



Quadra Mining Ltd.

Consolidated Financial Statements

June 30, 2008

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

(Unaudited)

Quadra Mining Ltd.**CONSOLIDATED BALANCE SHEETS**(US Dollars in Thousands)
(Unaudited)

		June 30, 2008	December 31, 2007
ASSETS			
Current			
Cash and cash equivalents	Note 4	262,155	263,586
Receivables		40,333	13,595
Inventory	Note 5	51,311	42,730
Other current assets	Note 6	4,821	29,578
Future income tax assets		10,635	12,090
Total Current Assets		369,255	361,579
Environmental trust and bond		54,831	46,391
Mineral properties, plant and equipment	Note 7	574,932	366,126
Other assets		7,651	15,123
Total Assets		1,006,669	789,219
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		43,127	44,986
Deferred gold consideration payable	Note 9	5,678	15,104
Other current liabilities	Note 10	13,760	14,315
Total Current Liabilities		62,565	74,405
Senior credit facility	Note 11	-	145,151
Asset retirement obligations		39,427	37,458
Obligations under capital leases		6,326	7,407
Future income tax liabilities		28,908	23,708
Total Liabilities		137,226	288,129
Non-controlling interest		253	2,711
Shareholders' Equity			
Share capital	Note 13(a)	558,631	336,031
Stock options and warrants	Note 13(b), (c)	31,027	27,034
Accumulated other comprehensive income	Note 6	-	599
Retained earnings		279,532	134,715
Total Shareholders' Equity		869,190	498,379
Total Liabilities and Shareholders' Equity		1,006,669	789,219
Contingencies (Note 21), Subsequent Event (Note 22)			

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

Quadra Mining Ltd.

**CONSOLIDATED STATEMENTS OF EARNINGS
AND COMPREHENSIVE INCOME**

(US Dollars in Thousands)
(Unaudited)

		Three months ended June 30, 2008	Six months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2007
Revenues from concentrate sales	Note 14	180,570	378,602	141,139	277,594
Cost of sales		60,546	127,766	57,103	119,337
Amortization, depletion and depreciation		4,765	9,687	3,118	6,683
Accretion of asset retirement obligations		825	1,632	489	968
Royalties and mineral taxes		10,901	20,095	7,811	13,016
		<u>77,037</u>	<u>159,180</u>	<u>68,521</u>	<u>140,004</u>
Operating income		103,533	219,422	72,618	137,590
General and administrative		3,573	8,147	2,243	4,535
Stock-based compensation	Note 13(b)	3,976	5,187	2,896	3,279
Loss on settlement of debt	Note 11	15,940	15,940	11,039	11,039
Foreign exchange (gain) loss		(861)	688	(2,888)	(2,868)
Loss on derivatives	Note 12	1,200	10,660	10,267	12,779
Net interest and other income	Note 15	(760)	(4,085)	(1,711)	(1,822)
Earnings before income taxes		<u>80,465</u>	<u>182,885</u>	<u>50,772</u>	<u>110,648</u>
Income tax expense	Note 8	15,459	38,068	14,216	30,981
Earnings for the period		<u>65,006</u>	<u>144,817</u>	<u>36,556</u>	<u>79,667</u>
Other comprehensive income					
Reversal of unrealized gain on marketable securities	Note 6	-	599	-	-
Total comprehensive income		<u>65,006</u>	<u>144,218</u>	<u>36,556</u>	<u>79,667</u>
Earnings per share					
Basic earnings per share		\$ 1.10	\$ 2.53	\$ 0.78	\$ 1.87
Diluted earnings per share		\$ 1.05	\$ 2.43	\$ 0.76	\$ 1.84
Weighted average shares outstanding - basic		59,001	57,248	46,987	42,585
Weighted average shares outstanding - diluted		61,931	59,711	48,218	43,275

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

Quadra Mining Ltd.

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

(US Dollars in Thousands)

(Unaudited)

	Six months ended June 30, 2008	Year ended December 31, 2007
Share capital		
Balance - beginning of period	336,031	162,315
Shares issued for cash, net of issue costs (Note 13(a))	164,261	116,234
Shares issued for InterMoly acquisition (Note 7 (b))	16,324	37,714
Shares issued for water rights acquisition (Note 7 (c))	30,171	8,822
Stock options exercised	4,699	10,009
Warrants exercised	7,145	937
Balance - end of period	558,631	336,031
Stock options and warrants		
Balance - beginning of period	27,034	4,498
Stock-based compensation	6,373	6,582
Transfer to share capital for stock options and warrants exercised (Note 13(a))	(2,380)	(2,455)
Fair value of warrants issued	-	18,409
Balance - end of period	31,027	27,034
Accumulated other comprehensive income		
Balance - beginning of period	599	-
Unrealized gains on available-for-sale investments	-	599
Realized gains on available-for-sale investments (Note 6)	(599)	-
Balance - end of period	-	599
Retained earnings		
Balance - beginning of period	134,715	(1,697)
Earnings for the period	144,817	136,412
Balance - end of period	279,532	134,715
Total shareholders' equity	869,190	498,379

