



Quadra Mining Ltd.

September 30, 2005

(Unaudited)

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

Quadra Mining Ltd.

CONSOLIDATED BALANCE SHEETS

[US Dollars in Thousands]

Unaudited

		September 30, 2005	December 31, 2004
ASSETS			
Current			
Cash and cash equivalents		9,413	12,269
Receivables and prepaid expenses		29,508	2,022
Marketable securities	Note 7b	542	-
Inventory	Note 4	16,243	19,279
Security deposits	Note 5	2,000	4,339
Total Current Assets		<u>57,706</u>	<u>37,909</u>
Security deposits	Note 5	14,865	13,486
Environmental trust and bond	Note 6	29,341	23,612
Mineral properties	Note 7	6,108	3,140
Property, plant and equipment	Note 8	45,029	43,171
Other assets and deferred charges	Note 9	25,119	17,912
Future income tax assets	Note 13	4,139	1,587
Total Assets		<u><u>182,307</u></u>	<u><u>140,817</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	Note 10	7,100	-
Accounts payable and accrued liabilities		23,340	8,297
Derivative instrument liability	Note 11	19,864	1,899
Notes payable - current portion		343	353
Total Current Liabilities		<u>50,647</u>	<u>10,549</u>
Asset retirement obligations	Note 12	26,552	25,067
Notes payable		3,569	2,082
Total Liabilities		<u>80,768</u>	<u>37,698</u>
Shareholders' equity			
Share capital	Note 15a	103,727	102,553
Stock options and warrants	Note 15b	4,742	3,273
Deficit		(6,930)	(2,707)
Total Shareholders' Equity		<u>101,539</u>	<u>103,119</u>
Total Liabilities and Shareholders' Equity		<u><u>182,307</u></u>	<u><u>140,817</u></u>
Commitments	Note 19		
Subsequent events	Note 20		
Contingencies	Note 21		

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 September 30, 2005	Nine months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2004
Net revenue from concentrate sales		63,432	162,903	-	-
Cost of sales		45,458	121,963	-	-
Amortization, depletion and depreciation		2,519	7,216	2	3
Accretion of asset retirement obligations		505	1,485	-	-
Royalties		123	304	-	-
Operating income (loss)		14,827	31,935	(2)	(3)
General and administrative		1,335	4,045	1,360	2,540
Realized loss on derivatives		10,708	10,850	745	745
Stock-based compensation	Note 15b	359	1,477	369	1,577
Foreign exchange (gain) loss		(69)	17	(557)	(296)
Net interest and other (income) expense		117	114	(165)	(314)
Income (loss) before other items		2,377	15,432	(1,754)	(4,255)
Write down of Magistral property	Note 7b	6,098	6,098	-	-
Unrealized loss on derivatives	Note 11	4,527	11,674	-	-
Contract termination fee	Note 19	4,436	4,436	-	-
Break fee		-	-	-	(2,500)
Loss before income taxes		(12,684)	(6,776)	(1,754)	(1,755)
Income tax - current		(67)	-	-	-
Future income tax recovery	Note 13	(1,727)	(2,553)	-	-
Loss for the period		(10,890)	(4,223)	(1,754)	(1,755)
Retained earnings (deficit) - beginning of period		3,960	(2,707)	(333)	(332)
Retained earnings (deficit) - end of period		(6,930)	(6,930)	(2,087)	(2,087)
Loss per share					
Basic and diluted loss per share	Note 16	(0.40)	(0.15)	(0.06)	(0.09)

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[US Dollars in Thousands]

Unaudited

	Three months ended September 30, 2005	Nine months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2004
OPERATING ACTIVITIES				
Earnings (loss) for the period	(10,890)	(4,223)	(1,754)	(1,755)
Adjustment for items not involving cash:				
Foreign exchange loss	(69)	17	(557)	(296)
Stock-based compensation	359	1,477	369	1,577
Amortization, depletion, depreciation and accretion	3,024	8,701	2	3
Unrealized loss on derivatives	4,527	11,674	745	745
Unrealized gain on sale settlements	(784)	(2,722)	-	-
Future income tax expense	(1,727)	(2,553)	-	-
Write down of Magistral property	6,098	6,098	-	-
	538	18,469	(1,195)	274
Changes in non-cash working capital:	2,557	(2,196)	236	(334)
Cash received from operating activities	3,095	16,273	(959)	(60)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(3,081)	(6,363)	(5,310)	(5,369)
Increase in security deposits and environmental trust and bond	(2,989)	(4,769)	(2,696)	(32,920)
Additions to mineral properties	(2,134)	(7,925)	(349)	(2,251)
Investment in other assets and deferred charges	(5,073)	(8,657)	(11,574)	(14,353)
Acquisition of Robinson Mine	-	-	-	(15,707)
Cash used in investing activities	(13,277)	(27,714)	(19,929)	(70,600)
FINANCING ACTIVITIES				
Increase in bank indebtedness	1,100	7,100	-	-
Increase (decrease) in notes payable	(1)	1,477	1,197	1,197
Increase in share capital	-	25	73	103,879
Cash provided by financing activities	1,099	8,602	1,270	105,076
Net increase (decrease) in cash and cash equivalents during the period	(9,083)	(2,839)	(19,618)	34,416
Effect of foreign exchange rates on cash and cash equivalents	69	(17)	557	296
Cash and cash equivalents, beginning of period	18,427	12,269	53,773	-
Cash and cash equivalents, end of period	9,413	9,413	34,712	34,712

