



Quadra Mining Ltd.

Consolidated Financial Statements

June 30, 2009

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

(Unaudited)

Quadra Mining Ltd.

CONSOLIDATED BALANCE SHEETS

(US Dollars in Thousands)
(Unaudited)

		June 30, 2009	December 31, 2008
ASSETS			
Current			
Cash and cash equivalents	Note 5	124,515	107,797
Restricted cash		2,155	-
Receivables		23,082	19,505
Inventory	Note 6	116,380	88,257
Derivative assets	Note 11	886	38,481
Other current assets	Note 7	31,060	23,442
Total Current Assets		298,078	277,482
Environmental trust and bond		59,655	55,404
Mineral properties, plant and equipment	Note 8	722,851	506,921
Derivative assets	Note 11	3,711	-
Other non-current assets	Note 9	4,552	3,109
Future income tax assets		15,556	15,718
Total Assets		1,104,403	858,634
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		65,838	49,448
Derivative liabilities	Note 11	10,628	6,667
Other current liabilities	Note 12	4,215	10,052
Future income tax liabilities		15,056	14,493
Total Current Liabilities		95,737	80,660
Long-term debt	Note 13	32,322	-
Asset retirement obligations		48,204	40,969
Obligations under capital leases		4,603	5,473
Derivative liabilities	Note 11	2,937	-
Other non-current liabilities		2,735	-
Total Liabilities		186,538	127,102
Shareholders' Equity			
Share capital	Note 14(a)	711,628	578,474
Stock options and warrants	Note 14(b), (c)	39,456	35,253
Accumulated other comprehensive loss	Note 7	(10,532)	(40,181)
Retained earnings		177,313	157,986
Total Shareholders' Equity		917,865	731,532
Total Liabilities and Shareholders' Equity		1,104,403	858,634
Commitments (Note 20), Contingencies (Note 21)			

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

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(US Dollars in Thousands)

(Unaudited)

		Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
			As restated (Note 3)		As restated (Note 3)
Revenues	Note 16	95,566	180,570	201,882	378,602
Cost of sales		58,803	60,546	115,523	127,766
Reversal of start-up inventory adjustment	Note 6	-	-	(5,305)	-
Amortization, depletion and depreciation		6,962	4,297	11,322	8,733
Accretion of asset retirement obligations		993	825	1,962	1,632
Royalties and mineral taxes		4,682	10,901	8,010	20,095
		<u>71,440</u>	<u>76,569</u>	<u>131,512</u>	<u>158,226</u>
Operating income		24,126	104,001	70,370	220,376
General and administrative		4,098	3,573	7,591	8,147
Stock-based compensation	Note 14(b)	2,075	3,976	3,595	5,187
Loss on settlement of debt		-	15,940	-	15,940
Loss on derivatives	Note 11	17,170	1,200	25,979	10,660
Foreign exchange (gain) loss		(334)	(861)	(673)	688
Net interest and other (income) expense	Note 15	8,632	(827)	8,570	(1,746)
Earnings (loss) before income taxes		<u>(7,515)</u>	<u>81,000</u>	<u>25,308</u>	<u>181,500</u>
Income tax expense (recovery)	Note 10	(187)	15,646	5,981	37,583
Earnings (loss) for the period		<u>(7,328)</u>	<u>65,354</u>	<u>19,327</u>	<u>143,917</u>
Retained earnings - beginning of period		184,641	197,940	157,986	119,377
Retained earnings - end of period		<u>177,313</u>	<u>263,294</u>	<u>177,313</u>	<u>263,294</u>
Earnings (loss) per share					
Basic earnings (loss) per share		\$ (0.08)	\$ 1.11	\$ 0.24	\$ 2.51
Diluted earnings (loss) per share		\$ (0.08)	\$ 1.06	\$ 0.24	\$ 2.41
Weighted average shares outstanding - basic		94,521	59,001	80,339	57,248
Weighted average shares outstanding - diluted		94,521	61,931	80,412	59,711

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

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollars in Thousands)

(Unaudited)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
		As restated (Note 3)		As restated (Note 3)
Net earnings (loss)	(7,328)	65,354	19,327	143,917
Other comprehensive income				
Unrealized gain on marketable securities (Note 7(a))	9,980	-	22,415	-
Realized loss (gain) on marketable securities	7,234	-	7,234	(599)
Total comprehensive income	<u>9,886</u>	<u>65,354</u>	<u>48,976</u>	<u>143,318</u>

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

Quadra Mining Ltd.

**CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY**

(US Dollars in Thousands)
(Unaudited)

	Six months ended June 30, 2009	Year ended December 31, 2008
Share capital		
Balance - beginning of year	578,474	336,031
Shares issued for cash, net of issue costs	Note 14(a) 67,593	183,621
Shares issued for Centenario acquisition	Note 4 64,451	-
Shares issued for InterMoly acquisition	-	16,324
Shares issued for water rights acquisition	-	30,171
Stock options exercised	1,110	4,747
Warrants exercised	-	7,580
Balance - end of period	711,628	578,474
Stock options and warrants		
Balance - beginning of year	35,253	27,034
Stock-based compensation	4,144	10,701
Stock options issued for Centenario acquisition	Note 4 314	-
Transfer to share capital for stock options and warrants exercised	(255)	(2,482)
Balance - end of period	39,456	35,253
Accumulated other comprehensive loss		
Balance - beginning of year	(40,181)	599
Reversal of unrealized loss (gain) on marketable securities	Note 7 7,234	(599)
Unrealized gain (loss) on marketable securities	22,415	(40,181)
Balance - end of period	(10,532)	(40,181)
Retained earnings		
Balance - beginning of year	157,986	119,377
Earnings for the period	19,327	38,609
Balance - end of period	177,313	157,986
Total shareholders' equity	917,865	731,532

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, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
		As restated (Note 3)		As restated (Note 3)
OPERATING ACTIVITIES				
Earnings (loss) for the period	(7,328)	65,354	19,327	143,917
Adjustment for items not involving cash from operating activities:				
Stock-based compensation	2,075	3,976	3,595	5,187
Amortization, depletion, depreciation and accretion	7,955	5,122	13,284	10,365
Reversal of start-up inventory adjustment	-	-	(5,305)	-
Loss on settlement of debt	-	15,940	-	15,940
Loss on derivatives	15,074	1,200	26,077	10,660
Future income tax expense (recovery)	(584)	151	725	132
Loss (gain) on marketable securities	7,234	-	7,234	(1,888)
Other	-	199	9	2,701
	<u>24,426</u>	<u>91,942</u>	<u>64,946</u>	<u>187,014</u>
Net changes in non-cash working capital	(23,625)	(42,381)	(36,328)	(47,772)
Cash provided from operating activities	801	49,561	28,618	139,242
INVESTING ACTIVITIES				
Additions to mineral properties, plant and equipment	(66,259)	(99,845)	(83,428)	(157,116)
Transaction costs for Centenario acquisition, net of cash acquired	9,049	-	9,049	-
Increase in loan to Centenario	(6,700)	-	(9,500)	-
Proceeds from sale of marketable securities	13,066	-	13,066	9,517
Increase in environmental bond and trust	39	(8,259)	(4,251)	(8,440)
Payment of deferred gold consideration	-	(5,578)	-	(11,483)
Refund of security deposit	-	6,000	-	14,900
Decrease in other assets	20	1,898	57	1,390
Cash used in investing activities	(50,785)	(105,784)	(75,007)	(151,232)
FINANCING ACTIVITIES				
Proceeds from issue of common shares, net of issue costs	68,448	167,868	68,448	173,725
Increase in long-term debt	33,722	-	33,722	-
Proceeds from close out Centenario derivatives	30,656	-	30,656	-
Repayment of Centenario project loan facility	(68,966)	-	(68,966)	-
Decrease in obligations under capital leases	(375)	(282)	(753)	(1,166)
Payment of Senior Credit Facility	-	(150,000)	-	(150,000)
Payment of loan amendment and prepayment fees	-	(4,500)	-	(12,000)
Cash provided from financing activities	63,485	13,086	63,107	10,559
Net increase (decrease) in cash and cash equivalents during the period	13,501	(43,137)	16,718	(1,431)
Cash and cash equivalents, beginning of period	111,014	305,292	107,797	263,586
Cash and cash equivalents, end of period	124,515	262,155	124,515	262,155

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

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2009
(Unaudited)

1. NATURE OF OPERATIONS

Quadra Mining Ltd. ("Quadra" or the "Company") was incorporated on May 15, 2002 under the British Columbia Company Act and is continued under the British Columbia Business Corporations Act. The Company is in the business of developing and operating mines, with a focus on base metals, 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. The Company's Carlota mine was acquired in 2005, and the sale of copper cathode from the mine commenced in the first quarter of 2009. On April 8, 2009, the Company completed the acquisition of Centenario Copper Corporation ("Centenario") and its 100% owned Franke project, a heap leach SX-EW project in the start-up phase, located in northern Chile (Note 4).

