



Quadra Mining Ltd.

Consolidated Annual Financial Statements

December 31, 2008

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

PricewaterhouseCoopers LLP
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Auditors' Report

To the Shareholders of Quadra Mining Ltd.

We have audited the consolidated balance sheets of Quadra Mining Ltd. (the "Company") as at December 31, 2008 and 2007 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the result of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants,
Vancouver, BC
March 5, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements have been prepared by the management of the Company in accordance with Generally Accepted Accounting Principles in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information.

The Audit Committee of the Board of Directors, which consists of three independent directors, meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, who are appointed by the shareholders, conducted an audit in accordance with Canadian Generally Accepted Auditing Standards to allow them to express an opinion on the consolidated financial statements.

A system of internal control is maintained to provide reasonable assurance that financial information is accurate and reliable. Management conducts ongoing reviews of these controls and reports on their findings to the Audit Committee.

Paul Blythe

Stuart McDonald

(signed)

(signed)

Chief Executive Officer

Chief Financial Officer

March 5, 2009

Quadra Mining Ltd.

CONSOLIDATED BALANCE SHEETS

(US Dollars in Thousands)

		December 31, 2008	December 31, 2007
			As restated (Note 3)
ASSETS			
Current			
Cash and cash equivalents	Note 4	107,797	263,586
Receivables		19,505	13,595
Inventory	Note 5	88,257	42,730
Derivative instruments	Note 13	31,814	9,389
Other current assets	Note 6	23,442	20,189
Future income tax assets	Note 10	-	12,090
Total Current Assets		<u>270,815</u>	<u>361,579</u>
Environmental trust and bond	Note 7	55,404	46,391
Mineral properties, plant and equipment	Note 8	506,921	342,529
Non-current assets	Note 9	3,109	15,123
Future income tax assets	Note 10	15,718	-
Total Assets		<u><u>851,967</u></u>	<u><u>765,622</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		49,448	44,986
Deferred gold consideration payable	Note 8 (b)	-	15,104
Other current liabilities	Note 12	24,545	14,315
Total Current Liabilities		<u>73,993</u>	<u>74,405</u>
Senior credit facility	Note 11	-	145,151
Asset retirement obligations	Note 14	40,969	37,458
Obligations under capital leases	Note 15	5,473	7,407
Future income tax liabilities	Note 10	-	15,449
Total Liabilities		<u>120,435</u>	<u>279,870</u>
Non-controlling interest		-	2,711
Shareholders' Equity			
Share capital	Note 16(a)	578,474	336,031
Stock options and warrants	Note 16(b)	35,253	27,034
Accumulated other comprehensive (loss) income	Note 6	(40,181)	599
Retained earnings		157,986	119,377
Total Shareholders' Equity		<u>731,532</u>	<u>483,041</u>
Total Liabilities and Shareholders' Equity		<u><u>851,967</u></u>	<u><u>765,622</u></u>

Commitments (Note 8, Note 25), Contingencies (Note 26), Subsequent Event (Note 27)

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

Approved by the Board of Directors

(Signed) _____
William Myckatyn

(Signed) _____
Gregory Van Staveren

Quadra Mining Ltd.**CONSOLIDATED STATEMENTS OF EARNINGS**

(US Dollars in Thousands)

		Year ended December 31, 2008	Year ended December 31, 2007
			As restated (Note 3)
Revenues from concentrate sales	Note 17	487,501	493,848
Cost of sales		254,511	232,951
Start-up inventory adjustment at the Carlota mine	Note 5	15,249	-
Amortization, depletion and depreciation		19,071	11,949
Accretion of asset retirement obligations	Note 14	3,377	2,519
Royalties and mineral taxes		34,018	27,780
		<u>326,226</u>	<u>275,199</u>
Operating income		161,275	218,649
General and administrative		16,463	10,274
Stock-based compensation	Note 16(b)	9,076	5,386
Loss on settlement of debt	Note 11	15,940	11,039
Impairment of Malmbjerg mineral property	Note 8 (d)	95,682	-
(Gain) loss on derivatives	Note 13	(31,088)	15,293
Foreign exchange loss (gain)		3,674	(6,475)
Net interest and other (income) expense	Note 18	(4,321)	807
Earnings before income taxes		<u>55,849</u>	<u>182,325</u>
Income tax expense	Note 10	17,240	47,780
Earnings for the year		<u>38,609</u>	<u>134,545</u>
Earnings per share			
Basic earnings per share		\$ 0.61	\$ 2.80
Diluted earnings per share		\$ 0.60	\$ 2.72
Weighted average shares outstanding - basic		62,931	48,690
Weighted average shares outstanding - diluted		64,357	50,114

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

Quadra Mining Ltd.

**CONSOLIDATED STATEMENTS OF
COMPREHENSIVE (LOSS) INCOME**

(US Dollars in Thousands)

	Year ended December 31, 2008	Year ended December 31, 2007
Net earnings	38,609	134,545
Other comprehensive (loss) income		
Unrealized loss (gain) on marketable securities	40,181	(599)
Reversal of unrealized gain on marketable securities	599	-
Total comprehensive (loss) income	<u>(2,171)</u>	<u>135,144</u>

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

(US Dollars in Thousands)

	Year ended December 31, 2008	Year ended December 31, 2007
		As restated (Note 3)
Share capital		
Balance - beginning of year	336,031	162,315
Shares issued for cash, net of issue costs (Note 16(a))	183,621	116,234
Shares issued for InterMoly acquisition (Note 8 (d))	16,324	37,714
Shares issued for water rights acquisition (Note 8 (c))	30,171	8,822
Stock options exercised	4,747	10,009
Warrants exercised	7,580	937
Balance - end of year	<u>578,474</u>	<u>336,031</u>
Stock options and warrants		
Balance - beginning of year	27,034	4,498
Stock-based compensation	10,701	6,582
Transfer to share capital for stock options and warrants exercised (Note 16(a))	(2,482)	(2,455)
Fair value of warrants issued	-	18,409
Balance - end of year	<u>35,253</u>	<u>27,034</u>
Accumulated other comprehensive income (loss)		
Balance - beginning of year	599	-
Realized gain on available-for-sale investments (Note 6)	(599)	-
Unrealized (loss) gain on available-for-sale investments (Note 6)	(40,181)	599
Balance - end of year	<u>(40,181)</u>	<u>599</u>
Retained earnings		
Balance - beginning of year	119,377	(1,697)
Retroactive application of CICA HB3064 (Note 3)	-	(13,471)
Earnings for the year	38,609	134,545
Balance - end of year	<u>157,986</u>	<u>119,377</u>
Total shareholders' equity	<u>731,532</u>	<u>483,041</u>