Quadra Mining Ltd.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]

Nine months ended September 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 (Note 7). In addition, on October 5, 2005 the Company signed a binding letter of intent with Cambior Inc. for the purchase of Carlota copper project. Carlota is a development ready SX-EW copper project located near Phoenix, Arizona in the United States (Note 19a).

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 commenced accounting for deferred stripping costs.

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 waste rock extracted in a given period is less than the life-of-pit average, a charge against earnings for historical stripping is made.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Nine months ended September 30, 2005

3. FINANCIAL INSTRUMENTS

The Company's financial instruments are comprised of cash and cash equivalents, receivables, marketable securities, 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

	September 30, 2005	December 31, 2004
Concentrate	12,168	18,069
Supplies	4,075	1,210
Total	16,243	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 \$14,658.

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NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Nine months ended September 30, 2005

	September 30, 2005	December 31, 2004
Security deposits - mining equipment	14,658	11,479
Security deposits - others	2,207	2,007
Margin deposit	-	4,339
Total	16,865	17,825
Less: Current portion	2,000	4,339
Long-term	14,865	13,486

6. ENVIRONMENTAL TRUST AND BOND

	September 30, 2005	December 31, 2004
Environmental bond (a)	19,586	17,990
Cash in trust for reclamation (b)	9,755	5,622
Total	29,341	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 September 30, 2005, the amount of the bond increased to \$19,586 including cumulative interest earned.

(b)The following table summarizes the continuity of the contributions to and payments of the trust as at September 30, 2005:

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
 Nine months ended September 30, 2005

Reclamation Trust

	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	94	-	94
Since acquisition of Robinson mine	4,359	-	4,359
Total	14,655	4,900	9,755

7. MINERAL PROPERTIES

	September 30, 2005	December 31, 2004
Sierra Gorda - option payments (a)	2,236	1,780
Sierra Gorda - exploration	3,872	1,360
Total	6,108	3,140

(a) On April 15, 2004, Quadra entered into six agreements [the "Option Agreement"] with six separate vendors under which Quadra could elect to purchase six contiguous mining properties [the "Sierra Gorda"] 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 nine month period ending September 30, 2005, the Company made a \$456 option payment. The next payment was due on October 15, 2005 in the amount of \$50.

(b) On October 26, 2005 the Company made an election not to continue in the development of the Magistral copper-molybdenum project in Peru. As a result, the investment and costs incurred in developing Magistral project capitalized as mineral properties in the amount of \$6,042 have been written off and charged to income as

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NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
 Nine months ended September 30, 2005

of September 30, 2005. In addition, the investment in Inca Pacific has been written down to fair market value of \$542 as of September 30, 2005, resulting a loss of \$56.

8. PROPERTY, PLANT AND EQUIPMENT

			September 30, 2005	December 31, 2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Plant and equipment	20,544	(2,272)	18,272	14,494
Asset retirement obligation	24,590	(2,529)	22,061	24,108
Land and buildings	3,174	(326)	2,848	3,112
Office equipment	2,101	(423)	1,678	1,300
Leasehold improvements	188	(18)	170	157
Total	50,597	(5,568)	45,029	43,171

9. OTHER ASSETS AND DEFERRED CHARGES

	September 30, 2005	December 31, 2004
Robinson mine deferred start-up costs (net of amortization)	16,591	17,557
Deferred stripping	8,288	-
Other long-term receivables	240	355
Total	25,119	17,912

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]

Nine months ended September 30, 2005

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 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. During the quarter ended September 30, 2005, the Company replaced the outstanding \$6,000 loan with a \$7,100 loan secured by an October concentrate shipment.

