



Quadra Mining Ltd.

Consolidated Financial Statements

March 31, 2010

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

(Unaudited)

Quadra Mining Ltd.

CONSOLIDATED BALANCE SHEETS

(US Dollars in Thousands)

(Unaudited)

		March 31,	December 31,
		2010	2009
ASSETS			
Current			
Cash and cash equivalents	Note 4	156,811	133,208
Restricted cash	Note 11	2,854	4,816
Receivables		36,147	20,816
Inventory	Note 5	203,731	186,767
Derivative assets	Note 9	1,452	1,333
Other current assets	Note 6	47,867	33,246
Total Current Assets		448,862	380,186
Mineral properties, plant and equipment	Note 7	794,819	780,874
Environmental trust and bond		65,618	59,738
Derivative assets	Note 9	111	234
Other non-current assets		4,634	4,595
Future income tax assets		20,405	21,398
Total Assets		1,334,449	1,247,025
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		83,932	70,998
Derivative liabilities	Note 9	27,125	32,764
Project debt facility	Note 11	45,106	34,166
Other current liabilities	Note 10	23,977	19,126
Future income tax liabilities		6,302	5,841
Total Current Liabilities		186,442	162,895
Asset retirement obligations		51,322	50,289
Derivative liabilities	Note 9	23,975	25,623
Other non-current liabilities		2,494	2,858
Total Liabilities		264,233	241,665
Shareholders' Equity			
Share capital	Note 12(a)	716,849	715,261
Stock options and warrants	Note 12(b),(c)	42,932	41,711
Accumulated other comprehensive income		16,320	9,920
Retained earnings		294,115	238,468
Total Shareholders' Equity		1,070,216	1,005,360
Total Liabilities and Shareholders' Equity		1,334,449	1,247,025
Commitments (Note 17), Contingencies (Note 18)			

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

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF EARNINGS

(US Dollars in Thousands)

(Unaudited)

		Three months ended March 31, 2010	Three months ended March 31, 2009
Revenues	Note 13(a)	192,912	106,316
Cost of sales		90,427	56,721
Carlota start-up inventory recovery	Note 5	-	(5,305)
Amortization, depletion and depreciation		11,426	4,360
Accretion of asset retirement obligations		1,217	969
Royalties and mineral taxes		8,068	3,327
		<u>111,138</u>	<u>60,072</u>
Operating income		81,774	46,244
General and administrative		6,604	3,493
Stock-based compensation	Note 12 (b)	1,562	1,520
Loss on derivatives	Note 9	7,078	8,810
Foreign exchange loss (gain)		119	(340)
Net interest and other income	Note 14	(2,564)	(62)
Earnings before income taxes		<u>68,975</u>	<u>32,823</u>
Income tax expense	Note 8	13,328	6,168
Earnings for the period		<u>55,647</u>	<u>26,655</u>
Retained earnings - beginning of period		<u>238,468</u>	<u>157,986</u>
Retained earnings - end of period		<u>294,115</u>	<u>184,641</u>
Earnings per share			
Basic earnings per share		\$ 0.56	\$ 0.40
Diluted earnings per share		\$ 0.55	\$ 0.40
Weighted average shares outstanding - basic		99,534	66,001
Weighted average shares outstanding - diluted		101,705	66,001

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 March 31, 2010	Three months ended March 31, 2009
Net earnings	55,647	26,655
Other comprehensive income		
Unrealized gain on marketable securities, net of tax	6,400	12,435
Total comprehensive income	<u>62,047</u>	<u>39,090</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollars in Thousands)

(Unaudited)

	Three months ended March 31, 2010	Year ended December 31, 2009
Share capital		
Balance - beginning of year	715,261	578,474
Shares issued for cash, net of issue costs	-	67,842
Shares issued for Centenario acquisition	-	64,451
Shares issued, other	-	181
Stock options exercised	1,588	4,313
Balance - end of period	716,849	715,261
Stock options and warrants		
Balance - beginning of year	41,711	35,253
Stock-based compensation	Note 12 (b) 1,562	7,167
Stock options issued for Centenario acquisition	-	314
Transfer to share capital for stock options exercised	(341)	(1,023)
Balance - end of period	42,932	41,711
Accumulated other comprehensive loss		
Balance - beginning of year	9,920	(40,181)
Reversal of realized gain on marketable securities	-	(818)
Unrealized gain on marketable securities, net of tax	6,400	50,919
Balance - end of period	16,320	9,920
Retained earnings		
Balance - beginning of period	238,468	157,986
Earnings for the period	55,647	80,482
Balance - end of period	294,115	238,468
Total shareholders' equity	1,070,216	1,005,360