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

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollars in Thousands)

	Year ended December 31, 2008	Year ended December 31, 2007
		As restated (Note 3)
OPERATING ACTIVITIES		
Earnings for the year	38,609	134,545
Adjustment for items not involving cash from operating activities:		
Stock-based compensation	9,076	5,386
Amortization, depletion, depreciation and accretion	22,448	14,468
Loss on settlement of debt	15,940	11,039
Impairment of Malmbjerg mineral property	95,682	-
Start-up inventory adjustment at the Carlota mine	15,249	-
Gain on derivatives	(19,961)	(34,386)
Future income tax (recovery) expense	(10,903)	28,429
Other	291	3,044
	<u>166,431</u>	<u>162,525</u>
Net changes in non-cash working capital:	(7,684)	(43,933)
Cash provided from operating activities	158,747	118,592
INVESTING ACTIVITIES		
Additions to mineral properties, plant and equipment	(288,283)	(141,754)
Investment in marketable securities	(54,557)	(7,368)
Proceeds from sale of marketable securities	9,517	-
Increase in environmental bond and trust	(9,013)	(3,000)
Refund of security deposit	14,900	-
Payment of deferred gold consideration	(16,912)	(4,613)
InterMoly acquisition	(864)	(2,326)
Decrease in other assets	1,623	597
Cash used in investing activities	(343,589)	(158,464)
FINANCING ACTIVITIES		
Proceeds from issue of common shares, net of issue costs	192,960	138,969
Payment of senior credit facility	(150,000)	(50,000)
Payment of loan amendment and prepayment fees	(12,000)	(5,000)
Increase in senior credit facility	-	192,942
Decrease in obligations under capital leases	(1,907)	(1,659)
Decrease in bank indebtedness	-	(16,900)
Decrease in notes payable	-	(2,668)
Cash provided by financing activities	29,053	255,684
Net (decrease) increase in cash and cash equivalents during the year	(155,789)	215,812
Cash and cash equivalents, beginning of year	263,586	47,774
Cash and cash equivalents, end of year	107,797	263,586

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

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2008

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. All of the Company's revenues to date have been generated by the Robinson mine. Construction of the Company's Carlota mine was completed during the year, and the first production of copper from this new mine was achieved in December 2008.

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. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All amounts are presented in thousands of United States dollars unless otherwise indicated. The significant accounting policies are as follows:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All subsidiaries are wholly-owned except for the Company's 99% interest in International Molybdenum Ltd. ("InterMoly") which was acquired in 2007. Intercompany balances and transactions are eliminated on consolidation.

b) Mineral properties, plant and equipment

Mineral properties, plant and equipment are recorded at cost. Mineral property development costs, including exploration, mine construction, and stripping costs, are capitalized until production is achieved, or the property is sold, abandoned or impaired. When the Company incurs debt directly related to the construction of a new operation or major expansion, the related financing costs are capitalized during the construction period.

During the production phase, exploration and development costs resulting in a betterment of the mineral property are capitalized. Stripping costs incurred in the production phase that are incurred to access ore are accounted for as variable production costs. Stripping costs resulting in a betterment of the mineral property by providing access to additional sources of ore are capitalized and amortized over the relevant mineral reserves.

Mineral property acquisition and development costs, plant and buildings are depreciated on a units-of-production basis, based on the expected tonnes of proven and probable reserves to be mined. Depreciation

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2008

is recorded when a unit (a tonne of ore) is extracted from the mine. Other equipment is amortized on a straight line basis over its estimated useful life, generally three to seven years.

(c) Impairment of long-lived assets

The carrying value of long-lived assets, which consist primarily of mineral properties and plant and equipment, is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized if the carrying value of an asset exceeds the total undiscounted cash flows expected from its use and disposal. Undiscounted cash flows for mineral properties are based on estimates of future metal prices, proven and probable reserves, estimated value beyond proven and probable reserves, and future operating, capital, and reclamation cost assumptions. An impairment loss would be recorded on the statement of earnings based on the amount by which the carrying amount of the asset exceeds its fair value.

The amount shown for mineral properties represents costs to date and does not necessarily reflect present or future values. Recovery of capitalized costs is dependent upon successful development of economic mining operations or the sale or disposition of mineral properties for amounts at least equal to the Company's investment therein.

d) Revenue recognition

Sales are recognized and revenues are recorded at market prices when title transfers and the rights and obligations of ownership pass to the customer. The majority of the Company's product is sold under pricing arrangements where final prices are determined based on quoted market prices for the refined product in a period subsequent to the date of sale. For sales of concentrates, final pricing is generally determined three to four months after the date of sale. Revenues 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 revenue adjustments as they occur until the price is finalized.

e) Inventory

Inventories comprise final concentrate products, leach pad inventory, copper cathodes and supplies. Concentrate inventories, leach pad inventories and copper cathodes are valued at the lower of average cost of production and net realizable value. Supplies inventories are valued at the lower of cost and net realizable value. Costs of production include all direct costs incurred in production including freight, stripping costs and amortization, depreciation and depletion charges relating to the production of inventory. In accordance with CICA HB 3031 "*Inventory*", which the Company adopted effective January 1, 2008, any write-downs of inventory to net realizable value are recorded as an operating expense on the statement of earnings. If there is a subsequent increase in the value of inventories, the previous write-downs to net realizable value are reversed.

Leach pad inventory is comprised of ore that has been extracted from the mine and placed on the heap leach pad for further processing. The cost of leach pad inventory includes mining costs and the cost of leaching operations, including depreciation and an allocation of mine site administrative costs. Costs are

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2008

removed from leach pad inventory as cathode copper is produced, based on the average cost per recoverable pound of copper in process.

