---|--------------------------|-------------------------------|
| | Cost | Accumulated depreciation, depletion and amortization | Net book value | Net book value |
| Robinson mine | 98,193 | (23,905) | 74,288 | 59,312 |
| Carlota copper project (a) | 104,022 | - | 104,022 | 57,519 |
| Malmjberg molybdenum project (b) | 61,722 | - | 61,722 | - |
| Sierra Gorda (c) | 16,659 | (44) | 16,615 | 11,580 |
| Other | 307 | (110) | 197 | 157 |
| | 280,903 | (24,059) | 256,844 | 128,568 |

(a) Carlota copper project

During the six month period ended June 30, 2007, the Company expended \$10,000 on construction of the Carlota project. The Company invested \$30,609 in mining equipment for the Carlota project and has also capitalized interest and amortization of financing costs of \$5,454 associated with the Secured Credit Facilities (Note 11(b)).

As at June 30, 2007, 25,000 ounces of gold remained to be paid to the vendor as part of the deferred purchase consideration. Based on the terms of the purchase contract, the Company expects that the first quarterly payment of 6,250 ounces will be made in the third quarter of 2007. These deferred gold payments had an estimated fair value of \$15,773 at June 30, 2007. The increase in the fair value of this liability of \$440 for the six month period ended June 30, 2007 has been capitalized as a mineral property acquisition cost.

(b) Malmbjerg molybdenum project

The Malmbjerg mineral property was acquired in the second quarter of 2007 as part of the InterMoly acquisition (Note 8). During the quarter ended June 30, 2007, the Company incurred \$3,097 of development costs on the Malmbjerg project.

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NOTES TO FINANCIAL STATEMENTS

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(c) Sierra Gorda

During the six months ended June 30, 2007, the Company made property option payments totaling \$927. The Company also incurred \$4,123 of development costs on the Sierra Gorda project during the six months ended June 30, 2007.

10. INCOME TAXES

During the six months ended June 30, 2007, the Company recognized a current income tax expense of \$6,452 and a future income tax expense of \$24,529 based on a forecasted effective income tax rate of 28% for 2007. As at June 30, 2007, the Company has recognized current future income tax assets of \$3,995 and non-current future income tax assets of \$771 related to U.S. operations.

Management believes that uncertainty exists regarding the realization of certain future tax assets and therefore a valuation allowance is required. As a result, the Company has not recognized the benefit of, U.S. Alternative Minimum Tax credits, the tax basis of Carlota in excess of the acquisition price and the tax loss carry forwards arising outside of the U.S.

11. DEBT

(a) Working Capital Facility

During the six months ended June 30, 2007, the revolving Working Capital Facility with Macquarie Bank Ltd. expired and the balance of \$16,900 was repaid.

(b) Secured Credit Facilities

In March 2007 the Company completed a \$200,000 syndicated private loan financing, consisting of a \$150,000 First Lien Secured Credit Facility ("First Facility") and a \$50,000 Second Lien Junior Secured Credit Facility ("Second Facility"). The First Facility has a 5 year term and bears interest at LIBOR + 6.5%, payable quarterly. The Second Facility had a 7 year term and bore interest at LIBOR + 10%. The Second Facility was repaid in full in June 2007. The Company has the right to prepay the First Facility at a premium of 103% for the first three years, 102% in the fourth year and 101% in the fifth year and the lenders have the ability to call a portion of the debt on a semi-annual basis in an amount equal to 50% of excess cash flow, as computed under the terms of the First Facility. The First Facility is secured by all Company assets except the Sierra Gorda project, and payments and distributions outside of the secured

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group of assets are subject to certain restrictions. The Company paid fees and other transactions costs of \$7,749 in connection with arranging the Facilities, and also issued 2,027,776 warrants to the Second Facility Lenders with a total fair value of \$4,166 (see Note 14(b)).