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 March 31, 2010	Three months ended March 31, 2009
OPERATING ACTIVITIES			
Earnings for the period		55,647	26,655
Adjustment for items not involving cash from operating activities:			
Stock-based compensation	Note 12 (b)	1,451	1,520
Amortization, depletion, depreciation and accretion		12,643	5,329
Carlota start-up inventory recovery	Note 5	-	(5,305)
Loss on derivatives	Note 9	7,078	25,495
Future income tax expense	Note 8	324	1,308
Unrealized gain on marketable securities	Note 14	(5,620)	-
Other		552	9
		<u>72,075</u>	<u>55,011</u>
Net changes in non-cash working capital	Note 16	(16,150)	(27,194)
Cash provided from operating activities		55,925	27,817
INVESTING ACTIVITIES			
Additions to mineral properties, plant and equipment		(22,886)	(17,170)
Payments for settlement and purchase of derivatives		(14,362)	-
Increase in environmental bond and trust		(5,880)	(4,290)
Increase (decrease) in other assets		(39)	38
Increase in loan to Centenario		-	(2,800)
Cash used in investing activities		(43,167)	(24,222)
FINANCING ACTIVITIES			
Proceeds from issue of common shares	Note 12 (a)	1,247	-
Increase in project debt facility, net		10,018	-
Decrease in obligations under capital leases		(420)	(378)
Cash provided from (used in) financing activities		10,845	(378)
Net increase in cash and cash equivalents during the period		23,603	3,217
Cash and cash equivalents, beginning of period		133,208	107,797
Cash and cash equivalents, end of period		156,811	111,014

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Three months ended March 31, 2010
(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 and restarted 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 as a development project in 2005. Construction of the Carlota mine was completed in 2008 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 mine, a heap leach – SX/EW copper operation in northern Chile. Quadra completed the mine construction and commenced production at Franke during the fourth quarter of 2009.

The Company also owns an advanced exploration project in Chile ("Sierra Gorda") and 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, 2009. 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, 2009.

3. CHANGE OF ACCOUNTING POLICY

Business Combinations

On January 1, 2010, the Company early adopted CICA Handbook Section 1582 "*Business Combinations*". This standard is harmonized with International Reporting Standards (IFRS). The changes in this section include revisions to the definition of a business, revisions to the measurement basis used to measure a business combination and the requirement to recognize acquisition related costs as expenses. This Section also provides additional disclosure requirements for business combinations. As a result of the adoption of

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this new standard, all transaction costs related to the proposed merger with FNX Mining Company Inc. have been recorded in the statement of earnings for the quarter ended March 31, 2010 (Note 14).

4. CASH AND CASH EQUIVALENTS

	March 31, 2010	December 31, 2009
Cash deposits, bankers acceptances and term deposits	60,164	49,665
Government money market investments	96,647	83,543
Total	156,811	133,208

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired. At March 31, 2010, the majority of the Company's cash and cash equivalents were denominated in U.S. dollars.

5. INVENTORY

	March 31, 2010	December 31, 2009
Copper concentrate	40,441	38,936
Copper cathode	12,214	16,604
Carlota leach pad inventory	102,618	88,231
Franke leach pad inventory	23,417	16,778
Supplies	25,041	26,218
Total	203,731	186,767

During 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. In the first quarter of 2009, the Company reversed \$5,305 of this adjustment due to the increased copper price.

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

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6. OTHER CURRENT ASSETS

	March 31, 2010	December 31, 2009
Prepaid expenses	7,859	4,833
Prepaid royalties	101	1,655
Marketable securities	39,907	26,758
Total other current assets	47,867	33,246

During the fourth quarter of 2009, the Company acquired marketable securities, consisting of common shares and warrants of a public mining company. For accounting purposes, the investment in common shares is designated as 'available-for-sale', and the warrants (expiring October 30, 2011) are required to be designated as 'held-for-trading'. At March 31, 2010 the fair value of the common shares, based on their quoted market price, increased to \$25,720 resulting in an unrealized gain of \$6,400 (net of tax of \$1,129) which has been recorded in shareholders' equity as a component of other comprehensive income. The fair value of the warrants, estimated using a Black-Scholes option pricing model, increased to \$14,187, resulting in an unrealized gain of \$5,620 in the first quarter of 2010 which has been recorded in the statements of earnings (Note 14).