The Company also owns an advanced exploration project in Chile ("Sierra Gorda") and has a 99% interest in the Malmbjerg molybdenum project in Greenland.

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 Canadian GAAP for annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2008. 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, 2008.

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

3. CHANGE OF ACCOUNTING POLICY

Goodwill and Intangible Assets

In the fourth quarter of 2008, the Company adopted CICA Handbook Section 3064 "*Goodwill and Intangible Assets*". Accordingly, certain start up costs at the Robinson mine and the changes in value of the deferred gold consideration related to the Carlota mine that were previously capitalized to mineral properties have been expensed. This change in accounting policy has been applied retroactively and the financial statements for the three and months ended June 30, 2008 have been restated. A summary of the effect of this change is shown below:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2009
(Unaudited)

Effect on the consolidated statements of earnings:

	Three months ended June 30, 2008	Six months ended June 30, 2008
Decrease in depreciation, depletion and amortization	(468)	(955)
(Decrease) increase in interest and other expense	(67)	2,339
(Increase) decrease in future income tax expense	187	(485)
Decrease (increase) in earnings and comprehensive income	(348)	899
Decrease (increase) in earnings per share - basic	\$ (0.01)	\$ 0.02
Decrease (increase) in earnings per share - diluted	\$ (0.01)	\$ 0.02

4. ACQUISITION OF CENTENARIO

On April 8, 2009 the Company and Centenario completed a plan of arrangement (“Arrangement”) under provisions of the Business Corporations Act, whereby Quadra acquired all of the outstanding common shares of Centenario. Under the terms of the Arrangement, the Centenario shareholders received 0.28 of a Quadra common share for each common share of Centenario. Outstanding options to acquire Centenario shares were exchanged for options to acquire Quadra shares, based on the same exchange ratio. A total of 14,368,563 common shares and 574,000 stock options of the Company were issued in exchange for all of the outstanding common shares and stock options of Centenario. Based on the closing Quadra share price on April 8, 2009, the fair value of the consideration, including transaction costs, was \$66,892.

The transaction is accounted for as an asset acquisition and the allocation of the purchase price to the assets acquired and liabilities assumed is based on estimated fair values at the time of acquisition. Management has substantially completed the process of determining fair values for the assets and liabilities acquired. However, the purchase price allocation is subject to change and, in particular, the values allocated to future tax assets, supply contracts and mineral property, plant and equipment may change as the valuation process is completed during 2009.

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

(US Dollars in Thousands)
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Current allocation of the purchase price to the estimated fair value of the assets and liabilities of Centenario is as follows:

Purchase price:

Common shares issued	64,451
Stock options issued	314
Transaction costs	2,127
Total	66,892

Fair value of assets and liabilities acquired:

Cash	11,176
Restricted cash	2,497
Receivables and others	4,520
Copper forward sales contracts	30,656
Mineral property, plant and equipment	184,523
Other non-current assets	1,500
Total assets acquired	234,872
Accounts payable and accruals	(80,617)
Project loan facility	(68,966)
Loan payable to Quadra	(9,500)
Asset retirement obligations	(6,162)
Other non-current liabilities	(2,735)
Total liabilities assumed	(167,980)
Net assets acquired	66,892

In connection with the transaction and to provide Centenario with interim funding to advance the development of the Franke project, the Company issued a \$12,500 unsecured convertible loan facility to Centenario in March 2009. The facility was available for drawdown until the completion of the Arrangement and as of April 8, 2009, the Company had advanced \$9,500 to Centenario under the facility. The completion of the acquisition extinguished Quadra's outstanding convertible loan to Centenario, and the amounts owing were eliminated on consolidation from April 8, 2009 onwards.

Immediately after completion of the acquisition the Company closed out Centenario's copper forward sales contracts and the cash proceeds of \$30,656 were applied to reduce the balance of Centenario's existing project loan facility. Centenario's remaining loan balance of \$38,310 was repaid by May 14, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Six months ended June 30, 2009
(Unaudited)

5. CASH AND CASH EQUIVALENTS

	June 30, 2009	December 31, 2008
Cash deposits, bankers acceptances and term deposits	84,515	80,797
Government money market investments	40,000	27,000
Total	124,515	107,797

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired. At June 30, 2009, the Company's cash and cash equivalents were yielding a weighted average interest rate of 0.25%. At June 30, 2009, the significant majority of the Company's cash and cash equivalents were denominated in U.S. dollars.

