



Quadra Mining Ltd.

June 30, 2005

(Unaudited)

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

Quadra Mining Ltd.

CONSOLIDATED BALANCE SHEETS

[US Dollars in Thousands]

Unaudited

		June 30, 2005	December 31, 2004
ASSETS			
Current			
Cash and cash equivalents		18,427	12,269
Receivables and prepaid expenses		13,892	2,022
Inventory	Note 4	16,065	19,279
Security deposits	Note 5	-	4,339
Total Current Assets		<u>48,384</u>	<u>37,909</u>
Security deposits	Note 5	15,686	13,486
Environmental trust and bond	Note 6	27,529	23,612
Mineral properties	Note 7	10,073	3,140
Property, plant and equipment	Note 8	43,371	43,171
Other assets and deferred charges	Note 9	20,397	17,912
Future income tax assets		2,413	1,587
Total Assets		<u><u>167,853</u></u>	<u><u>140,817</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	Note 10	6,000	-
Accounts payable and accrued liabilities		10,777	8,297
Derivative instrument liability	Note 11	9,045	1,899
Notes payable - current portion	Note 17a	343	353
Total Current Liabilities		<u>26,165</u>	<u>10,549</u>
Asset retirement obligations	Note 12	26,048	25,067
Notes payable	Note 17a	3,570	2,082
Total Liabilities		<u>55,783</u>	<u>37,698</u>
Shareholders' equity			
Share capital	Note 13a	103,727	102,553
Stock options and warrants	Note 13b	4,383	3,273
Retained earnings (deficit)		3,960	(2,707)
Total Shareholders' Equity		<u>112,070</u>	<u>103,119</u>
Total Liabilities and Shareholders' Equity		<u><u>167,853</u></u>	<u><u>140,817</u></u>
Commitments	Note 17		
Subsequent event	Note 18		

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

Quadra Mining Ltd.

**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED
EARNINGS (DEFICIT)**

[US Dollars in Thousands]

Unaudited

	Three months ended June 30, 2005	Six months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2004
Net revenue from concentrate sales	55,998	99,471	-	-
Cost of sales	41,915	76,504	-	-
Amortization, depletion and depreciation	2,433	4,696	1	1
Accretion of asset retirement obligations	495	981	-	-
Royalties	106	182	-	-
Operating income (loss)	11,049	17,108	(1)	(1)
General and administrative	1,166	2,712	448	1,181
Realized loss on derivatives	141	141	-	-
Unrealized loss on derivatives	Note 11 7,746	7,146	-	-
Stock-based compensation	Note 13b 493	1,118	1,207	1,207
Foreign exchange loss	57	86	253	261
Break fee	-	-	-	(2,500)
Net interest and other (income) expense	46	(3)	(148)	(149)
Earnings (loss) before income taxes	1,400	5,908	(1,761)	(1)
Income tax - current	67	67	(87)	-
Future income tax recovery	(1,546)	(826)	-	-
Earnings (loss) for the period	2,879	6,667	(1,674)	(1)
Retained earnings (deficit) - beginning of period	1,081	(2,707)	1,341	(332)
Retained earnings (deficit) - end of period	3,960	3,960	(333)	(333)
Earnings (loss) per share				
Basic and diluted earnings (loss) per share	0.11	0.24	(0.06)	-

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[US Dollars in Thousands]