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	March 31, 2010	December 31, 2009
Mineral property acquisition and development costs	543,226	528,088
Plant, buildings and equipment	411,193	396,161
Equipment under capital leases	11,354	11,354
Asset retirement cost	37,733	37,733
	1,003,506	973,336
Accumulated depreciation, depletion, amortization and impairment:		
Mineral property acquisition and development costs	(127,423)	(120,932)
Plant, buildings and equipment	(58,393)	(49,832)
Equipment under capital leases	(7,975)	(7,562)
Asset retirement cost	(14,896)	(14,136)
	(208,687)	(192,462)
	794,819	780,874

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

(US Dollars in Thousands)
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(Unaudited)

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

			March 31, 2010
	Cost	Accumulated depreciation, depletion, amortization and impairment	Net book value
Robinson mine (Nevada, U.S.A.) (a)	205,680	(76,152)	129,528
Carlota copper mine (Arizona, U.S.A.) (b)	296,283	(25,385)	270,898
Franke mine (Chile) (c)	239,373	(10,701)	228,672
Sierra Gorda project (Chile) (d)	159,045	(242)	158,803
Malmbjerg molybdenum project (Greenland)	101,957	(95,942)	6,015
Other	1,168	(265)	903
	1,003,506	(208,687)	794,819

			December 31, 2009
	Cost	Accumulated depreciation, depletion, amortization and impairment	Net book value
Robinson mine (Nevada, U.S.A.) (a)	198,551	(70,773)	127,778
Carlota copper mine (Arizona, U.S.A.) (b)	291,084	(19,699)	271,385
Franke mine (Chile) (c)	237,015	(5,611)	231,404
Sierra Gorda project (Chile) (d)	144,281	(215)	144,066
Malmbjerg molybdenum project (Greenland)	101,897	(95,922)	5,975
Other	508	(242)	266
	973,336	(192,462)	780,874

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(a) Robinson mine

During the three months ended March 31, 2010, the Company incurred capital expenditures of \$7,129 (three months ended March 31, 2009: \$3,136) primarily related to Ruth Pit development.

(b) Carlota mine

During the three months ended March 31, 2010, the Company incurred capital expenditures of \$5,199 (three months ended March 31, 2009: \$2,836) related to the construction of the leach pad and a creek diversion..

(c) Franke mine

During the three months ended March 31, 2010, the Company incurred \$2,358 (the months ended March 31, 2009: \$nil) primarily related to the construction of the acid tank and stockpile cover. The mine construction was completed in 2009 and production at Franke commenced during the fourth quarter of 2009.

(d) Sierra Gorda

During the three months ended March 31, 2010, the Company incurred \$14,764 (three months ended March 31, 2009 - \$1,708) of exploration and development costs on the Sierra Gorda project and made option payments for land totaling \$1,000 (three months ended March 31, 2009: \$1,000).

8. INCOME TAXES

For the three month period ended March 31, 2010, the Company recognized a current income tax expense of \$13,003 and a future income tax expense of \$325. The income tax expense for the quarter ended March 31, 2010 has been recorded based on a forecasted effective income tax rate of 21% for 2010 (2009: 24%). For the three months ended March 31, 2009, the Company recognized current income tax expense of \$4,860 and a future income tax expense of \$1,308. The forecast of the annual effective income tax rate includes assumptions regarding metal prices, mine production and costs.