6. INVENTORY

	June 30, 2009	December 31, 2008
Copper concentrate	29,689	25,584
Copper cathode	1,491	1,151
Carlota leach pad inventory	63,360	38,839
Supplies	21,840	22,683
Total	116,380	88,257

In the fourth quarter of 2008 the Company recorded an adjustment of \$15,249 to reduce the carrying value of Carlota's copper cathode and leach pad inventory to net realizable value. In the first quarter of 2009 the Company reversed \$5,305 of this adjustment due to the increased copper price during this period.

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(Unaudited)

7. OTHER CURRENT ASSETS

	June 30, 2009	December 31, 2008
Prepaid expenses	3,832	4,676
Prepaid royalties	3,504	4,391
Marketable securities (a)	23,724	14,375
Total other current assets	31,060	23,442

(a) During the quarter ended June 30, 2009, the Company sold available-for-sale marketable securities for proceeds of \$13,066 and recorded a realized loss of \$7,234, which is classified as other (income) expense on the statements of earnings (Note 15). This loss was previously recorded in shareholders' equity as a component of other comprehensive income and has been reversed.

As at June 30, 2009, the fair value of the Company's marketable securities was \$23,724 based on the quoted market price. As a result of the increase in fair value of the marketable securities, the Company recorded an unrealized gain of \$9,980 and \$22,415 for the three months and the six months ended June 30, 2009 respectively. The unrealized gains have been recorded in shareholders' equity as a component of other comprehensive income.

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	June 30, 2009	December 31, 2008
Mineral property acquisition and development costs	589,270	390,954
Plant, buildings and equipment	248,662	218,426
Equipment under capital leases	11,354	11,354
Asset retirement cost	37,510	31,348
	886,796	652,082
Accumulated depreciation, depletion, amortization and impairment:		
Mineral property acquisition and development costs	(110,214)	(103,031)
Plant, buildings and equipment	(34,363)	(24,737)
Equipment under capital leases	(6,674)	(5,787)
Asset retirement cost	(12,694)	(11,606)
	(163,945)	(145,161)
	722,851	506,921

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

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Six months ended June 30, 2009
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Mineral properties, plant and equipment are allocated by project as follows:

			June 30, 2009
	Cost	Accumulated depreciation, depletion, amortization and impairment	Net book value
Robinson mine (Nevada) (a)	176,015	(58,644)	117,371
Carlota copper mine (Arizona) (b)	274,181	(9,038)	265,143
Sierra Gorda project (Chile) (c)	133,281	(167)	133,114
Franke mine (Chile) (d)	201,683	-	201,683
Malmbjerg molybdenum project (Greenland)	101,253	(95,880)	5,373
Other	383	(216)	167
	886,796	(163,945)	722,851

			December 31, 2008
	Cost	Accumulated depreciation, depletion, amortization and impairment	Net book value
Robinson mine (Nevada) (a)	159,345	(48,995)	110,350
Carlota copper mine (Arizona) (b)	263,639	-	263,639
Sierra Gorda project (Chile) (c)	127,871	(123)	127,748
Malmbjerg molybdenum project (Greenland)	100,835	(95,835)	5,000
Other	392	(208)	184
	652,082	(145,161)	506,921

(a) Robinson mine

During the six months ended June 30, 2009, the Company incurred capital expenditures of \$6,988 (six months ended June 30, 2008: \$21,898) related to mill upgrades and Ruth Pit development works. The Company also capitalized \$9,682 of pre-production stripping costs related to the Ruth pit area of the Robinson mine.

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(b) Carlota mine

During the six months ended June 30, 2009, the Company incurred \$10,542 related to the construction of the Pinto Creek Diversion and the acquisition of mining equipment for the Carlota mine (six months ended June 30, 2008: \$94,204).

(c) Sierra Gorda project

During the six months ended June 30, 2009, the Company incurred \$3,369 (six months ended June 30, 2008 - \$9,701) for exploration and development costs on the Sierra Gorda project and made land option payments totaling \$2,041 (six months ended June 30, 2008 - \$24,853).

(d) Franke mine

Since the acquisition of Centenario on April 8, 2009 (Note 4), the Company has incurred \$17,160 in development and construction costs for the Franke project.