Unaudited

	Three months ended June 30, 2005	Six months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2004
OPERATING ACTIVITIES				
Earnings (loss) for the period	2,879	6,667	(1,674)	(1)
Adjustment for items not involving cash:				
Stock-based compensation	493	1,118	1,207	1,207
Amortization, depletion and depreciation	2,433	4,696	1	1
Unrealized loss on derivatives	7,746	7,146	-	-
Unrealized gain on sale settlements	(494)	(1,937)	-	-
Future income tax expense	(1,546)	(826)	-	-
Accretion of asset retirement obligations	495	981	-	-
Foreign exchange loss	57	86	253	261
	<u>12,063</u>	<u>17,931</u>	<u>(213)</u>	<u>1,468</u>
Changes in non-cash working capital:				
Increase in receivables and prepaid expenses	(5,449)	(9,933)	(529)	(609)
(Increase) decrease in inventory	5,426	2,701	(28)	(28)
Increase (decrease) in payables and accruals	552	2,480	(579)	67
	<u>529</u>	<u>(4,752)</u>	<u>(1,136)</u>	<u>(570)</u>
Cash received from operating activities	12,592	13,179	(1,349)	898
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(1,751)	(3,283)	(57)	(57)
Increase in security deposits and environmental trust and bond	(3,200)	(1,778)	(30,225)	(30,225)
Additions to mineral properties	(3,902)	(5,792)	(1,291)	(1,902)
Investment in other assets and deferred charges	(2,958)	(3,585)	(2,779)	(2,779)
Acquisition of Robinson Mine	-	-	(15,707)	(15,707)
Cash used in investing activities	(11,811)	(14,438)	(50,059)	(50,670)
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	(6,000)	6,000	-	-
Increase (decrease) in notes payable	(2)	1,478	-	-
Increase in share capital	-	25	102,792	103,806
Cash provided by (used in) financing activities	(6,002)	7,503	102,792	103,806
Net increase (decrease) in cash and cash equivalents during the period	(5,221)	6,244	51,384	54,034
Effect of foreign exchange rates on cash and cash equivalents	(57)	(86)	(253)	(261)
Cash and cash equivalents, beginning of period	23,705	12,269	2,642	-
Cash and cash equivalents, end of period	18,427	18,427	53,773	53,773

Quadra Mining Ltd.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Six months ended June 30, 2005

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 by product credits, located in the United States. The Company also has advanced exploration projects in Chile and Peru (Note 7).

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, 2004. 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, 2004. Effective January 1, 2005 the Company adopted the CICA's Handbook Accounting Guideline 15, "Consolidation of Variable Interest Entities" (AcG-15) and commenced accounting for deferred stripping costs.

Variable Interest Entities

Under this new guideline, an enterprise should consolidate a variable interest entity when that enterprise has a variable interest, or combination of variable interests, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. As of June 30, 2005, the Company did not have any variable interest entities.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
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Deferred Stripping

Mining costs related to waste rock removal in excess of the life-of-pit average strip ratio (ratio of waste extracted to ore extracted) are deferred and charged to earnings on the basis of this average stripping ratio. When the wasted rock extracted in a given period is less than the life-of-pit average, a charge against earnings for historical stripping is made.

3. FINANCIAL INSTRUMENTS

The Company's financial instruments are comprised of cash and cash equivalents, receivables, security deposits, bank indebtedness, accounts payable and notes payable. The fair value of current financial instruments approximates their carrying values due to the immediate or short-term maturity of those instruments. Management also estimates that the fair value of the notes payable and the non-current security deposits approximate their carrying value.

4. INVENTORY

	June 30, 2005	December 31, 2004
Concentrate	13,243	18,069
Supplies	2,822	1,210
Total	16,065	19,279

5. SECURITY DEPOSITS

The Company has entered into agreements related to the leasing of mining mobile equipment. These lease arrangements require prepayment and security deposits of \$13,479.

Quadra Mining Ltd.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Six months ended June 30, 2005

	June 30, 2005	December 31, 2004
Security deposits - mining equipment	13,479	11,479
Security deposits - others	2,207	2,007
Margin deposit	-	4,339
Total	15,686	17,825
Less: Current portion	-	4,339
Long-term	15,686	13,486

6. ENVIRONMENTAL TRUST AND BOND

	June 30, 2005	December 31, 2004
Environmental bond (a)	19,459	17,990
Cash in trust for reclamation (b)	8,070	5,622
Total	27,529	23,612

(a)The Company has posted an environmental bond with the US Bureau of Land Management (BLM).

On March 25, 2005, the BLM approved the revised reclamation plan and cost estimate for the Robinson Mine and required the Company to increase the amount of the bond. During the period ended June 30, 2005, the amount of the bond increased to \$19,459.

(b)The following table summarizes the continuity of the contributions to and payments of the trust:

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Six months ended June 30, 2005

	Contributions to the trust	Reclamation costs paid by the trust	Net trust funds available
On acquisition of Robinson mine	10,202	4,900	5,302
Interest income	45	-	45
Since acquisition of Robinson mine	2,723	-	2,723
Total	12,970	4,900	8,070

7. MINERAL PROPERTIES

	June 30, 2005	December 31, 2004
Sierra Gorda - option payments (a)	2,236	1,780
Sierra Gorda - exploration	2,451	1,360
Magistral (b)	5,386	-
Total	10,073	3,140

(a) On April 15, 2004, Quadra entered into six agreements [the "Option Agreements"] with six separate vendors under which Quadra could elect to purchase six contiguous mining properties in Chile. The Option Agreements have differing terms, conditions and adjustments. The total purchase price of all six properties is \$24,975. The payment schedules are structured so that there are initial payments, further payments upon entering into the Option Agreements and annual and semi-annual payments thereafter until the full purchase price is paid. The initial amount paid upon entering into the Option Agreements was \$1,675, with an additional \$994 payable to the vendors during the first two years of the Option Agreements. During the six month period ending June 30, 2005, the Company made a \$456 option payment.