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9. DERIVATIVE INSTRUMENTS

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

	March 31, 2010	December 31, 2009
Copper put options (a)	227	212
Franke copper collars and put options (b)	(18,006)	(24,611)
Fuel contracts (c)	1,225	1,122
Franke long-term supply contracts (d)	(33,094)	(33,777)
Interest rate cap	111	234
Total fair value of the derivative instruments	(49,537)	(56,820)

Derivative instruments are presented in the balance sheets as follows:

	March 31, 2010	December 31, 2009
Derivative assets - current	1,452	1,333
Derivative assets - non-current	111	234
Derivative liabilities - current	(27,125)	(32,764)
Derivative liabilities - non-current	(23,975)	(25,623)
	(49,537)	(56,820)

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Copper put options (a)	3,278	10,087
Franke copper collars and put options (b)	4,465	-
Fuel contracts (c)	(103)	(1,277)
Franke long-term supply contracts (d)	(684)	-
Interest rate cap	122	-
Loss (gain) on derivatives	7,078	8,810

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(Unaudited)

(a) Copper Put Options

The Company has a floor price protection program for a portion of its anticipated copper sales through September 2010. During the first quarter of 2010, a total of 41.7 million pounds of copper put options expired unexercised. In addition, the Company purchased additional copper put options for 56 million pounds of copper at an average strike price of \$2.47 at a cost of \$3,293.

At March 31, 2010, the Company had 78.3 million pounds of copper puts outstanding with an average strike price of \$2.26/lb (December 31, 2009 – 64 million pounds) with a fair value of \$227. The expiry dates of these put options are between April and September 2010.

(b) Franke copper collars and put options

Under the terms of the Franke project debt facility (Note 11), 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. During the three months ended March 31, 2010, the Company settled 9.9 million pounds of copper collar contracts with cash payments of \$11,070. The following table includes a summary of the terms of these contracts which remain outstanding at March 31, 2010:

Expiry	Pounds (millions)	Instrument	Floor price	Cap price	Fair value
April 2010 to June 2010	9.9	Collar	\$ 1.79	\$ 2.16	(18,008)
July 2010 to December 2010	15.0	Put	\$ 1.79		2
Total	24.9				(18,006)

(c) Fuel Contracts

The Company has entered into NYMEX heating oil futures contracts and collar contracts in order to manage the price risk associated with diesel fuel. During the three months ended March 31, 2010, the Company settled 2.8 million gallons of NYMEX heating oil contracts resulting in a cash payment of \$141 to the Company, which has been recorded in cost of sales on the statement of earnings. During the first three months of 2010, the Company entered into contracts for a total of 2.7 million gallons of NYMEX heating oil futures at no cost.

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(Unaudited)

At March 31, 2010 the following NYMEX heating oil contracts remain outstanding (December 31, 2009: 10.9 million gallons):

Expiry	Gallons (millions)	Contract	Fair value
April to December 2010	7.5	Futures, strike price \$2.13/gallon	926
April 2010	0.6	Collars, cap \$2.00/gallon; floor \$1.7/gallon	114
January to March 2011	2.7	Futures, strike price \$2.26/gallon	185
Total	10.8		1,225

(d) Franke long-term supply contracts

On the acquisition of Centenario in 2009, the Company assumed long-term supply contracts for sulphuric acid and water. The contracted prices for acid and water are subject to adjustment based on the prevailing copper prices. The acid contract has a base price of \$27/tonne and requires an additional \$2.50/tonne to be paid for each \$0.10/lb that the copper price exceeds \$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 \$1.50/lb. The minimum commitment under the contracts is estimated to be \$4,050 per annum for acid and \$1,060 per annum for water.

These copper price escalation clauses create embedded derivatives in the acid and water supply contracts. As of March 31, 2010, the fair value of the embedded derivative liabilities was \$33,094 based on the following significant assumptions:

- Copper price of \$3.56/lb. for 2010-2011, \$3.51/lb. for 2012, \$2.50/lb. for 2013, and \$2.00/lb. thereafter
- Discount rate: 15%
- Tax rate: 17%

The change in the fair value of the embedded derivative liabilities of \$684 for the three months ended March 31, 2010 was recorded as a unrealized gain on derivatives on the statement of earnings.

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(US Dollars in Thousands)
Three months ended March 31, 2010
(Unaudited)

10. OTHER CURRENT LIABILITIES

	March 31, 2009	December 31, 2009
Taxes payable	18,740	13,669
Obligations under capital lease - current portion	5,037	5,457
Other	200	-
Total other current liabilities	23,977	19,126

The Company has two capital lease agreements, signed in October 2005 and February 2006, for mining equipment at the Robinson mine. As of March 31, 2010, the minimum lease payments for these two capital lease agreements were \$5,453, which includes \$416 interest.