The quantity of recoverable copper is an engineering estimate which is based on the expected grade and recovery of copper from the ore placed on the leach pad. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. However, the estimate of recoverable copper placed on the leach pad will be reconciled to actual copper production in the future, and the engineering estimates will be refined based on actual results over time.

f) Financial instruments

The Company classifies financial instruments as either held-to-maturity, available-for-sale, held for trading, or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income, unless an unrealized loss is considered to be other than temporary in which case the loss is recorded on the consolidated statement of earnings for the period. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations. Transaction costs on financial assets and liabilities classified other than as held for trading are treated as part of the investment cost.

The Company may, from time to time, use derivative instruments to manage its exposure to commodity prices and foreign exchange movements. Derivative instruments are recorded at fair value. For a transaction designated as a cash flow hedge, or for hedges of a net investment in a self-sustaining foreign operation, the gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. Any gain or loss relating to the ineffective portion of the hedge is recognized immediately in the consolidated statements of earnings. The Company has not applied hedge accounting in the past and consequently all changes in the fair value of derivatives have been recognized immediately in the statements of earnings.

g) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between accounting carrying values and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the assets will not be realized.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2008

h) Foreign currency translation

The United States dollar is considered to be the functional currency of the Company because the Company's primary assets are based in the United States, the Company's products are sold in United States dollars and the majority of the Company's transactions are denominated in United States dollars.

Transactions denominated in currencies other than the United States dollars are translated using the exchange rate in effect on the transaction date or at an average rate. Under this method, monetary items are translated at the rate of exchange in effect at the balance sheet dates. Non-monetary items are translated at the historical rate. Exchange gains or losses on translation are recorded against earnings.

i) Asset retirement obligations

The fair value of asset retirement obligations is recognized in the period in which the liability is incurred or acquired and a reasonable estimate of fair value can be made. When a liability is initially recorded, a corresponding increase to the carrying amount of the related asset is recorded.

The liability is increased over time (or "accreted") using the interest rate that was applied in the initial measurement of fair value and the asset is amortized over the estimated life of the related asset. The amount of the liability will be subject to re-measurement at each reporting period. Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total liability for future site restoration costs is subject to change based on amendments to laws and regulations and as new information concerning the Company's reclamation obligations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

j) Earnings per share

Earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method whereby all "in the money" options and warrants are assumed to have been exercised at the beginning of the year and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the year. When a loss has been incurred, basic and diluted loss per share are the same because the exercise of options and warrants would be anti-dilutive.

k) Stock-based compensation

The Company accounts for stock options using the fair value method. The fair value of stock options is estimated at the grant date using the Black-Scholes valuation model and is then amortized over the vesting period of the options granted.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2008

l) Leases

Leases are classified as capital or operating depending on the terms and conditions of the lease agreements. Payments under operating leases are expensed in the period in which they are incurred. Asset values recorded under capital leases are amortized on a straight line basis over the period of expected use. Obligations under capital lease are reduced by lease payments, net of computed interest.

m) Cash equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired.

n) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The key estimates relate to impairment of long-lived assets, asset retirement obligations, accounting for income taxes, revenue and trade receivables, inventory valuation, stock-based compensation, and accrued liabilities. Actual results may differ from these estimates.

o) Comparative figures

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

p) Recent accounting pronouncement

The Canadian Institute of Chartered Accountants (“CICA”) recently issued Handbook Section 1582 “*Business Combinations*” to replace Section 1581. The objective of this Section is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects by establishing principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Section shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2011. Earlier application is permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2008

3. CHANGES IN ACCOUNTING POLICY

Goodwill and Intangible Assets

CICA Handbook Section 3064 “*Goodwill and Intangible Assets*” establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard requires expenditures incurred to provide future economic benefits to an entity in order to be capitalized as an intangible asset. On adoption of this new standard, EIC 27 “*Revenues and Expenditures during the Pre-operating Period*” is withdrawn. As a result, start-up costs that were previously capitalized are required to be expensed as incurred unless these expenditures are included in the cost of an item of property, plant and equipment in accordance with Section 3061 “*Property, Plant and Equipment*”. The new standard applies to fiscal years beginning on or after October 1, 2008 and early adoption is encouraged.

In the fourth quarter of 2008, the Company early adopted this new standard. 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 year ended December 2007 have been restated. A summary of the effect of this change is shown below:

Effect on consolidated balance sheet as at December 31, 2007:

Increase in future income tax assets	8,259
Decrease in mineral property, plant and equipment	<u>(23,597)</u>
Decrease in retained earnings	<u><u>(15,338)</u></u>

Effect on consolidated statements of earnings for the year ended December 31, 2007:

Decrease in depreciation, depletion and amortization	(1,883)
Increase in interest and other expense	4,755
Decrease in future income tax expense	<u>(1,005)</u>
Decrease in earnings	<u><u>1,867</u></u>
Decrease in earnings per share - basic	\$ 0.04
Decrease in earnings per share - diluted	\$ 0.04

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2008

4. CASH AND CASH EQUIVALENTS

	2008	2007
Cash deposits, bankers acceptances and term deposits	80,797	143,915
Government money market investments	27,000	119,671
Total	107,797	263,586

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired. At December 31, 2008, the Company's cash and cash equivalents were yielding a weighted average interest rate of 0.95%. At December 31, 2008, the majority of the Company's cash and cash equivalents were denominated in U.S. dollars.

5. INVENTORY

	2008	2007
Copper concentrate	25,584	24,879
Copper cathode	1,151	-
Carlota leach pad inventory	38,839	-
Supplies	22,683	17,851
Total	88,257	42,730

In the fourth quarter of 2008 the Company recorded an adjustment of \$15,429 to reduce the carrying value of Carlota's copper cathode and leach pad inventory to net realizable value. The net realizable value was estimated based on an average expected sales price of \$1.62 per pound of copper in process.

6. OTHER CURRENT ASSETS

	2008	2007
Prepaid expenses	4,676	3,061
Prepaid royalties	4,391	-
Security deposits	-	8,900
Marketable securities	14,375	8,228
Total other current assets	23,442	20,189

At December 31, 2007, the Company had available-for-sale marketable securities with a quoted market value of \$8,228. An unrealized gain of \$599 resulted from the change in fair value of the marketable

Quadra Mining Ltd.

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(US Dollars in Thousands)
Year ended December 31, 2008

securities and was recorded in shareholders' equity as a component of other comprehensive income in 2007.