(b) During the quarter ended March 31, 2005, Quadra entered into an agreement with Inca Pacific Resources Inc. ("Inca") for the development of the Magistral copper-molybdenum project in Peru. Under the terms of the agreement, Quadra can earn a 50.1% interest in Ancash Cobre S.A., the 100% owner of the Magistral project, by completing a pre-feasibility study for a minimum 15,000 tonnes per day operation by

Quadra Mining Ltd.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Six months ended June 30, 2005

February 28, 2006. Quadra can increase its ownership from 50.1% to 65% by arranging project financing on or before June 30, 2007. Once Quadra has met its obligations with respect to the feasibility study and financing, and has reached 65% ownership, each party will be responsible for its share of the project development costs.

The costs of entering the agreement were as follows:

- i) Investment in shares in Inca
 - Recorded at fair market value: \$598
- ii) Mineral properties - Magistral: \$2,514 (including 183,264 common shares issued at a value of \$1,141)

Further consideration will be paid as follows:

- \$1,000 in cash upon completion of a positive pre-feasibility study.
- \$1,000 in cash upon completion of a positive "bankable" feasibility study.
- \$2,000 in cash upon completion of project financing.

The Company may withdraw from the agreement before October 26, 2005, provided that it has completed certain work obligations. In this event, Inca, the owner of Ancash Cobre S.A. ("Ancash"), has the right to repurchase the initial shares for one dollar. After this date, the Company is obliged to produce a pre-feasibility study by February 28, 2006 and a feasibility study by November 30, 2006. The Company may withdraw during this period of time on thirty days notice and the repurchase price shall be 50% of the expenditures incurred to date, payable as cash, share of Inca or out of future project cash flows. On production of the feasibility study, the Company ownership of 50.1% of Ancash will vest in the Company. If the Company elects to withdraw after production of a feasibility study, a mechanism allows for sale of the Company's 50.1% holding. Once the Company has arranged financing to put Magistral into production, a further 14.9% of the shares of Ancash vest with the Company. Once financing has been arranged, Inca is entitled to sell its remaining 35% interest to the Company at a price to be determined at that point in time based on the estimated net present value of the project. Inca has 30 days to make such an election. Payment may be made, at the Company's option, in shares or cash. In the event that Inca does not make such an election, at Inca's option, the Company will provide guarantees for Inca's portion of any debt required to finance the project and in return Inca shall pay

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Six months ended June 30, 2005

the Company a guarantee fee of 4% per annum of the amount of debt attributable to Inca, until such time as the debt becomes non-recourse to the Company.

During the three months ending June 30, 2005 the Company spent \$2,872 to advance the Magistral project.

8. PROPERTY, PLANT AND EQUIPMENT

			June 30, 2005	December 31, 2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Plant and equipment	17,539	(1,556)	15,983	14,494
Asset retirement obligation	24,590	(1,912)	22,678	24,108
Land and buildings	3,174	(369)	2,805	3,112
Office equipment	2,024	(294)	1,730	1,300
Leasehold improvements	188	(13)	175	157
Total	47,515	(4,144)	43,371	43,171

The accumulated amortization of plant and equipment includes the amortization of deferred costs related to equipment leases, which were previously classified as non-cash mining cost included in the cost of sales. After the re-allocation, amortization, depletion and depreciation expense and cost of sales for the three months ending March 31, 2005 would be \$2,263 and \$34,589 respectively.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Six months ended June 30, 2005

9. OTHER ASSETS AND DEFERRED CHARGES

[a] Other long-term assets

	June 30, 2005	December 31, 2004
Investment in 1 million shares of Inca Pacific (Note 7)	598	-
Other long-term receivables	447	355
Total	1,045	355

Investment in shares in Inca Pacific Resources Inc. (Note 7) was recorded at fair market value at the date of acquisition since it is intended to be held for a long-term purpose. The fair market value of the shares at June 30, 2005 was \$423.