After completing an equity financing in May 2007, the Company elected to repay the \$50 million Second Facility which was retired in June 2007. Under the terms of the Second Facility, the Company was required to pay a prepayment premium of 10%, or \$5,000, to retire this debt. Unamortized debt issue and warrant costs of \$6,039 related to the Second Facility were also expensed in the second quarter of 2007 resulting in a total loss on settlement of debt of \$11,039.

12. DERIVATIVE INSTRUMENTS

Derivative instruments are carried on the balance sheet at fair value and are comprised as follows:

| | June 30, 2007 | December 31, 2006 |
|--|----------------------|--------------------------|
| Copper puts | 513 | - |
| Interest rate cap | 776 | - |
| Fuel contract | 1,058 | - |
| Copper and gold forward contracts | - | (46,468) |
| Derivative instrument assets (liabilities) | 2,347 | (46,468) |

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The loss on derivatives is comprised as follows:

| | Three months ended June 30, 2007 | Six months ended June 30, 2007 | Three months ended June 30, 2006 | Six months ended June 30, 2006 |
|--|--|--------------------------------------|--|--------------------------------------|
| Realized losses: | | | | |
| Copper forward contracts (a) | 28,366 | 49,270 | 63,547 | 72,443 |
| Gold forward contracts (a) | 3,842 | 5,164 | 1,254 | 2,342 |
| | 32,208 | 54,434 | 64,801 | 74,785 |
| Unrealized (gains) losses: | | | | |
| Copper and Gold forward contracts (a) | (23,368) | (41,814) | 36,559 | 95,622 |
| Fuel contract (b) | 210 | (1,058) | - | - |
| Copper puts (c) | 1,473 | 1,473 | - | - |
| Interest rate cap (d) | (256) | (256) | - | - |
| | (21,941) | (41,655) | 36,559 | 95,622 |
| Total | 10,267 | 12,779 | 101,360 | 170,407 |

(a) Copper and Gold Forward Contracts

In the first six months of 2007, the Company settled all of its copper and gold forward sale contracts. The realized losses are the difference between the actual sales price and the forward contracted price.

(b) Fuel Contract

During the quarter ended March 31, 2007 the Company entered into an agreement to purchase, on a take or pay basis, 504,000 gallons per month of diesel fuel for the 12 month period beginning February 1, 2007. As at June 30, 2007, the fair value of the contract was \$1,058 resulting in an unrealized loss of \$210 during the three month period ended June 30, 2007.

(c) Copper Puts

During the quarter ended June 30, 2007, the Company purchased put options for 79.6 million pounds of copper with an average strike price of \$2.27 per pound until May 2008. The cost of the options was \$1,986. As at June 30, 2007, the fair value of the options was \$513, resulting in an unrealized derivative loss of \$1,473 during the three month period ended June 30, 2007.

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(d) Interest Rate Cap

As a condition of the Secured Credit Facility (Note 11(b)), the Company purchased a contract which provides an interest rate cap. The contract effectively caps LIBOR at 5.35% for \$100,000 of debt for a period of three years. The cost of the interest rate cap was \$520. As at June 30, 2007, the fair value of the interest rate cap was \$776, resulting in an unrealized gain of \$256 during the three month period ended June 30, 2007.

13. ASSET RETIREMENT OBLIGATIONS

| | |
|--|--------|
| Balance at January 1, 2007 | 24,093 |
| Accretion | 968 |
| Additions for other mineral properties | 1,438 |
| Revision to Robinson closure costs | 8,712 |
| Balance at June 30, 2007 | 35,211 |

During the quarter ended June 30, 2007, the Company re-assessed its reclamation plan on the Robinson mine and estimated an increase in undiscounted closure costs of \$12,272. In assessing the carrying amount for the incremental portion of the asset retirement obligations, the Company used a credit-adjusted risk-free rate of 11.5% and an estimated inflation rate of 3%, resulting in an additional asset retirement obligation of \$8,712.