During the first quarter of 2008, the Company sold all of its available-for-sale marketable securities acquired in 2007 and recorded a related gain of \$1,888, which is included in other income (Note 18) on the consolidated statement of earnings. This gain included an amount of \$599 that was previously recorded in shareholders' equity as a component of other comprehensive income which was reversed upon the realization of the gain.

During the third quarter of 2008, the Company acquired additional available-for-sale marketable securities for a total cost of \$54,556. The fair value based on the quoted market price of these marketable securities decreased to \$14,375 at December 31, 2008, resulting in an unrealized loss of \$40,181. Although significant, this unrealized loss arose primarily in the fourth quarter of 2008 and was not considered to be "other than temporary" and therefore the unrealized loss has been recorded in shareholders' equity as a component of other comprehensive income.

7. ENVIRONMENTAL TRUST AND BOND

	2008	2007
Environmental bond - Robinson mine (a)	31,463	23,176
Cash in trust for Robinson reclamation (b)	16,249	16,040
Environmental bond - Carlota mine	7,125	7,125
Environmental bond - other	567	50
Total	55,404	46,391

(a) The Company has posted an environmental bond with the US Bureau of Land Management (BLM). The Company revises the reclamation plan and cost estimate for the Robinson Mine annually as required by the BLM and adjusts the amount of the bond accordingly. During the year ended December 31, 2008, the amount of the bond increased to \$31,463.

(b) Under the terms of the Kennecott Royalty Agreement that the Company assumed on the acquisition of the Robinson Mine, a 3% net smelter return royalty is payable to Royal Gold Inc. (formerly Kennecott). The agreement required the first royalty payments with accumulated interest to be paid into a trust until such time that \$20,000 was available to pay for qualified rehabilitation expenditures on the Robinson mine. The following table summarizes the movements in the trust balance during the year ended December 31, 2008:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Year ended December 31, 2008

	Contributions to the trust	Reclamation costs paid by the trust	Net trust funds available
Balance at January 1, 2008	20,940	(4,900)	16,040
Interest income	209	-	209
Balance at December 31, 2008	21,149	(4,900)	16,249

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	2008	2007 As restated (Note 3)
Mineral property acquisition and development costs	390,954	211,946
Plant, buildings and equipment	218,426	120,601
Equipment under capital leases	11,354	11,926
Asset retirement cost	31,348	28,904
	652,082	373,377
Accumulated depreciation, depletion, amortization and impairment:		
Mineral property acquisition and development costs	(103,031)	(11,176)
Plant, buildings and equipment	(24,737)	(6,664)
Equipment under capital leases	(5,787)	(4,557)
Asset retirement cost	(11,606)	(8,451)
	(145,161)	(30,848)
	506,921	342,529

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

(US Dollars in Thousands)
Year ended December 31, 2008

Mineral properties, plant and equipment are allocated by project as follows:

			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 (Chile) (c)	127,871	(123)	127,748
Malmbjerg molybdenum project (Greenland) (d)	100,835	(95,835)	5,000
Other	392	(208)	184
	652,082	(145,161)	506,921

2007

As restated (Note 3)

	Cost	Accumulated depreciation, depletion, amortization and impairment	Net book value
Robinson mine (Nevada) (a)	111,725	(30,589)	81,136
Carlota copper mine (Arizona) (b)	154,281	-	154,281
Sierra Gorda (Chile) (c)	34,614	(62)	34,552
Malmbjerg molybdenum project (Greenland) (d)	72,399	(62)	72,337
Other	358	(135)	223
	373,377	(30,848)	342,529

(a) Robinson mine

During 2008, the Company incurred \$47,620 related to development costs and the acquisition of mining equipment for the Robinson mine.

Production at the Robinson Mine is subject to two royalty agreements; a 3% net smelter return royalty payable to Royal Gold Inc. (see Note 7(b)) and a 0.225% net smelter return royalty payable to Franco Nevada U.S. Corporation. The Franco Nevada royalty agreement also provides for the following additional payments:

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(1) A 10% royalty on net smelter returns on 51% of the production of gold from the Robinson Mine in excess of 60,000 ounces per calendar year;

(2) A royalty on 51% of copper production in excess of 130 million pounds of copper, payable in any calendar year in which the price of copper exceeds \$1.00 per pound at the end of the year (adjusted for inflation from 1990) (the "Trigger Price"), in an amount equal to \$0.05 per pound plus 40% of the amount by which the average price of copper for the year exceeds the Trigger Price.

The Company incurred royalty expenses of \$13,446 and \$13,476 pertaining to the Royal Gold and Franco Nevada royalty agreements, respectively, for the year ended December 31, 2008 (2007: Royal Gold - \$13,341; Franco Nevada - \$3,519), which have been recorded in the consolidated statements of earnings.

(b) Carlota mine

The construction of the Carlota mine was completed during 2008 and production of copper cathode commenced in December 2008. During 2008, the Company capitalized \$102,320 of costs related to project development and the acquisition of mining equipment for the Carlota mine and also capitalized interest and financing costs of \$7,038 associated with the Secured Credit Facility (Note 11).

During the year ended December 31, 2008, the Company paid the remaining 18,750 ounces of deferred gold consideration to the vendors of the Carlota mine, which the Company acquired in 2005. As of December 31, 2007 the Company still owed 18,750 ounces of gold to the vendor.

The Carlota mine is subject to a royalty agreement with Sherwood Owens, the owner of the 12 unpatented claims, which provides for a 5% net smelter return royalty up to a maximum amount of \$3,000.

The Carlota mine is also subject to a 5% net smelter return royalty on production from certain mining claims that were previously owned by BHP Copper Inc. (formerly Magma Copper Company Inc.). Minimum advance royalty payments of \$4,391 (Note 6) have been paid by Carlota and will be credited against future royalty payments.

(c) Sierra Gorda

The Sierra Gorda project is comprised of mineral properties acquired under eight option agreements. During 2008, the Company made scheduled option payments and accelerated option payments totaling \$24,853 to settle all eight option agreements. As a result of these payments, the Company now has a 100% ownership interest in the Sierra Gorda project. Three of the Sierra Gorda option agreements are the subject of litigation (Note 26). The Company also has two additional option agreements to acquire additional ground contiguous to the Sierra Gorda project for a total purchase price of \$5,800 payable over six years, of which \$225 has been paid to date.