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 September 30, 2005, the weighted-average price on the forward contracts was \$410.62/oz and the quantity was 50,000 oz. The unrealized loss from the mark-to-market adjustment of the contracts as at September 30, 2005 was \$3,189, resulting in an unrealized loss of \$1,568 for the three months ended September 30, 2005.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Nine months ended September 30, 2005

During the nine month period ended September 30, 2005 the Company entered into various short-term copper forward sales contracts with Macquarie Bank to hedge the copper price. During the quarter ended September 30, 2005, the realized loss from forward sales contracts was \$10,708, in which \$6,228 will be paid in the fourth quarter ended December 31, 2005. As at September 30, 2005 the weighted-average price on the outstanding forward contracts was \$1.39/lb for a total of 13,960 tonnes copper metal. The unrealized loss from the mark-to-market adjustment as at September 30, 2005 was \$10,447, resulting in an unrealized loss of \$2,959 for the three months ended September 30, 2005.

12. ASSET RETIREMENT OBLIGATIONS

	September 30, 2005	December 31, 2004
Balance at beginning of period	25,067	-
Acquisition of Robinson mine	-	24,590
Accretion	1,485	477
Balance at end of period	26,552	25,067

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Nine months ended September 30, 2005

13. INCOME TAXES

The components of recognized future tax assets as of September 30, 2005 are as follows:

	September 30, 2005	December 31, 2004
	\$	\$
Resource assets	(4,650)	8,193
Other deductible tax pools	7,254	2,034
Non-capital losses	7,223	8,112
	9,827	18,339
Valuation allowance	(5,688)	(16,751)
Future income tax assets	4,139	1,587

The Company has not recognized the tax benefits arising from Canadian and Chilean operations.

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
 Nine months ended September 30, 2005

14. STATEMENT OF CASH FLOWS

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

	Three months ended September 30, 2005	Nine months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2004
Increase in receivables and prepaid expenses	(14,832)	(24,764)	(2,735)	(3,344)
Increase in marketable securities	(542)	(542)	-	-
(Increase) decrease in inventory	(924)	1,777	(3,864)	(3,892)
Increase in payables and accruals	18,855	21,333	6,835	6,902
Net changes in non-cash working capital	2,557	(2,196)	236	(334)

15. SHARE CAPITAL

[a] Common Shares

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

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
 Nine months ended September 30, 2005

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

	Shares	Weighted-average exercise price \$
Outstanding at December 31, 2004	1,724,167	5.92
Granted	781,000	6.93
Exercised	(6,667)	4.70
Outstanding at September 30, 2005	2,498,500	6.22
Exercisable at September 30, 2005	1,377,832	6.11

The following table summarizes information relating to stock options outstanding and exercisable at September 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	2,226,500	4.06	6.35	1,267,166	6.21
	2,498,500	4.11	6.22	1,377,832	6.11

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
 Nine months ended September 30, 2005

During the quarter ending September 30, 2005, the Company granted 75,000 stock options to employees. For accounting purposes, the estimated weighted-average fair value per stock option is \$1.79 for a total value of \$134. 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 movement in the stock options and warrants account for the period ending September 30, 2005:

	Stock options and warrants \$
Beginning balance at December 31, 2004	3,273
Stock-based compensation expense	1,477
Options exercised	(8)
Ending balance at September 30, 2005	4,742

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
 Nine months ended September 30, 2005

16. LOSS PER SHARE

Basic loss per share is computed by dividing loss attributed to common shareholders by the weighted average number of common shares outstanding for the year. Basic and diluted loss per share are the same because the exercise of options or warrants would be anti-dilutive.

	Three Months Ended Sept. 30, 2005	Nine Months Ended Sept. 30, 2005	Three Months Ended Sept. 30, 2004	Nine Months Ended Sept. 30, 2004
Basic and diluted loss per share				
Numerator				
Loss for the period	(10,890)	(4,223)	(1,754)	(1,755)
Denominator (000s)				
Basic weighted average shares outstanding	27,346	27,304	27,156	18,771
Diluted weighted average shares outstanding	27,370	27,337	27,156	18,771
Basic and diluted loss per share	\$ (0.40)	\$ (0.15)	\$ (0.06)	\$ (0.09)

17. 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.

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NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]
Nine months ended September 30, 2005

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.

Corporate (Canada)

Head office operations are located in Vancouver, British Columbia.

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

	Robinson Mine	South America Exploration	Corporate	Total
Cash	4,453	100	4,860	9,413
Other current assets	48,994	29	223	49,246
Long-term assets	116,778	6,205	665	123,648
Total assets	170,225	6,334	5,748	182,307
Current liabilities	49,740	83	824	50,647
Long-term liabilities	30,121	-	-	30,121
Total liabilities	79,861	83	824	80,768
Earnings (Loss)	1,569	(6,084)	292	(4,223)
Three months ended September 30, 2005				
Earnings (Loss)	(4,487)	(6,046)	(357)	(10,890)

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[US Dollars in Thousands]
 Nine months ended September 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)
Three months ended September 30, 2004				
Earnings (Loss)	15	(55)	(1,714)	(1,754)
Nine months ended September 30, 2004				
Earnings (Loss)	15	(95)	(1,675)	(1,755)

18. 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 September 30, 2005 the Company paid legal fees of \$435 and recruiting and human resources consulting fees of \$183 respectively to those entities [September 30, 2004: \$697 and \$174 respectively].