9. OTHER NON-CURRENT ASSETS

	June 30, 2009	December 31, 2008
Security deposits	4,201	2,695
Other long-term assets	351	414
Total	4,552	3,109

10. INCOME TAXES

For the six month period ended June 30, 2009, the Company recognized a current income tax expense of \$5,256 and a future income tax expense of \$725. The income tax expense for the six months ended June 30, 2009, has been recorded based on a forecasted effective income tax rate of 24% for 2009 (2008: 21%). For the six months ended June 30, 2008, the Company recognized current income tax expense of \$37,451 and a future income tax expense of \$132 respectively.

The forecast of the annual effective income tax rate includes assumptions regarding metal prices, mine production and costs. At June 30, 2009 the Company has \$17.7 million of Alternative Minimum Tax credits for U.S income tax purposes, the tax benefit of which has not yet been recognized.

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

(US Dollars in Thousands)
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11. DERIVATIVE INSTRUMENTS

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

	June 30, 2009	December 31, 2008
Copper put options (a)	886	38,481
Franke copper collars and put options (b)	(5,105)	-
Fuel contracts (c)	(2,062)	(6,667)
Franke long-term supply contracts (d)	(2,937)	-
Interest rate cap	250	-
Total fair value of the derivative instruments	(8,968)	31,814

Derivative instruments are presented in the balance sheets as follows:

	June 30, 2009	December 31, 2008
Derivative assets - current	886	38,481
Derivative assets - non-current	3,711	-
Derivative liabilities - current	(10,628)	(6,667)
Derivative liabilities - non-current	(2,937)	-
	(8,968)	31,814

The loss on derivatives is comprised as follows:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Copper put options (a)	7,593	1,328	17,680	10,208
Franke copper collars and put options (b)	10,040	-	10,040	-
Fuel contracts (c)	(3,327)	-	(4,605)	486
Franke long-term supply contract (d)	2,937	-	2,937	-
Interest rate cap	(73)	(128)	(73)	(34)
Loss on derivatives	17,170	1,200	25,979	10,660

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(a) Copper Put Options

The Company has acquired copper put options to protect the minimum floor price for a portion of its anticipated copper sales. In the first six months of 2009, 35 million pounds of copper put options were settled with a strike price of \$2.50/lb and the Company received cash payments of \$23,291 from the counterparties. During the second quarter of 2009, the Company purchased an additional 89.5 million pounds of copper put options with a strike price of \$1.50/lb at a cost of \$3,376. The expiry dates of these options are between May and December 2009. At June 30, 2009 the following copper put options remain outstanding (December 31, 2008 – 35 million pounds):

Expiry	Pounds (millions)	Strike price	Fair value
July to September 2009	40.8	\$ 1.50	81
October to December 2009	39.9	\$ 1.50	805
Total	80.7	\$ 1.50	886

In the three months and six months ended June 30, 2009, the Company recorded an unrealized derivative loss of \$7,593 and \$17,680 respectively related to the decrease in the fair value of these copper put options during these periods.

(b) Franke copper collars and put options

Under the terms of the Franke secured project debt facility (Note 13), the Company was required to enter into a copper price protection program in order to establish a minimum floor price for a portion of anticipated copper sales from the Franke mine. In May 2009 the Company entered into zero cost copper collars for 27.6 million pounds of copper and also purchased copper put options for 15 million lbs. at a cost of \$4,935. The following table includes a summary of the terms of these contracts which remain outstanding at June 30, 2009:

Expiry	Pounds (millions)	Instrument	Floor price	Cap price	Fair value
July 2009 to June 2010	27.6	Collar	\$ 1.79	\$ 2.16	(8,566)
July 2010 to December 2010	15.0	Put	\$ 1.79		3,461
Total	42.6				(5,105)

In the three months ended June 30, 2009, the Company recorded an unrealized derivative loss of \$10,040 related to the decrease in the fair value of these copper collars and put options.

(c) Fuel Contracts

During 2008, the Company entered into NYMEX heating oil futures purchase contracts for 7.8 million gallons covering the period December 2008 to November 2009 at a strike price of \$2.51/gallon with no cost. During the six months ended June 30, 2009, the Company settled 3.9 million gallons of NYMEX heating oil with cash payments of \$4,128 which have been recorded in cost of sales on the statement of

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earnings. During the quarter ended June 30, 2009, the Company entered into an additional 1.5 million gallons of NYMEX heating oil futures contracts at a strike price of \$2.00/gallon.