During 2008, the Company incurred \$19,937 (2007 - \$11,177) of exploration and development costs on the Sierra Gorda project. In addition, the Company has been acquiring water rights in the region that may be used in the ultimate development of the Sierra Gorda project. During 2008 the Company issued 1,231,916

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common shares with a value of \$30,171 and made total cash payments of \$17,440 for the acquisition of water rights and option payments for additional water rights. In 2007 the Company issued 550,800 common shares with a value of \$8,822 in exchange for a 100% interest in a privately held Chilean company that holds water rights in Region II of Northern Chile. The acquisition cost of these water rights has been capitalized as a mineral property development cost.

(d) Malmbjerg molybdenum project

The Company's 99.1% interest in the Malmbjerg molybdenum project was acquired through the acquisition of International Molybdenum plc ("InterMoly"), a public company listed on the Alternative Investment Market of the London Stock Exchange. The Company initially acquired 82.5% of InterMoly in 2007 in exchange for 3,293,111 Quadra common shares and then increased this interest to 99.1% during 2008 in exchange for an additional 650,529 Quadra common shares and cash consideration of \$755. These transactions were considered to be asset purchases and amounts of \$39,849 and \$17,229 were capitalized as mineral property acquisition costs in 2007 and 2008, respectively. These amounts included \$79,942 for the fair value of the total purchase consideration including transaction costs, a \$17,798 future income tax liability which relates to the difference between the accounting value allocated to the mineral property and its tax basis, and \$5,235 for other liabilities acquired.

During 2008, the Company incurred \$7,099 of development costs on the Malmbjerg project (2007 - \$13,641)

At the end of 2008, the Company reviewed the carrying value of the Malmbjerg mineral property in light of the significant decline in the price of molybdenum during the fourth quarter of 2008 and the ongoing deterioration of global equity and credit markets. As a result of the review, it was determined, that the Malmbjerg mineral property was impaired and a write down of \$95,682 was recorded in the consolidated statements of earnings, to adjust Malmbjerg's carrying value to an estimated fair value of \$5,000 based on a comparison to the value of similar assets,. The future income tax liability related to the acquisition of Malmbjerg was also reversed, resulting in a future income tax recovery of \$17,798 in the consolidated statements of earnings.

(e) Measurement uncertainty

The net book values of the mineral properties, plant and equipment related to the Robinson mine and the Carlota mine were \$110,350 and \$263,639 respectively at December 31, 2008. A review of these carrying values indicated that at December 31, 2008, the properties were not impaired. This conclusion is based on an estimate of future undiscounted cash flows for these operations which includes assumptions about long-term copper and gold prices, future production levels, and future operating, capital and reclamation costs. Future changes in the assumptions used for impairment testing may result in material changes in asset carrying values.

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9. NON-CURRENT ASSETS

	2008	2007
Security deposits	2,695	10,682
Prepaid royalties	-	4,065
Other long-term assets	414	376
Total	3,109	15,123

10. INCOME TAXES

Income tax expense included in the consolidated statements of earnings is as follows:

	2008	2007
		As restated (Note 3)
Current tax expense	28,143	19,351
Future income tax (recovery) expense	(10,903)	28,429
Income tax expense	17,240	47,780

The future income tax recovery in 2008 includes a recovery of \$17,798 which relates to the reversal of a future income tax liability that was related to the acquisition of Malmbjerg project (Note 8(d)).

The reconciliation of the income taxes calculated at the statutory rates to the Company's effective income tax provision is as follows:

	2008	2007
		As restated (Note 3)
Applicable statutory rate	31.0%	34.12%
Income tax expense calculated using statutory rate	17,313	62,159
Change in valuation allowance	(1,261)	12,445
Foreign exchange gain not taxable	-	(4,160)
Depletion allowance	(16,805)	(19,567)
Losses without tax benefits	11,847	-
Rate adjustment	3,283	396
Other, net	2,863	(3,493)
Income expense	17,240	47,780

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The significant components of the Company's future income tax assets and liabilities as at December 31, 2008 and 2007 are as follows:

	2008	2007
		As restated (Note 3)
Future income tax assets (liabilities) - current:		
Derivative Instruments	(11,550)	322
Other	(2,943)	11,768
	<u>(14,493)</u>	<u>12,090</u>
Future income tax assets (liabilities) - non-current:		
Mineral properties, plant and equipment	30,004	2,625
Malmbjerg mineral property	-	(11,479)
Alternative Minimum Tax credits	17,736	22,266
Other deductible tax pools	7,529	7,617
Valuation allowance	(39,551)	(36,478)
	<u>15,718</u>	<u>(15,449)</u>

Management believes that uncertainty exists regarding the realization of certain future tax assets and therefore a valuation allowance has been recorded. The Company has not recognized the benefit of U.S. Alternative Minimum Tax credits, the tax basis of Carlota in excess of the acquisition price, and non-capital losses. As of December 31, 2008, the Company had available Alternative Minimum Tax credits of \$17,736 which can be carried forward indefinitely and applied to reduce regular taxes payable. As at December 31, 2008, the Company also had Canadian tax loss carry-forwards of approximately \$10,175.

11. SENIOR CREDIT FACILITY

On June 9, 2008 the Company repaid its \$150 million First Lien Secured Credit Facility. This Credit Facility was scheduled to mature on March 2, 2012 and was bearing interest at LIBOR + 6.5%, payable quarterly. There were no mandatory principal payments required before the maturity date, however, the Company was obligated to make a semi-annual offer to repay a portion of the Credit Facility in an amount equal to 50% of Excess Cash Flow, as computed under the terms of the Credit Facility.

On March 24, 2008, the Company and the lenders agreed to an amendment of the Credit Facility under which the lenders waived their right to request repayment of the Excess Cash Flow for the last six months of 2007 in exchange for a cash payment of \$7,500 and an agreement to establish a minimum LIBOR floor of 3.75% for the remaining life of the Credit Facility. The cash payment of \$7,500 was added to the carrying amount of the debt in the first quarter of 2008.

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When the Credit Facility was repaid in June 2008 the Company also paid a prepayment premium of \$4,500, representing 3% of the outstanding debt balance, in accordance with the terms of the Credit Facility. Unamortized costs related to the debt of \$11,440 were also expensed resulting in a total loss on settlement of debt of \$15,940 in the second quarter of 2008.