11. PROJECT DEBT FACILITY

In 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 to fund the development of the Franke project. During the first quarter of 2010 the facility was increased by \$12.5 million, and this additional amount was drawn down. The facility now consists of an amortizing \$42.5 million project finance facility and a \$7.5 million working capital facility bearing interest at LIBOR plus 5.75% and 6.75%, respectively. The Company is required to make semi-annual principal payments equal to 67% of the Excess Cash Flow from the Franke Mine. Excess Cash Flow is net of scheduled debt repayments and other adjustments as computed under the terms of the facility agreement. The first semi-annual principal payment was made in March 2010 in the amount of \$2,125. Based on the current copper price and the projected Excess Cash Flow from the Franke Mine, it is expected that the Company will repay the balance of the facility in the next 12 months. Therefore, the facility has been classified as a current liability on the consolidated balance sheet at March 31, 2010.

If there is no Excess Cash Flow, the project loan facility would be repayable with semi-annual principal repayments, with a final maturity date in March 2014. The working capital facility is repayable at the final maturity date in March 2014. The principal repayment schedule from April 1, 2010 is as follows:

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2010	4,250
2011	10,625
2012	8,500
2013	11,688
2014	12,812
Total	47,875

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. At March 31, 2010 the restricted cash balance related to the project debt facility was \$2,854 (December 31, 2009 - \$4,816).

The Company is carrying this loan at amortized cost, comprised as follows:

	March 31, 2010	December 31, 2009
Project finance facility	40,375	30,000
Working capital facility	7,500	7,500
Debt issue costs	(4,173)	(3,816)
Cumulative amortization of debt issue costs	1,404	482
Project debt facility	45,106	34,166

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(US Dollars in Thousands)
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12. 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, 2010	99,508,530	715,261
Capital stock issued		
Stock options exercised	127,600	1,247
Transfer from contributed surplus:		
Stock options exercised		341
Balance at March 31, 2010	99,636,130	716,849

In the first quarter of 2010, Quadra executed a non-binding memorandum of understanding (“MOU”) with State Grid International Development Limited (“SGID”), for the formation of a joint venture (the “Strategic JV”). As part of the MOU, Quadra and SGID have entered into a private placement agreement whereby SGID would subscribe for 10,945,997 common shares of Quadra at a price of CDN\$13.91 each. Completion of this private placement is conditional on closing of the Strategic JV. The proceeds of CDN\$152.3 million are being held by an escrow agent until the closing of the Strategic JV has been completed.

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(b) Stock options and Restricted Stock Units

(i) Stock Options

The following table summarizes information relating to stock options outstanding and exercisable at March 31, 2010 (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	1,946,048	3.46	6.99	831,554	6.85
\$8.02 - \$11.91	1,047,269	2.15	10.28	893,936	10.44
\$12.10 - \$15.35	1,921,805	2.68	13.32	1,523,139	13.16
\$16.50 - \$20.86	801,500	2.88	19.07	755,666	19.17
\$20.90 - \$24.60	1,240,500	3.11	24.49	838,677	24.47
	6,957,122	2.92	13.75	4,842,972	14.47

The following tables summarize the stock option activity for the three months ended March 31, 2010:

	Options	Weighted-average exercise price (C\$)
Outstanding at January 1, 2010	7,037,222	13.70
Granted	75,000	15.18
Forfeited	(27,500)	19.60
Exercised	(127,600)	9.93
Outstanding at March 31, 2010	6,957,122	13.75

During the quarter ended March 31, 2010, 75,000 stock options were granted to employees (March 31, 2009 – 112,500). The weighted-average fair value of these stock options is estimated to be \$5.48 each (March 31, 2009 - \$1.47). The total fair value of the stock options granted is amortized over the two year vesting period. The stock-based compensation expense for the three months ended March 31, 2010 was \$1,562 (three months ended March 31, 2009 - \$1,771), \$111 of which was capitalized to inventory (three months ended March 31, 2009 - \$251).

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

	<u>2010</u>	<u>2009</u>
Expected Volatility	57%	58%
Risk-free interest rate	2%	2%
Expected Life	2.8 years	3.0 years
Dividend Yield	Nil	Nil

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

(ii) Restricted Stock Units (“RSU”)

As of March 31, 2010 the Company had 95,806 RSUs outstanding with a maturity date of May 2010, and 64,306 RSUs outstanding with a maturity date of May 2012.