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

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollars in Thousands)

(Unaudited)

	Three months ended June 30, 2008	Six months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2007
OPERATING ACTIVITIES				
Earnings for the period	65,006	144,817	36,556	79,667
Adjustment for items not involving cash:				
Stock-based compensation	3,976	5,187	2,896	3,279
Amortization, depletion, depreciation and accretion	5,590	11,319	3,607	7,651
Loss on settlement of debt	15,940	15,940	11,039	11,039
Unrealized (gain) loss on derivatives	1,200	10,660	(21,941)	(41,655)
Future income tax expense (recovery)	(37)	616	10,915	24,529
Other	267	(1,526)	326	495
	<u>91,942</u>	<u>187,013</u>	<u>43,398</u>	<u>85,005</u>
Net changes in non-cash working capital:	(42,381)	(47,772)	(20,971)	(47,673)
Cash provided from operating activities	49,561	139,241	22,427	37,332
INVESTING ACTIVITIES				
Additions to mineral properties, plant and equipment	(99,845)	(157,116)	(44,931)	(59,429)
Proceeds from sale of marketable securities	-	9,517	-	-
(Increase) decrease in environmental bond and trust	(8,259)	(8,440)	(288)	3,212
Decrease (increase) in other assets	1,979	1,472	70	(436)
Refund of security deposit	6,000	14,900	-	-
Payment of deferred gold consideration	(5,578)	(11,483)	-	-
Transaction costs for InterMoly acquisition	(81)	(81)	(2,135)	(2,135)
Cash used in investing activities	(105,784)	(151,231)	(47,284)	(58,788)
FINANCING ACTIVITIES				
Proceeds from issue of common shares	167,868	173,725	134,437	134,466
Payment of senior credit facility	(150,000)	(150,000)	(50,000)	(50,000)
Payment of loan amendment and prepayment fees	(4,500)	(12,000)	(5,000)	(5,000)
Increase in senior credit facility	-	-	-	192,942
Decrease in obligations under capital leases	(282)	(1,166)	(370)	(696)
Decrease in bank indebtedness	-	-	-	(16,900)
Decrease in notes payable	-	-	-	(2,668)
Cash provided by financing activities	13,086	10,559	79,067	252,144
Net (decrease) increase in cash and cash equivalents during the period	(43,137)	(1,431)	54,210	230,688
Cash and cash equivalents, beginning of period	305,292	263,586	224,252	47,774
Cash and cash equivalents, end of period	262,155	262,155	278,462	278,462

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

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

1. NATURE OF OPERATIONS

Quadra Mining Ltd. ("Quadra" or the "Company") was incorporated on May 15, 2002 under the British Columbia Company Act and is continued under the British Columbia Business Corporations Act. The Company is in the business of developing and operating mines, with a focus on base metals, particularly copper. In 2004, the Company acquired the Robinson mine, an open pit copper mine, with gold and molybdenum by-product credits, located in Nevada in the United States. All of the Company's revenues and operating income are generated by the Robinson mine.

The Company also owns the Carlota copper project, which is currently under construction in Arizona in the United States, and an advanced exploration project in Chile ("Sierra Gorda"), and also has a 98% interest in the Malmbjerg molybdenum project in Greenland.

2. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in Canada ("Canadian GAAP"). They do not include all the disclosures required by Canadian GAAP for annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2007. 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, 2007.

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

3. NEW ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

(a) Inventory – Section 3031

This standard requires that inventories be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

(b) Capital Disclosures – Section 1535

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance (Note 16).

(c) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel (Note 17).

4. CASH AND CASH EQUIVALENTS

	June 30, 2008	December 31, 2007
Cash deposits, bankers acceptances and term deposits	130,155	143,915
Canadian and U.S. government money market investments	132,000	119,671
Total	262,155	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 June 30, 2008, the Company's cash and cash equivalents were yielding a weighted average interest rate of 2%.