The \$150 million First Lien Secured Credit Facility was completed in March 2007 together with \$50 million Second Lien Junior Secured Credit Facility ("Second Facility"). After completing an equity financing in May 2007, the Company elected to repay the \$50 million Second Facility which was retired in June 2007. Under the terms of the Second Facility, the Company was required to pay a prepayment premium of 10%, or \$5,000, to retire this debt. Unamortized debt issue and warrant costs of \$6,039 related to the Second Facility were also expensed resulting in a total loss on settlement of debt of \$11,039 in 2007.

12. OTHER CURRENT LIABILITIES

	2008	2007
Tax payable	8,521	12,811
Obligations under capital lease - current portion (Note 15)	1,531	1,504
Future income tax liabilities - current (Note 10)	14,493	-
Total other current liabilities	24,545	14,315

13. DERIVATIVE INSTRUMENTS

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

	2008	2007
Copper puts (a)	38,481	8,774
Fuel contracts (c)	(6,667)	486
Interest rate cap	-	129
Derivative instruments	31,814	9,389

The (gain) loss on derivatives is comprised as follows:

	2008	2007
Copper puts (a)	(38,369)	2,768
Copper and gold forward contracts (b)	-	12,620
Fuel contracts (c)	7,152	(486)
Interest rate cap	129	391
(Gain) loss on derivatives	(31,088)	15,293

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(a) Copper Puts

The Company has a floor price protection program for a portion of its anticipated copper sales through June 2009. At December, 2008 the following copper put options remain outstanding (2007 – 149 million pounds):

Expiry	Pounds (millions)	Strike price	Fair value
January to March 2009	17.8	\$ 2.50	19,568
April to June 2009	17.2	\$ 2.50	18,913
Total	35.0	\$ 2.50	38,481

During 2007 and 2008, the Company purchased copper put options from various major international financial institutions at a total cost of \$11,542 and \$2,465, respectively, for a total of approximately 258 million pounds of copper. Under the terms of these derivative contracts, if the average LME copper cash price for the month is less than the strike price, the Company will receive the difference in price for the contracted number of pounds.

During the fourth quarter of 2008, a total of 21 million pounds of copper put options purchased in 2008 were exercised and the Company received cash payments \$11,127 from the counterparties. None of the put options were exercised in 2007. During 2008, a total of 159 million pounds of copper put options expired (2007 – 43 million pounds).

At as December 31, 2008, the fair value of the outstanding put options increased to \$38,481 and resulted in an unrealized derivative gain of \$27,242.

(b) Copper and Gold Forward Contracts

In the first six months of 2007, the Company settled all of its remaining copper and gold forward sale contracts. The derivative loss in 2007 is based on the difference between the actual sales price and the forward contracted price.

(c) Fuel Contracts

In 2008, the Company entered into NYMEX heating oil futures contracts for 7.8 million gallons at a strike price of \$2.51/gallon. The settlement of these contracts occurs between December 2008 and November 2009. The contracts were acquired at no cost but are subject to margin calls. The Company will pay or receive cash based on the difference between the strike price and the actual cost of NYMEX heating oil in the month of settlement.

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In December 2008, the Company settled 650,000 gallons of NYMEX heating oil at a price of \$1.42/gallon resulting in a realized loss of \$707. At December 31, 2008, the price of NYMEX heating oil was \$1.53/gallon. As a result, the Company recorded an unrealized loss of \$7,152.

In February 2007, the Company entered into an agreement to purchase, on a take or pay basis, 504,000 gallons per month of diesel fuel for the 12 month period. As at December 31, 2007, the fair value of the contract was \$486 resulting in an unrealized gain of \$486 in 2007. This agreement expired in February 2008.

14. ASSET RETIREMENT OBLIGATIONS

	2008	2007
Balance at January 1	37,458	24,093
Change in estimated timing and amount of Robinson closure costs	-	8,712
Additions for other mineral properties	1,794	2,134
Payment for reclamation costs	(1,660)	-
Accretion	3,377	2,519
Balance at December 31	40,969	37,458

Asset retirement obligations allocated by mineral properties is as follows:

	2008	2007
Robinson mine	36,876	35,289
Carlota project	3,343	770
Other mineral properties	750	1,399
	40,969	37,458

During the year ended December 31, 2007, the Company re-assessed its reclamation plan on the Robinson mine and increased its estimate of the undiscounted closure costs to \$85,291. In assessing the carrying amount for the incremental portion of the asset retirement obligations, the Company used a credit-adjusted risk-free rate of 11.5% and an estimated inflation rate of 3%, resulting in an additional asset retirement obligation of \$8,712.

During the year ended December 31, 2008, the Company had updated the reclamation cost estimates for the Carlota mine and increased its estimate of the undiscounted closure costs to \$9,901 (2007: \$1,625). In assessing the carrying amount for the incremental portion of the asset retirement obligations, the Company used a weighted average credit-adjusted risk-free rate of 13.9% and an estimated inflation rate of 1%, resulting in an additional asset retirement obligation of \$2,444.

As of December 31, 2008 the Company had posted environmental bonds and held cash in a reclamation trust totaling \$55,404 (Note 7) to secure a portion of the closure costs related to the Robinson mine.

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The estimate of the closure costs is subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

15. CAPITAL LEASE OBLIGATIONS

The Company has two capital lease agreements, signed in October 2005 and February 2006, for mining equipment at the Robinson mine. Future minimum lease payments under these contracts are as follows:

2009	2,457
2010	6,026
2011	89
Total minimum lease payments	8,572
Less: interest	(1,568)
Balance of the obligation	7,004
Less: current portion (Note 12)	(1,531)
Long-term portion	5,473

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16. 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, 2007	38,129,024	162,315
Capital stock issued		
Shares issued for cash, net of issue costs (i)	11,960,000	116,234
Stock options exercised	1,101,690	7,721
Warrants exercised (ii)	81,111	770
Shares issued for InterMoly acquisition (Note 8 (d))	3,293,111	37,714
Shares issued for water rights acquisition (Note 8 (c))	550,800	8,822
Transfer from contributed surplus:		
Stock options and warrants exercised		2,455
Balance at December 31, 2007	55,115,736	336,031
Capital stock issued		
Shares issued for cash, net of issue costs (iii)	7,966,750	183,621
Shares issued for InterMoly acquisition (Note 8 (d))	650,529	16,324
Shares issued for water rights acquisition (Note 8 (c))	1,231,916	30,171
Stock options exercised	386,928	3,891
Warrants exercised (ii)	648,888	5,954
Transfer from contributed surplus:		
Stock options and warrants exercised		2,482
Balance at December 31, 2008	66,000,747	578,474