19. COMMITMENTS

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

NOTES TO FINANCIAL STATEMENTS

[US Dollars in Thousands]

Nine months ended September 30, 2005

management of the mining operations. There was an orderly transition of all remaining activities to Robinson by October 31, 2005.

The agreement required Robinson to pay a fee of \$4,436 to WGI and acquire certain equipment at a fair value of \$13,437 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. The equipment was financed by leasing arrangements.

Under the term of the mining agreement between Robinson and WGI, Robinson has the right to audit the WGI's accounting records and to produce an audit report detailing exceptions to invoices and charges received by Robinson. Based on the audit findings through today, the disputed items amounted to approximately \$250. The audit will be completed by December 31, 2005 and the dispute amount will be accounted for at that time.

20. SUBSEQUENT EVENTS

[a] On October 5, 2005 the Company signed a binding letter of intent with Cambior Inc ("Cambior") for the purchase of Cambior USA Inc., owner of the Carlota copper project ("Carlota") for a total consideration of \$37,500. Carlota is a development ready SX-EW copper project. Included in the purchase price are ten used 190 ton trucks, one used P&H 2800 shovel and a solvent extraction plant.

The Company has agreed to pay Cambior the following payments:

- On closing of the transaction, \$15,000 in cash
- Eight quarterly payments commencing on March 31, 2006 of 6,250 ounces of gold, representing in the aggregate \$22,500 based on a reference gold price of \$450 per ounce

An additional \$4,000 in cash may be payable following an agreed-upon drilling program of approximately 3,000 meters to confirm the status of certain material currently included in the reserves of the Carlota deposit. The transaction is expected to close in November 2005.

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[US Dollars in Thousands]

Nine months ended September 30, 2005

- [b] On October 5, 2005 the Company entered into a commitment letter for a bridge loan facility (the "Bridge Facility") with a Canadian chartered bank in order to provide access to the funds necessary to pay the initial installment of the Carlota purchase price. The Bridge Facility is in the amount of \$15,000, has a six month term, is secured by the assets of the company and will bear interest at LIBOR plus 3.5%. The Company may draw down under the Bridge Facility only upon entering into definitive agreements for the Bridge Facility, closing of the acquisition and on other terms and conditions typical for a transaction of this nature. The Company intends to refinance this facility in the future, either through a project debt facility, new debt, or equity.
- [c] On October 21, 2005 Robinson signed a lease agreement with Caterpillar Financial Services Corporation ("CAT") to lease WGI equipment (Note 19). The lease term is 60 months and the total lease payment amounts to \$14,339.

21. CONTINGENCIES

- [a] On July 7, 2005 Gerald Metals Inc. declared it will not be accepting delivery on the remaining tonnage of their 2005 allotment of approximately 40,000 tonnes due to a strike at the receiving smelter. The Company will sell these materials in the open market at less favourable terms in the fourth quarter of 2005. The Company dispute the position taken by Gerald Metals Inc. and will take the dispute to arbitration.
- [b] On August 11, 2005, a lawsuit was filed against Robinson Nevada Mining Company (in its former name BHP Nevada Mining Company), BHP Copper Inc., BHP Limited and BHP Billiton (collectively, "BHP") in the United States District Court in Reno Nevada. The plaintiffs have claimed, among other matters, that BHP permitted the Robinson mine to contaminate well water and that BHP and the Robinson mine failed to disclose the existence of pollutants to the plaintiffs. The plaintiffs have claimed for, among other matters, damages for personal injury and emotional distress and punitive damages. The Company was not in possession of the Robinson mine at the time of the events in question. BHP Copper Inc. has made a claim of indemnity against the Company claiming that, under the terms of the purchase agreement pursuant to which the Company acquired Robinson

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Nevada Mining Company, the Company has an obligation to indemnify and hold harmless BHP Copper Inc. and its affiliates from any liability arising pursuant to the lawsuit. The Company has made a similar claim of indemnity against BHP Copper Inc. As the Company was not the owner of the Robinson Mine at the time of the occurrence of the events in question and is not currently aware of all of the facts, it is impossible at this time for the Company to assess its potential liability in this matter or whether it has an obligation of indemnity to or a right of indemnity from BHP Copper Inc.