5. INVENTORY

	June 30, 2008	December 31, 2007
Concentrate	27,461	24,879
Supplies	23,850	17,851
Total	51,311	42,730

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

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

6. OTHER CURRENT ASSETS

	June 30, 2008	December 31, 2007
Prepaid expenses	3,627	3,061
Derivative instrument assets (Note 12)	1,194	9,389
Security deposits	-	8,900
Marketable securities	-	8,228
Total other current assets	4,821	29,578

During the six months ended June 30, 2008, the Company sold all of its marketable securities, which were classified as available-for-sale investments. The Company recorded a related gain of \$1,888, which is included in other income (Note 15) on the consolidated statement of earnings. This gain includes an amount of \$599 that was previously recorded in shareholders' equity as a component of other comprehensive income which has been reversed upon the realization of the gain.

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	June 30, 2008	December 31, 2007
Mineral property acquisition and development costs	445,761	241,845
Plant, buildings and equipment	135,442	120,601
Equipment under capital leases	11,898	11,926
Asset retirement cost	29,527	28,904
	622,628	403,276
Accumulated depreciation, depletion and amortization	(47,696)	(37,150)
	574,932	366,126

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

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

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

			June 30, 2008	December 31, 2007
	Cost	Accumulated depreciation, depletion and amortization	Net book value	Net book value
Robinson mine (Nevada)	151,545	(47,327)	104,218	92,756
Carlota copper project (Arizona) (a)	260,462	-	260,462	166,258
Malmbjerg molybdenum project (Greenland) (b)	95,386	(112)	95,274	72,337
Sierra Gorda (Chile) (c)	114,843	(86)	114,757	34,552
Other	392	(171)	221	223
	622,628	(47,696)	574,932	366,126

(a) Carlota copper project

During the six months ended June 30, 2008, the Company incurred project development costs of \$77,362 at Carlota. The Company also invested \$7,291 in mining equipment for the Carlota project and has capitalized interest and amortization of financing costs of \$7,038 associated with the Secured Credit Facility (Note 11) during the six months ended June 30, 2008.

(b) Malmbjerg molybdenum project

On May 16, 2008, the Company acquired an additional 15.69% interest in International Molybdenum Ltd. ("InterMoly") in exchange for issuing a total of 650,529 common shares of Quadra. As a result of this acquisition, the Company increased its ownership interest in InterMoly, and its Malmbjerg molybdenum project, to 98.16%.

The transaction was treated as an asset acquisition. The only significant asset or liability of InterMoly is the Malmbjerg mineral property and a total of \$20,251 has been capitalized to this mineral property in the second quarter of 2008. This amount includes \$16,445 for the fair value of the purchase consideration including transaction costs, a \$6,039 future income tax liability which relates to the difference between the accounting value allocated to the mineral property and its tax basis, and a \$2,234 reduction for the non-controlling interest that was acquired.

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

(c) Sierra Gorda

The Sierra Gorda project is comprised of mineral properties acquired under eight option agreements. During the quarter ended June 30, 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 transactions, 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 (see Note 21(a)).

The Company also has two additional option agreements on peripheral ground to the Sierra Gorda project, one of which was entered into in June 2008.

On May 8, 2008, the Company completed the acquisition of pumping rights to 319 litres per second of water located near Calama, in Region II, northern Chile. These rights were acquired in exchange for a cash payment of \$10,000 and the issuance of 1,231,916 common shares for total consideration of \$40,307. In addition, the Company made option payments for other water rights totaling \$4,927 in the first six months of 2008. The acquisition cost of these water rights has been capitalized as a mineral property development cost.

During the six months ended June 30, 2008, the Company incurred \$9,701 of exploration costs on the Sierra Gorda project.

8. INCOME TAXES

For the six month period ended June 30, 2008, the Company recognized a current income tax expense of \$37,452 and a future income tax expense of \$616 based on a forecasted effective income tax rate of 21% for 2008 (2007: 28%) (six months ended June 30, 2007: \$6,452 and \$24,529 respectively). The forecast of the annual effective income tax rate includes assumptions regarding metal prices, mine production and costs during the remainder of 2008. Based on these assumptions, management believes that it will utilize certain U.S. Alternative Minimum Tax ("AMT") Credits in 2008, and has therefore recognized an income tax recovery of approximately \$9.6 million in the six month period ended June 30, 2008. These tax credits were earned in prior years, but the tax benefit was not previously recognized due to the uncertainty of realization. At June 30, 2008 the Company has an additional \$8.7 million of AMT credits, the tax benefit of which has not yet been recognized.

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

9. DEFERRED GOLD CONSIDERATION

The deferred gold consideration relates to the Company's acquisition of the Carlota Copper Project in 2005. During the six month period ended June 30, 2008, the Company paid 12,500 ounces of gold and as of June 30, 2008 the Company still owed 6,250 ounces of gold to the vendor. This gold will be paid in third quarter of 2008. The deferred gold liability had an estimated fair value of \$5,678 at June 30, 2008, based on the forward price of gold for the expected payment date.