(i) In May 2007, the Company completed a bought-deal equity financing with a syndicate of underwriters through which the Company issued 10.4 million units at a price of C\$12.60 per unit for gross proceeds of \$118,539 (C\$131,040). Each unit consisted of one common share of the Company and one-half of a warrant, with each whole warrant entitling the holder to purchase an additional common share at an exercise price of C\$20.00 for a period of three years. The underwriters also exercised an option to acquire an additional 1.56 million units which increased the gross proceeds of the offering to \$136,320 (C\$150,696). The Company incurred share issue costs of \$5,844 in connection with this offering. Of the gross proceeds received, \$14,243 was allocated to the warrants for accounting purposes based on their proportionate fair value.

(ii) During the year ended December 31, 2008, warrants to purchase 648,888 common shares (2007 – 81,111 common shares) were exercised. These warrants were issued to the Second Facility Lenders in March 2007.

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(iii) In June 2008, the Company completed a bought-deal equity financing with a syndicate of underwriters through which the Company issued 7,145,000 common shares at a price of C\$24.50 per share for gross proceeds of \$171,656 (C\$175,053). In connection with this financing, the underwriters were also granted an option to acquire up to an additional 1,071,750 common shares at a price of C\$24.50 per share until July 5, 2008. In July 2008, the underwriters exercised a portion of their option and acquired an additional 821,750 common shares for additional gross proceeds of \$19,757 (C\$20,133).

(b) Stock options and warrants

The Company has a stock option plan to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, by offering them an opportunity to participate in the Company's future performance through awards of options. The stock option plan is administered by the Compensation Committee, all of whom are members of the Board of Directors. The total number of Shares reserved and available for issuance shall not exceed in the aggregate a number of Shares equal to 10% of the issued and outstanding Shares of the Company from time to time. The exercise price per option shall be determined by the Compensation Committee, but such price shall not be less than the closing price of the shares on the TSX on the trading day immediately preceding the day on which the option is granted. The options granted vest over a two year period and expire after five years.

The following table summarizes information relating to stock options outstanding and exercisable at December 31, 2008 (in Canadian dollars):

Exercise price per share	Options outstanding			Options exercisable	
	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price C\$	Number exercisable	Weighted-average exercise price C\$
\$4.60 - \$7.76	658,000	1.69	6.37	551,334	6.47
\$9.18 - \$11.91	618,604	2.62	10.59	613,604	10.58
\$12.10 - \$15.35	1,736,173	3.41	13.18	1,019,833	13.11
\$16.50 - \$20.86	653,000	3.99	18.65	309,832	18.50
\$20.90 - \$24.60	1,292,500	4.37	24.51	430,821	24.51
	4,958,277	3.41	15.63	2,925,424	13.58

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The following tables summarize the stock option activity for the year ending December 31, 2008 and 2007:

		2008
	Options	Weighted-average exercise price (C\$)
Outstanding at January 1, 2007	2,467,366	7.86
Granted	2,262,500	13.82
Forfeited	(92,103)	10.79
Exercised	(1,101,690)	7.26
Outstanding at December 31, 2007	3,536,073	11.76
Granted	1,984,000	21.69
Forfeited	(174,868)	18.67
Exercised	(386,928)	10.03
Outstanding at December 31, 2008	4,958,277	15.63

During the year ended December 31, 2008, 1,984,000 stock options were granted to directors and employees (2007 – 2,262,500). The weighted-average fair value of these stock options is estimated to be \$6.20 each (2007 - \$4.20). The total fair value of the stock options granted is amortized over the two year vesting period. The stock-based compensation amortization for the year ended December 31, 2008 was \$10,701 of which \$1,625 was capitalized to mineral properties (December 31, 2007: \$1,196).

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>2008</u>	<u>2007</u>
Expected volatility	49%	45%
Risk-free interest rate	2.96%	4.86%
Expected lives	2.1 years	2.5 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.

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Warrants

The following warrants were outstanding and exercisable at December 31, 2008:

	Common shares to be issued on exercise	Exercise price C\$	Expiry date
Traded warrants (Note 16 (a))	5,980,000	20.00	May 9, 2010
Lender warrants	1,297,767	9.24	March 1, 2012
Exercisable at December 31, 2008	7,277,767	18.08	

The following table summarizes warrant activity for the years ended December 31, 2008 and 2007:

	Common shares to be issued on exercise	Exercise price C\$
Outstanding at January 1, 2007	8,007,766	17.28
Exercised	(81,111)	9.24
Outstanding at December 31, 2007	7,926,655	17.36
Exercised	(648,888)	9.24
Outstanding at December 31, 2008	7,277,767	18.08

17. REVENUES FROM CONCENTRATE SALES

	2008	2007
Copper revenues	501,925	417,099
Gold revenues	115,406	75,341
Molybdenum revenues	1,402	2,868
Price adjustments	(113,836)	27,783
Refining and treatment charges	(17,396)	(29,243)
	487,501	493,848

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18. INTEREST AND OTHER (INCOME) EXPENSE

	2008	2007
		As restated (Note 3)
Interest income	(5,747)	(7,734)
Interest expense	2,063	2,921
Gain on sale of marketable securities	(1,888)	(1,707)
Change in value of the deferred gold consideration	1,535	4,755
Other	(284)	2,572
	(4,321)	807

19. MANAGEMENT OF CAPITAL RISK

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, adjust the amount of investments or repay debt.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less when acquired, selected with regards to the expected timing of expenditures from continuing operations.

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20. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk. These risks are assessed regularly and when appropriate the Company takes steps to mitigate these risks.