At June 30, 2009 the following NYMEX heating oil futures contracts remain outstanding (December 31, 2008 – 7.2 million gallons):

Expiry	Gallons (millions)	Strike price	Fair value
July to November 2009	3.3	\$ 2.51	(2,062)
December 2009 to April 2010	1.5	\$ 2.00	-
Total	4.8	\$ 2.35	(2,062)

At June 30, 2009, the fair value of the fuel contract liabilities decreased to \$2,062. As a result, the Company recorded an unrealized derivative gain of \$4,605 for the six month period ended June 30, 2009.

(d) Franke long-term supply contracts

On the acquisition of Centenario, the Company inherited long-term supply contracts for sulphuric acid and water (Note 20). The contracted prices for acid and water are subject to adjustment based on the prevailing copper prices. The acid contract requires an additional \$2.50/tonne to be paid for each \$0.10/lb that the copper price exceeds a base price of \$1.10/lb. Similarly, the water contract requires that an additional \$0.08/cubic metre be paid for each \$0.15/lb that copper price exceeds a base price of \$1.50/lb.

These copper price escalation clauses create an embedded derivative in the acid and water supply contracts. During the second quarter of 2009, the Company has recorded an unrealized derivative loss of \$2,937 related to these embedded derivatives, which is a result of the increase in the copper price during the period.

12. OTHER CURRENT LIABILITIES

	June 30, 2009	December 31, 2008
Taxes payable	1,067	8,521
Obligations under capital lease - current portion	1,648	1,531
Long-term debt - current portion (Note 13)	1,500	-
Total other current liabilities	4,215	10,052

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13. LONG-TERM DEBT

On May 14, 2009 Quadra signed an agreement with a syndicate of lenders in which the lenders provided a \$37.5 million secured project debt facility to a wholly-owned Chilean subsidiary of the Company. The proceeds of the loan are to be used to fund the development of the Franke project. The facility consists of an amortizing \$30 million project finance facility and a \$7.5 million working capital facility bearing interest at LIBOR plus 5.75% and 6.75%, respectively. The project loan facility is repayable with semi-annual principal repayments commencing in March 2010, with a final maturity date in March 2014. The working capital facility is repayable at the final maturity date in March 2014.

The project finance facility principal repayment schedule is as follows:

2010	4,500
2011	7,500
2012	6,000
2013	8,250
2014	3,750
Total	30,000

The Company has the right to prepay the full facility at any time without penalty and the lenders have the ability to call a portion of the facility on a semi-annual basis in an amount equal to 67% of the excess cash flow from the Franke mine, as computed under the terms of the facility agreement.

The facilities are secured by the assets of the Franke mine and have a parent company guarantee until economic completion, and other terms and conditions customarily associated with project finance facilities including covenants with debt service, loan life and reserve life coverage ratios. The terms of the facility also require the Company to maintain certain balances in restricted accounts representing future interest and principal payments.

The Company is carrying the long-term debt at amortized cost, comprised as follows:

	June 30, 2009	December 31, 2008
Project finance facility	30,000	-
Working capital facility	7,500	-
Debt issue costs	(3,778)	-
Cumulative amortization of debt issue costs	100	-
	33,822	-
Less: current portion (Note 12)	(1,500)	-
Long-term debt	32,322	-

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14. SHARE CAPITAL**(a) Common Shares**

The Company has authorized share capital of 1,000,000,000 common shares (“Shares”) with no par value.

	Number of Shares	Dollar Amount
Balance at January 1, 2009	66,000,747	578,474
Capital stock issued		
Shares issued for cash, net of issue costs (i)	18,630,000	67,593
Stock options exercised	157,000	855
Shares issued for Centenario acquisition (Note 4)	14,368,563	64,451
Transfer from contributed surplus:		
Stock options and warrants exercised		255
Balance at June 30, 2009	99,156,310	711,628

(i) On April 16, 2009, the Company completed a bought-deal equity financing with a syndicate of underwriters through which the Company issued 16,200,000 common shares at a price of C\$4.65 per common share for gross proceeds of \$62,275 (C\$75,330). The underwriters also exercised an option to acquire an additional 2,430,000 common shares which increased the gross proceeds of the offering to \$71,617 (C\$86,630).