[b] Deferred charges

	June 30, 2005	December 31, 2004
Robinson mine deferred start-up costs (net of amortization)	16,429	17,557
Deferred stripping asset	2,923	-
Total	19,352	17,557

10. BANK INDEBTEDNESS

On March 30, 2005, Robinson arranged a revolving working capital facility and hedge line of credit facility with Macquarie Bank Ltd. ("Macquarie"). Proceeds from the working capital facility are available to provide additional liquidity for the Robinson Mine between the production and final settlement sales of metal concentrate.

Macquarie has agreed to provide a revolving working capital facility of up to \$20,000 until March 31, 2006. Each drawdown under this facility will be no greater than 90% of the net smelter return based on the hedged value of concentrate shipments under current sales contracts. The metal prices used in the estimated value will be based

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[US Dollars in Thousands]
Six months ended June 30, 2005

on the hedged prices entered into by Robinson between each drawdown date and the first provisional payment made by customers pursuant to the terms of their individual sales contracts. The Company made an initial drawdown of \$12,000 on March 30, 2005 and repaid \$6,000 on June 29, 2005.

In addition to the working capital facility, Macquarie has agreed to provide the Company with an uncommitted hedge line of credit facility. The current terms of this facility allow the Company to hedge up to 60,000 tonnes of copper metal and 60,000 oz of gold, free of margin calls.

The primary security for the obligations under both facilities is a security interest in all of the assets of Robinson.

11. DERIVATIVE INSTRUMENT LIABILITY

On July 22, 2004 the Company bought gold forward sales contracts for a total of 60,000 oz. The Company settles the contracts from time to time. As at June 30, 2005, the weighted-average price on the forward contracts was \$407.88/oz and the quantity was 54,000 oz. The unrealized loss from the mark-to-market adjustment of the contracts as at June 30, 2005 was \$1,621, resulting in an unrealized loss of \$322 in the period.

During the six month period ended June 30, 2005 the Company entered into various short-term copper forward sales contracts with Macquarie Bank to hedge copper price. As at June 30, 2005 the weighted-average price on the forward contracts was \$1.41/lb for a total of 29,903 tonnes copper metal. The unrealized loss from the mark-to market adjustment as at June 30, 2005 was \$9,045, resulting in an unrealized loss of \$7,424 in the period.

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NOTES TO FINANCIAL STATEMENTS

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Six months ended June 30, 2005

12. ASSET RETIREMENT OBLIGATIONS

	June 30, 2005	December 31, 2004
Balance at beginning of period	25,067	-
Acquisition of Robinson mine	-	24,590
Accretion	981	477
Balance at end of period	26,048	25,067

13. SHARE CAPITAL

[a] Common Shares

	June 30, 2005	
	Number of Shares	\$
Balance at December 31, 2004	27,156,000	102,553
Issued in the period:	-	-
To Inca Pacific (Note 7)	183,264	1,141
Employee stock option exercised	6,667	33
Balance at June 30, 2005	27,345,931	103,727

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NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Six months ended June 30, 2005

[b] The following table summarizes the stock option activity for the six month period ending June 30, 2005 (in Canadian dollars):

	June 30, 2005	
	Shares	Weighted-average exercise price
		\$
Outstanding at December 31, 2004	1,724,167	5.92
Granted	726,000	6.93
Exercised	(6,667)	4.70
Outstanding at June 30, 2005	2,443,500	6.22
Exercisable at June 30, 2005	1,362,832	6.11

The following table summarizes information relating to stock options outstanding and exercisable at June 30, 2005 (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	110,000	3.92	4.83	56,666	4.81
\$5.25 - \$5.35	162,000	4.90	5.28	54,000	5.28
\$6.00 - \$7.40	2,171,500	4.04	6.36	1,252,166	6.21
	2,443,500	4.09	6.22	1,362,832	6.11

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Six months ended June 30, 2005

During the quarter ending June 30, 2005, the Company granted 162,000 stock options to directors, contractors and employees. For accounting purposes, the estimated weighted-average fair value per stock option is \$1.51 for a total value of \$245. The options have a two-year vesting period and expire after five years. 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. Changes in these assumptions can materially affect the estimated fair value of options granted.