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14. SHARE CAPITAL

(a) Common Shares

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

| | Number of Shares | Dollar Amount |
|--|-------------------------|----------------------|
| Balance at January 1, 2007 | 38,129,024 | 162,315 |
| Capital stock issued | | |
| Shares issued for cash, net of issue costs (i) | 11,960,000 | 116,233 |
| Stock options exercised | 663,564 | 3,989 |
| Shares issued for InterMoly acquisition (Note 8) | 3,238,696 | 37,077 |
| Transfer from contributed surplus: | | |
| Stock options exercised | | 1,206 |
| Balance at June 30, 2007 | 53,991,284 | 320,820 |

- (i) In May 2007 the Company completed a bought-deal equity financing with a syndicate of underwriters through which the Company issued 10.4 million units at a price of C\$12.60 per unit for gross proceeds of \$118,539 (C\$131,040). Each unit consisted of one common share of the Company and one-half of a warrant, with each whole warrant entitling the holder to purchase an additional common share at an exercise price of C\$20.00 for a period of three years. The underwriters also exercised an option to acquire an additional 1.56 million units which increased the gross proceeds of the offering to \$136,320 (C\$150,696).

The Company incurred share issue costs of \$5,844 in connection with this offering. Of the gross proceeds received, \$14,243 was allocated to the warrants for accounting purposes based on their proportionate fair value.

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(b) Stock options and warrants

The following tables summarize the stock option activity for the six month period ended June 30, 2007 (in Canadian dollars):

| | Options | Weighted-average exercise price |
|--------------------------------|-----------|---------------------------------|
| | | C\$ |
| Outstanding at January 1, 2007 | 2,467,366 | 7.86 |
| Granted | 1,725,500 | 12.75 |
| Forfeited | (21,268) | 8.80 |
| Exercised | (663,564) | 6.45 |
| Outstanding at June 30, 2007 | 3,508,034 | 10.53 |
| Exercisable at June 30, 2007 | 1,827,001 | 9.33 |

The following table summarizes information relating to stock options outstanding and exercisable at June 30, 2007 (in Canadian dollars):

| Exercise price per share | Options outstanding | | | Options exercisable | |
|--------------------------|---------------------|---|-------------------------------------|---------------------|-------------------------------------|
| | Number outstanding | Weighted-average remaining contractual life (years) | Weighted-average exercise price C\$ | Number exercisable | Weighted-average exercise price C\$ |
| \$4.60 - \$4.91 | 30,000 | 1.93 | 4.79 | 30,000 | 4.79 |
| \$5.16 - \$5.75 | 220,000 | 3.13 | 5.31 | 170,000 | 5.26 |
| \$6.00 - \$7.76 | 760,900 | 2.86 | 6.71 | 657,567 | 6.61 |
| \$9.18 - \$12.40 | 881,634 | 4.07 | 10.62 | 430,934 | 10.70 |
| \$12.46 - \$13.16 | 1,615,500 | 4.84 | 13.10 | 538,500 | 13.10 |
| | 3,508,034 | 4.09 | 10.53 | 1,827,001 | 9.33 |

During the quarter ended June 30, 2007, 1,615,500 stock options were granted to directors and employees. The weighted-average fair value of these stock options is estimated to be \$3.90. The total fair value of the stock options is amortized over a two year vesting period. The fair value of

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each option is estimated as at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | <u>2007</u> | <u>2006</u> |
|-------------------------|-------------|-------------|
| Expected volatility | 45% | 30% |
| Risk-free interest rate | 5.00% | 5.00% |
| Expected lives | 2.6 years | 4 years |
| Dividend yield | Nil | Nil |

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

Warrants

The following warrants were issued in the first six months of 2007 and remain outstanding at June 30, 2007:

| | Common shares to be issued on exercise | Exercise price C\$ | Expiry date | Fair Value at issue date |
|-------------------------------|--|--------------------------|-------------|-----------------------------|
| Traded warrants (Note 14 (a)) | 5,980,000 | 20.00 | May 9, 2010 | 14,243 |
| Lender warrants (Note 11 (b)) | 2,027,766 | 9.24 | May 1, 2012 | 4,166 |
| Exercisable at June 30, 2007 | 8,007,766 | 17.28 | | 18,409 |