(a) Currency risk

The Company's revenues from the sale of copper, gold and molybdenum are denominated in US dollars. The Company's operating expenses are primarily incurred in US dollars and its liabilities are primarily denominated in US dollars. The operating results and financial position of the Company are reported in US dollars in the Company's consolidated financial statements. However, the Company's corporate office is in Canada and the majority of general and administrative expenses are paid in Canadian dollars. The Company has not entered into any arrangements to hedge currency risks. The Company does not believe that a change in the exchange rate between US and Canadian Dollars would have a material impact on the Company's financial statements.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's significant counterparty exposures are as follows:

- Sales contracts with its customers; the payment terms of the trade receivables are defined in the contracts and provide for the majority of payments to be made shortly after shipment. The Company manages the credit risk for trade and other receivables through established credit monitoring activities.
- Cash and cash equivalents; the counter-parties primarily consist of banks, governments and government agencies.
- Derivative instruments; the counterparties consist of several large international financial institutions.

The Company monitors the concentration of exposure and where possible, if necessary, takes steps to limit exposures to any one counterparty. The Company does not believe there are any issues at the current time.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through regular forecasting and the management of its capital structure and financial leverage as described in Note 19. Accounts payable and accrued liabilities, and other current liabilities are due within one year. The contractual maturities of obligations under capital leases are set out in Note 15.

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(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term nature and because these investments are generally held to maturity. Since a variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the year end would not have a material impact on the Company's financial statements.

(e) Commodity price risk

The value of the Company's mineral resource properties is related to the price of copper and gold and the outlook for these minerals. Copper, gold and molybdenum prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, levels of worldwide production, short-term changes in supply and demand related to speculative activities, central bank lending, forward sales by producers and speculators, and other factors.

The profitability of the Company's operations is highly correlated to the market price of copper and gold. In the year ended December 31, 2008, the Company's only source of revenues was from the sale of 147.2 million pounds of copper and 127 thousand ounces of gold. The Company has purchased copper put options to reduce the copper price risk (Note 13). If metal prices decline significantly, or for a prolonged period the Company's operations and development projects may not be economically feasible.

In addition, changes in commodity price can have a significant impact on the value of financial instruments, in particular, receivables which include sales that have been provisionally valued, and not yet subject to final pricing. At December 31, 2008, accounts receivable and revenues include approximately 43.2 million pounds of copper that has been provisionally valued at \$1.33 per pound. The final pricing of these provisionally priced sales is expected to occur between January 2009 and April 2009. Changes in the price of copper from the amounts used to calculate the provisional values will impact the Company's revenues and working capital position in 2009. The following table summarizes the impact of the change in commodity price on the Company's financial statements at December 31, 2008 with all other variables held constant:

	A change of :	Would have changed the book value of assets at December 31, 2008 by:	Would have changed net earnings for the year ended December 31, 2008 by:
Copper price (per pound)	\$ 0.50		
Receivables		21,599	15,231
Copper puts		17,500	12,341

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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21. FINANCIAL INSTRUMENTS

The Company's financial instruments are comprised of cash and cash equivalents, receivables, marketable securities, security deposits, accounts payable, environmental trust and bond, derivative instruments, and obligations under capital lease. Marketable securities and derivative instruments are carried at fair value. The fair values of receivables and accounts payable approximate their carrying values due to the immediate or short-term maturity of those instruments. Management also estimates that the fair values of the non-current portion of the security deposits, environment trust and bond, and obligations under capital leases approximate their carrying value.

22. SEGMENTED INFORMATION

The Company's reportable segments are based on mineral properties (Note 8). All of the Company's revenue in 2007 and 2008 was generated by the Robinson mine. Except for the lower of cost or net realizable value inventory adjustment at the Carlota mine of \$15,249 in 2008, all of the Company's operating income in 2007 and 2008 was generated by the Robinson mine. Detail as to capital assets and capital expenditures by geographic areas is included in Note 8.

Total assets for each segment are as follows:

	2008	2007
		As restated (Note 3)
Robinson mine	310,400	274,900
Carlota mine	323,629	172,410
Other mineral properties	139,842	107,417
Corporate and other	78,096	210,895
	<u>851,967</u>	<u>765,622</u>

23. RELATED PARTY TRANSACTIONS

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the year ended December 31, 2008, the Company incurred legal fees of \$570 with that entity (year ended December 30, 2007: \$890), which were at normal business terms.

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24. SUPPLEMENTARY CASH FLOW INFORMATION

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

	2008	2007
Increase in receivables	(5,910)	(9,693)
Increase in inventory	(6,191)	(5,073)
Increase in derivative instruments	(2,464)	(12,062)
Increase (decrease) in other current assets	(1,614)	(1,279)
Increase (decrease) in accounts payable and accrued liabilities	14,446	(8,409)
Decrease in other current liabilities	(5,951)	(7,417)
Net changes in non-cash working capital	(7,684)	(43,933)
Other supplemental information:		
Interest paid	9,342	10,085
Income tax paid	38,428	22,327

25. COMMITMENTS

Commitments not disclosed elsewhere in these financial statements include the following:

The Company has entered into operating leases for office premises and mobile equipment that provide for minimum annual lease payments of \$10,705 in 2009, \$9,982 in 2010, \$7,815 in 2011, \$2,142 in 2012 and \$515 in 2013.

26. CONTINGENCIES

The Company has been served with four lawsuits that have been 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 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 three 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 fourth case, the plaintiffs argue that if any of the first three 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.

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The first three 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. A negative outcome in these proceedings could have a material adverse effect on Quadra.

27. SUBSEQUENT EVENT

Subsequent to the year ended December 31, 2008, the Company entered into a definitive agreement whereby the Company agreed to acquire, by Plan of Arrangement, all of the issued and outstanding common shares of Centenario Copper Corporation ("Centenario") at an exchange ratio of 0.28 Quadra common shares for each whole Centenario common share (the "Transaction"). Upon closing of the Transaction, Quadra would issue approximately 14.4 million common shares in exchange for all outstanding shares of Centenario. The Transaction is subject to certain conditions, including approval by Centenario's shareholders and completion of the restructuring or refinancing (the "Centenario Debt Restructuring") of Centenario's senior indebtedness on terms acceptable to the Company, in its sole discretion and judgment.

In connection with the transaction and to provide Centenario with liquidity support, the Company has agreed to loan Centenario up to \$3.5 million and subscribe for 10.24 million treasury common shares of Centenario, at a subscription price of \$C 0.80 per share, for a total aggregate investment of approximately \$10 million. The loan and share subscription are conditional upon, among other things, Centenario entering into a commitment letter with respect to the Centenario Debt Restructuring, by no later than March 31, 2009, and the approval of the TSX.