The following table summarizes the amortization of the value of stock options and warrants for the period ending June 30, 2005:

	June 30, 2005
	Stock options and warrants \$
Beginning balance at December 31, 2004	3,273
Stock-based compensation expense	1,118
Options exercised	(8)
Ending balance at June 30, 2005	4,383

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Six months ended June 30, 2005

14. EARNINGS PER SHARE

Basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding for the year. Diluted earnings per share is calculated using the treasury stock method.

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Basic and diluted earnings (loss) per share				
Numerator				
Net income (loss) for the period	2,879	(1,674)	6,667	(1)
Denominator (000s)				
Basic weighted average shares outstanding	27,346	27,156	27,284	14,578
Diluted weighted average shares outstanding	27,367	27,156	27,323	14,578
Basic earnings (loss) per share	\$ 0.11	\$ (0.06)	\$ 0.24	\$ -
Diluted earnings (loss) per share	\$ 0.11	\$ (0.06)	\$ 0.24	\$ -

15. SEGMENTED INFORMATION

The Company's reportable geographic segments are as follows:

Robinson Mine (U.S.)

The Robinson Mine is an open pit copper and gold mine located in Ely, Nevada. All of the Company's revenues are generated from production at the Robinson Mine.

South America Exploration

In April 2004, the Company entered into six separate formal option agreements for six contiguous properties that together make up its Sierra Gorda project in Chile.

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Six months ended June 30, 2005

In March 2005, the Company entered into an agreement to evaluate the Magistral project in Peru.

Corporate (Canada)

Head office operations are located in Vancouver, British Columbia.

As at June 30, 2005, segmented information is presented as follows:

	Robinson Mine	South America Exploration	Corporate	Total
Cash	10,522	248	7,657	18,427
Other current assets	29,587	54	316	29,957
Long-term assets	108,391	10,363	715	119,469
Total assets	148,500	10,665	8,688	167,853
Current liabilities	25,524	81	560	26,165
Long-term liabilities	29,618	-	-	29,618
Total liabilities	55,142	81	560	55,783
Earnings (Loss)	6,057	(38)	648	6,667

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Six months ended June 30, 2005

	December 31, 2004			
	Robinson Mine	South America Exploration	Corporate	Total
Cash	3,567	54	8,648	12,269
Other current assets	20,670	21	4,949	25,640
Long-term assets	99,518	3,301	89	102,908
Total assets	123,755	3,376	13,686	140,817
Current liabilities	7,897	69	2,583	10,549
Long-term liabilities	27,149	-	-	27,149
Total liabilities	35,046	69	2,583	37,698
Earnings (Loss)	1,471	105	(3,952)	(2,375)

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 six month period ending June 30, 2005 the Company paid legal fees of \$392 and recruiting and human resources consulting fees of \$139 respectively to those entities [June 30, 2004: \$513 and \$120 respectively].

17. COMMITMENTS

[a] On September 1, 2004 Robinson Nevada Mining Company (Robinson) entered into an operating lease agreement with Caterpillar Financial Services Corporation (Caterpillar) to lease sixteen trucks. Under the terms of the agreement, Robinson is required to pay \$3,915 to Caterpillar. The principal is repayable annually over three years and the interest is payable monthly at an annual interest rate of 6.6% over 39 months with the first payment commencing October 1, 2004. The total lease payment of the sixteen trucks amounts to \$37,672 and is payable over 7 years.

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[b] On June 13, 2005 Robinson signed a five year agreement with Snyder Transport, Inc. (Snyder) to transport copper concentrates from the mine site to a trans-loading facility effective March 3, 2005. Robinson advanced \$200 to Snyder as security deposits for the transportation equipment. According to the agreement, Snyder will return the \$200 security deposit to Robinson in September 2006.

18. SUBSEQUENT EVENT

On August 9, 2005 Robinson signed an agreement with Washington Group International ("WGI"), the mining contractor, to take over all mining operations at the Robinson mine from WGI. Effective August 9, 2005 Robinson assumed direct management of the mining operations. There will be an orderly transition of all remaining activities to Robinson by October 31, 2005.

The agreement requires Robinson to pay a fee of \$4,000 to WGI and acquire certain equipment at an aggregate price of approximately \$16,000 by October 31, 2005. In addition, the parties are negotiating a final settlement of all outstanding contractual amounts which must be settled by December 31, 2005. It is expected that the equipment will be financed by leasing arrangements.