For accounting purposes, RSUs are valued at their fair market value, and accrued over the vesting period. For the three months ended March 31, 2010 the RSU expense was \$550 (three months ended March 31, 2009 - \$nil), \$111 of which was recorded in stock based compensation expense and the remaining recorded in inventory and cost of sales.

(c) Warrants

The following warrants were outstanding and exercisable at March 31, 2010:

	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 March 31, 2009	7,277,767	18.08	

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13. 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.

(a) Revenues

For the three month period ended March 31, 2010:

	Robinson	Carlota	Franke	Total
Copper revenues	92,265	30,842	33,424	156,531
Gold revenues	28,018	-	-	28,018
Price adjustments	12,828	-	118	12,946
Refining and treatment charges	(4,583)	-	-	(4,583)
	128,528	30,842	33,542	192,912

For the three month period ended March 31, 2009:

	Robinson	Carlota	Franke	Total
Copper revenues	51,743	9,040	-	60,783
Gold revenues	27,435	-	-	27,435
Molybdenum revenues	561	-	-	561
Price adjustments	22,952	-	-	22,952
Refining and treatment charges	(5,415)	-	-	(5,415)
	97,276	9,040	-	106,316

Revenues at Robinson are from concentrate sales and 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 March 31, 2010, working capital and revenues include 29.4 million pounds of copper which has been provisionally valued at an average price of \$3.56 per pound (December 31, 2009 – 20.1 million pounds at \$3.34 per pound). Accounts receivable at March 31, 2010 includes an amount for provisional price adjustments of \$16,692 (at December 31, 2010 - \$9,631). The final pricing for these provisionally priced sales is expected to occur between April and June 2010.

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(b) Operating income

For the three month period ended March 31, 2010:

	Robinson	Carlota	Franke	Total
Revenues	128,528	30,842	33,542	192,912
Cost of sales	54,753	15,190	20,484	90,427
Amortization, depletion, depreciation and accretion	6,092	2,949	3,602	12,643
Royalties and mineral taxes	6,514	1,554	-	8,068
Operating income	61,169	11,149	9,456	81,774

For the three month period ended March 31, 2009:

	Robinson	Carlota	Franke	Total
Revenues	97,276	9,040	-	106,316
Cost of sales	47,653	9,068	-	56,721
Reversal of inventory adjustment	-	(5,305)	-	(5,305)
Amortization, depletion and depreciation	4,702	627	-	5,329
Royalties and mineral taxes	2,917	410	-	3,327
Operating income	42,004	4,240	-	46,244

(c) Capital expenditures and total assets

For the three month period ended March 31, 2010:

	Robinson	Carlota	Franke	Other mineral properties	Corporate	Total
Capital expenditures	7,129	5,199	2,358	14,824	660	30,170
Total assets as of March 31, 2010	401,147	386,472	301,869	166,860	78,101	1,334,449

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For the three month period ended March 31, 2009:

	Robinson	Carlota	Franke	Other mineral properties	Corporate	Total
Capital expenditures	11,587	2,836	-	2,736	11	17,170
Total assets as of March 31, 2009	318,084	334,147	-	136,383	86,809	875,423

14. INTEREST AND OTHER INCOME

	Three months ended March 31, 2010	Three months ended March 31, 2009
Interest income	(34)	(324)
Interest expense	965	299
Transaction costs for merger with FNX (Note 19)	1,735	-
Unrealized gain on held for trading marketable securities (Note 6)	(5,620)	-
Other	390	(37)
	(2,564)	(62)

15. RELATED PARTY TRANSACTIONS

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the three months ended March 31, 2010 the Company incurred legal fees of \$463 with that entity (three months ended March 31, 2009: \$129), all of which were at normal business terms.

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16. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Increase in receivables	(15,331)	(3,638)
Increase in inventory	(12,072)	(5,153)
Decrease in restricted cash	1,962	-
(Increase) decrease in other current assets	(1,471)	651
Increase (decrease) in accounts payable and accrued liabilities	5,675	(23,518)
Decrease in other current liabilities	5,087	4,464
Net changes in non-cash working capital	(16,150)	(27,194)
Other supplemental information:		
Interest paid	721	489
Income tax paid	5,100	32

17. COMMITMENTS

During the quarter ended March 31, 2010, the Carlota Mine signed two new operating lease agreements to lease mine equipment for 4 and 5 years with total minimum lease payments of \$3,091 per annum.