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The following table summarizes the movement in the stock options and warrants account during the six month period ended June 30, 2007:

| | Dollar amount |
|---|---------------|
| Stock options and warrants at January 1, 2007 | 4,498 |
| Stock-based compensation expense | 3,279 |
| Transfer to share capital for stock options exercised | (1,206) |
| Fair value of warrants issued | 18,409 |
| Stock options and warrants at June 30, 2007 | 24,980 |

15. REVENUES FROM CONCENTRATE SALES

| | Three months ended June 30, 2007 | Six months ended June 30, 2007 | Three months ended June 30, 2006 | Six months ended June 30, 2006 |
|----------------------------------|--|--|--|--|
| Copper revenues | 111,270 | 217,586 | 104,089 | 171,116 |
| Gold revenues | 17,453 | 38,670 | 9,757 | 21,077 |
| Molybdenum revenues | 1,109 | 1,055 | 1,507 | 4,657 |
| Adjustments for final settlement | 16,451 | 323 | 30,202 | 42,955 |
| Marked to market adjustments | 1,315 | 36,827 | 12,427 | 15,086 |
| Refining and treatment charges | (6,459) | (16,867) | (15,757) | (28,730) |
| | 141,139 | 277,594 | 142,225 | 226,161 |

16. 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 months ended June 30, 2007, the Company incurred legal fees of \$572 and consulting fees of \$Nil respectively to those entities (three months ended June 30, 2006: \$38 and \$Nil respectively). During the six months ended June 30, 2007, the Company incurred legal fees of

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\$761 and consulting fees of \$11 respectively to those entities (six months ended June 30, 2006: \$199 and \$29 respectively).

17. SUPPLEMENTARY CASH FLOW INFORMATION

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

| | Three months ended June 30, 2007 | Six months ended June 30, 2007 | Three months ended June 30, 2006 | Six months ended June 30, 2006 |
|---|---|---|---|---|
| | | | | (As restated - Note 3) |
| (Increase) decrease in receivables and prepaid expenses | 4,524 | (24,413) | (8,671) | (25,249) |
| Increase (decrease) in derivative assets/liabilities | (19,247) | (7,160) | 32,447 | 26,024 |
| (Increase) decrease in inventory | (2,518) | 2,031 | 9,741 | 9,049 |
| Increase (decrease) in accounts payable and accruals | (3,730) | (18,131) | 1,782 | 8,946 |
| (Increase) decrease in short-term investment | - | - | 3,460 | (409) |
| Net changes in non-cash working capital | <u>(20,971)</u> | <u>(47,673)</u> | <u>38,759</u> | <u>18,361</u> |
| Other supplemental information: | | | | |
| Interest paid | 6,365 | 7,171 | 919 | 2,081 |
| Income tax paid | 7,500 | 14,000 | 2,150 | 2,150 |

18. COMMITMENTS

(a) On March 21, 2007 the Company signed a three year tire supply contract for a total commitment of approximately \$6,600 per year.

(b) As of June 30, 2007 the Company had committed to capital expenditures of \$7,980 primarily related to equipment for the Carlota project.

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(c) As of June 30, 2007, the Company's capital lease obligations are comprised as follows:

| | |
|------------------------------|---------|
| 2007 | 1,403 |
| 2008 | 2,807 |
| 2009 | 2,807 |
| 2010 | 6,319 |
| 2011 | 89 |
| Total minimum lease payments | 13,425 |
| Less: interest | (3,551) |
| Balance of the obligation | 9,874 |
| Less: current portion | (1,475) |
| Long-term portion | 8,399 |

19. CONTINGENCY

In July 2007 the Company received a notice that a claim had been filed in Chilean courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada. The claimant is a 5.33% shareholder in a corporation (the "Optionor") with which the Company signed an option agreement in 2004. The claimant is seeking to nullify the option agreement on the basis that the Optionor did not obtain proper shareholder approval of the agreement. This agreement is one of the six option agreements that the Company holds with respect to its Sierra Gorda mineral property. Based on advice received from Chilean counsel the Company believes that the option agreement is valid and that the claim is without merit.