(b) Stock options and warrants

The following table summarizes information relating to stock options outstanding and exercisable at June 30, 2009 (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\$
\$3.45 - \$7.76	2,238,000	4.09	6.90	1,006,841	7.02
\$8.08 - \$11.91	719,604	2.31	10.49	699,604	10.56
\$12.10 - \$15.35	1,832,106	2.89	13.12	1,687,107	13.05
\$16.50 - \$20.86	809,000	3.56	19.19	574,997	19.42
\$20.90 - \$24.60	1,287,500	3.86	24.50	870,012	24.47
	6,886,210	3.22	13.66	4,838,561	14.25

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The following tables summarize the stock option activity for the six months ended June 30, 2009:

	Options	Weighted-average exercise price (C\$)
Outstanding at January 1, 2009	4,958,277	15.63
Granted	1,715,500	7.03
Issued for Centenario acquisition (Note 4)	574,000	14.45
Forfeited	(199,567)	13.93
Exercised	(157,000)	5.98
Expired	(5,000)	6.00
Outstanding at June 30, 2009	6,886,210	13.66

During the quarter ended June 30, 2009, 1,715,500 stock options were granted to directors and employees (June 30, 2008 – 1,624,000). The weighted-average fair value of these stock options is estimated to be \$2.31 each (June 30, 2008 - \$6.49). The total fair value of the stock options granted is amortized over the two year vesting period. The stock-based compensation amortization for the three and six months ended June 30, 2009 was \$2,373 and \$4,144 respectively (three and six months June 30, 2008: \$4,746 and \$6,373 respectively) of which \$298 and \$549 respectively, was capitalized to inventory and mineral properties (June 30, 2008: \$770 and \$1,185 capitalized to mineral properties respectively).

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:

	<u>2009</u>	<u>2008</u>
Expected Volatility	58%	46%
Risk-free interest rate	2%	3%
Expected Life	3.0 years	2.0 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.

(c) Warrants

The following warrants were outstanding and exercisable at June 30, 2009:

	Common shares to be issued on exercise	Exercise price C\$	Expiry date
Traded warrants	5,980,000	20.00	May 9, 2010
Lender warrants	1,297,767	9.24	March 1, 2012
Exercisable at June 30, 2009	7,277,767	18.08	

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15. NET INTEREST AND OTHER (INCOME) EXPENSE

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Interest income	(169)	(1,303)	(493)	(3,236)
Interest expense	244	480	543	1,151
Loss (gain) on sale of marketable securities (Note 7(a))	7,234	-	7,234	(1,888)
Other	1,323	(4)	1,286	2,227
	8,632	(827)	8,570	(1,746)

16. REVENUES FROM CONCENTRATE SALES

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Copper revenues	64,551	149,448	125,334	287,945
Gold revenues	17,743	33,498	45,178	64,628
Molybdenum revenues	983	100	1,544	647
Price adjustments	16,776	1,550	39,728	35,117
Refining and treatment charges	(4,487)	(4,026)	(9,902)	(9,735)
	95,566	180,570	201,882	378,602

Revenues from concentrate sales are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as price adjustments as they occur until the price is finalized. At June 30, 2009, working capital and revenues include 18.6 million pounds of copper which has been provisionally valued at an average price of \$2.32 per pound (December 31, 2008 – 43.2 million pounds at \$1.33 per pound). Accounts receivable at June 30, 2009 includes an amount for provisional price adjustments of \$6,858. The final pricing for these provisionally priced sales is expected to occur between July and September 2009.

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17. SEGMENTED INFORMATION

The Company's reportable operating segments are individual mine operations and development projects, being Robinson, Carlota, Franke, other mineral properties and Corporate.

The corporate segment is responsible for the evaluation and acquisition of new mineral properties and corporate administration.

For the three month period ended June 30, 2009, segmented information is presented as follows:

	Robinson	Carlota	Franke	Other mineral properties	Corporate	Total
Revenues	79,754	15,812	-	-	-	95,566
Cost of sales	44,646	14,157	-	-	-	58,803
Amortization, depletion and depreciation	6,546	1,409	-	-	-	7,955
Royalties and mineral taxes	3,805	877	-	-	-	4,682
Operating income	24,757	(631)	-	-	-	24,126
Capital expenditures	5,083	7,706	17,160	3,092	(20)	33,021
Total assets as of June 30, 2009	321,932	345,050	223,151	140,945	73,325	1,104,403

For the three month period ended June 30, 2008, segmented information is presented as follows:

	Robinson	Carlota	Other mineral properties	Corporate	Total
Revenues	180,570	-	-	-	180,570
Cost of sales	60,546	-	-	-	60,546
Amortization, depletion and depreciation	5,122	-	-	-	5,122
Royalties and mineral taxes	10,901	-	-	-	10,901
Operating income	104,001	-	-	-	104,001
Capital expenditures	15,009	54,854	41,762	34	111,659
Total assets as of June 30, 2008	318,781	282,559	222,140	158,207	981,687

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For the six month period ended June 30, 2009, segmented information is presented as follows:

	Robinson	Carlota	Franke	Other mineral properties	Corporate	Total
Revenues	177,030	24,852	-	-	-	201,882
Cost of sales	92,298	23,225	-	-	-	115,523
Reversal of inventory adjustment	-	(5,305)	-	-	-	(5,305)
Amortization, depletion and depreciation	11,248	2,036	-	-	-	13,284
Royalties and mineral taxes	6,723	1,287	-	-	-	8,010
Operating income	66,761	3,609	-	-	-	70,370
Capital expenditures	16,670	10,542	17,160	5,828	(9)	50,191
Total assets as of June 30, 2009	321,932	345,050	223,151	140,945	73,325	1,104,403

For the six month period ended June 30, 2008, segmented information is presented as follows:

	Robinson	Carlota	Other mineral properties	Corporate	Total
Revenues	378,602	-	-	-	378,602
Cost of sales	127,766	-	-	-	127,766
Amortization, depletion and depreciation	10,365	-	-	-	10,365
Royalties and mineral taxes	20,095	-	-	-	20,095
Operating income	220,376	-	-	-	220,376
Capital expenditures	21,898	94,204	52,794	34	168,930
Total assets as of June 30, 2008	318,781	282,559	222,140	158,207	981,687

18. RELATED PARTY TRANSACTIONS

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the three and six months ended June 30, 2009, the Company incurred legal fees of \$166 and \$295 with that entity (three and six months ended June 30, 2008: \$260 and \$414 respectively), all of which were at normal business terms.

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19. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
(Increase) decrease in receivables	4,468	(1,519)	830	(26,738)
Increase in inventory	(9,721)	(12,687)	(14,874)	(8,162)
Decrease in restricted cash	342	-	342	-
Decrease (increase) in other current assets	1,406	(2,894)	16,549	(3,031)
Decrease in accounts payable and accrued liabilities	(7,314)	(507)	(30,832)	(9,085)
Decrease in other current liabilities	(12,806)	(24,774)	(8,342)	(756)
Net changes in non-cash working capital	(23,625)	(42,381)	(36,328)	(47,772)
Other supplemental information:				
Interest paid	331	3,599	820	8,413
Income tax paid	9,627	32,998	9,659	35,415

20. COMMITMENTS

(a) Long-term Sulfuric Acid Supply Contract

The Company has a long-term sulfuric acid supply contract for use in the copper extraction process at the Franke project. The minimum commitment under the contract is estimated to be \$4,050 per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2022. The copper price adjustment requires, on an annualized basis, an additional \$375 be paid for each \$0.10/lb that the copper price exceeds a base price of \$1.10/lb.

(b) Long-term Water Supply Contract

The Franke Mine also has a long-term supply contract for industrial water. The minimum commitment under the contract is estimated to be approximately \$1,060 per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2020. The copper price adjustment requires, on an annualized basis, that approximately an additional \$120 be paid for each \$0.15/lb that the copper price exceeds a base price of \$1.50/lb.

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(c) Mining contractor

The Franke Mine has an agreement with a mining contractor for the provision of contract mining services until 2016. The minimum commitment under the terms of the agreement is estimated to be approximately \$9,245 per annum.

21. CONTINGENCIES

The Company was originally served with four lawsuits that were filed in Chilean courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada. The lawsuits were filed on August 13, 2007, April 2, 2008, June 20, 2008 and July 10, 2008. Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the legal claims are without merit. The company settled one of the lawsuits in the second quarter of 2009 for less than \$0.50 million.

The remaining plaintiffs are minority shareholders in the "sociedades legales mineras" (SLM) or legal mining companies that owned certain of the mining tenements that were optioned to Quadra in 2004. In two of the cases, the plaintiffs are requesting that the option agreements to purchase the mining tenements be declared null and void. The plaintiffs in these cases are claiming that the SLM's were not authorized to sell the mining tenements. In the third case, the plaintiffs argue that if any of the first two cases are successful, then further option agreements are invalid by virtue of the fact that the option agreements were intended to be exercised in either all or none of the cases.

The first two lawsuits relate to three of the ten option agreements that the Company entered into with respect to its Sierra Gorda mineral property. Although Quadra believes that the option agreements are valid and that the legal claims are without merit, the outcome is uncertain. The proceedings are subject to the procedural and substantive laws of Chile, and the allegations are based on the actions of the Optioners, in respect of which Quadra has no direct knowledge. The Company intends to vigorously defend these claims, however there is no assurance that it will be successful.