18. CONTINGENCIES

(a) The Company has been served with four lawsuits that were filed in Chilean Courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada (MQCL). These lawsuits were served on August 13, 2007, April 2, 2008, June 20, 2008 and July 10, 2008 and seek to invalidate certain of the 10 option agreements under which the Company acquired mining tenements that comprise a significant part of the Sierra Gorda project. Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the lawsuits are without merit. MQCL settled one of the four lawsuits in the second quarter of 2009 for less than \$0.5 million.

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The plaintiffs in the remaining three lawsuits are or were shareholders in the “sociedades legales mineras” (SLM) or legal mining companies that owned certain of the mining tenements that were optioned to the Company in 2004. The Company believes it fully complied with the terms of all 10 option agreements and the plaintiffs accepted all option payments until April 2007. In the first two lawsuits, the plaintiffs are requesting that the option agreements be declared null and void. The plaintiffs in these cases are claiming that the SLMs were not authorized to sell the mining tenements under the option agreements. In the third lawsuit, the plaintiffs argue that if either of the first two lawsuits 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 Court referred this matter to arbitration and the Company has applied for a declaration from the arbitrator that the third lawsuit is without merit.

On April 30, 2010 the arbitrator in the third case found that MQCL had fully complied with all its contractual obligations and that the option agreements at issue in this case are valid. The decision by the arbitrator cannot be appealed.

On May 4, 2010 the court ruled in favor of MQCL in the first case and awarded the Company costs. The plaintiffs have a right to appeal this decision.

Although the Company believes, based on advice from Chilean counsel, that the remaining disputed option agreements are valid and that the legal claims are without merit, the outcome is uncertain. These lawsuits are subject to the procedural and substantive laws of Chile and the allegations are based on the actions of the SLM management, in respect of which MQCL has no direct knowledge. MQCL is vigorously defending these lawsuits; however, there is no assurance that it will be successful. Furthermore, should the lawsuits not be resolved on a timely basis, the project financing for the Sierra Gorda project could be delayed.

In the unlikely event that MQCL loses one or both of the first two lawsuits, based on advice from Chilean counsel the precise legal situation is unclear in that:

- The SLMs were dissolved automatically under Chilean law when the mining tenements that are the subject of the lawsuits were sold to the Company. These SLMs would somehow have to be recreated. Based on advice from Chilean counsel, there is no Chilean precedent for this.
- Before the title to the mining tenements that are the subject of the lawsuits are transferred back to the SLMs, Quadra should be entitled to be reimbursed all amounts paid to the plaintiffs and other shareholders under the option agreements.
- The mining tenements that are the subject of the lawsuits comprise an important part of the Company’s current plan for the development of the Sierra Gorda project. Given Quadra’s other

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landholdings in the area, the Company believes that it would be very difficult for the plaintiffs in the lawsuits to be able to economically exploit the mining tenements that are the subject of the lawsuits.

MQCL is aware that the same plaintiffs are attempting to initiate additional lawsuits seeking to declare null and void the option agreements relating to the mineral properties that are already the subject of the first case. However, none of the Company or any of its subsidiaries has of the date hereof been served with any additional legal actions.

19. PROPOSED MERGER OF QUADRA AND FNX MINING COMPANY INC. (“FNX”)

On March 23, 2010, the Company and FNX entered into a definitive agreement to merge the two companies. Under the terms of the transaction, which is structured as a plan of arrangement, each FNX common share would be exchanged for 0.87 of the Company’s common share and \$0.0001. The merger is subject to the satisfaction of a number of conditions, including the Company and FNX shareholder approval and regulatory approvals. The shareholder votes to approve the transaction are scheduled for May 19, 2010.

Under the terms of the Agreement, all outstanding options of FNX (whether vested or unvested) will be exchanged for Quadra stock options, adjusted based on the same exchange ratio. All outstanding warrants of FNX will be exercisable for common shares of Quadra, adjusted based on the same exchange ratio. Assuming no issuance of additional FNX shares, the Company will issue approximately 88,876,000 common shares in exchange for FNX common shares and reserve approximately 9,441,563 Quadra shares for issuance on the exercise of converted FNX options and warrants.