The following table summarizes the changes in deferred gold consideration:

Deferred gold consideration payable at December 31, 2007	15,104
Gold payments (12,500 ounces)	(11,765)
Increase in fair value of deferred gold consideration	2,339
Deferred gold consideration payable at June 30, 2008	5,678

The increases in the fair value of the deferred gold consideration have been capitalized as mineral property acquisition costs as the Carlota project has not yet reached commercial production.

10. OTHER CURRENT LIABILITIES

	June 30, 2008	December 31, 2007
Tax payable	12,268	12,811
Obligations under capital lease - current portion	1,492	1,504
Total other current liabilities	13,760	14,315

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.

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

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.

12. DERIVATIVE INSTRUMENTS

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

	June 30, 2008	December 31, 2007
Copper puts (a)	1,031	8,774
Fuel contract (b)	-	486
Interest rate cap	163	129
Derivative instrument assets (Note 6)	1,194	9,389

The loss on derivatives is comprised as follows:

	Three months ended June 30, 2008	Six months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2007
Copper and gold forward contracts	-	-	8,840	12,620
Copper puts (a)	1,328	10,208	1,473	1,473
Fuel contract (b)	-	486	210	(1,058)
Interest rate cap	(128)	(34)	(256)	(256)
Loss on derivatives	1,200	10,660	10,267	12,779

(a) Copper Puts

During the six month period ended June 30, 2008, the Company purchased copper put options at a total cost of \$2,465. At June 30, 2008 the Company had outstanding put options for approximately 110 million pounds of copper with an average strike price of \$2.39 per pound with maturity dates spread between July 2008 and June 2009. The fair value of these put options at June 30, 2008 was \$1,031. The \$10,208 reduction in the fair value of the put options has been recognized as a derivative loss on the statement of operations for the six months ended June 30, 2008.

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

(b) Fuel Contract

In 2007, the Company entered into an agreement to purchase, on a take or pay basis, 504,000 gallons per month of diesel fuel. The contract expired on January 31, 2008, and the Company recorded a related derivative loss of \$486 in the first quarter of 2008.

13. 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, 2008	55,115,736	336,031
Capital stock issued		
Shares issued for cash, net of issue costs	7,145,000	164,261
Shares issued for InterMoly acquisition (Note 7(b))	650,529	16,324
Shares issued for water rights acquisition (Note 7(c))	1,231,916	30,171
Stock options exercised	383,594	3,862
Warrants exercised	608,333	5,602
Transfer from contributed surplus:		
Stock options and warrants exercised		2,380
Balance at June 30, 2008	65,135,108	558,631

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. Subsequent to June 30, 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).

During the six months ended June 30, 2008, warrants to purchase 608,333 common shares were exercised. These warrants were issued in connection with a debt financing in March 2007.

(b) Stock options

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

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

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

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 June 30, 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	583,000	1.86	6.55	549,667	6.48
\$9.18 - \$11.91	625,538	3.27	10.59	497,271	10.70
\$12.40 - \$14.26	1,567,173	3.83	13.11	993,840	13.09
\$16.53 - \$20.85	593,000	4.42	18.73	136,667	18.59
\$20.90 - \$24.60	1,301,500	4.87	24.59	431,333	24.60
	4,670,211	3.87	15.87	2,608,778	13.43

The following tables summarize the stock option activity for the six months ended June 30, 2008:

	Options	Weighted-average exercise price (C\$)
Outstanding at January 1, 2008	3,536,073	11.76
Granted	1,624,000	23.52
Forfeited	(106,268)	17.35
Exercised	(383,594)	10.04
Outstanding at June 30, 2008	4,670,211	15.87

During the six months ended June 30, 2008, 1,624,000 stock options were granted to employees and directors (six months ended June 30, 2007: 1,725,500). The weighted-average fair value of these stock options is estimated to be \$6.49 each (six months ended June 30, 2007: \$3.79 each). The total fair value of the stock options granted is amortized over the two year vesting period. The stock-based compensation amortization for the three and six month periods ended June 30, 2008 was \$4,746 and \$6,373, respectively

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

(June 30, 2007: \$2,896 and \$3,279, respectively) of which \$770 and \$1,185, respectively, was capitalized to mineral properties (June 30, 2007: \$Nil).

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	46%	45%
Risk-free interest rate	3%	5%
Expected lives	2.0 years	2.6 years
Dividend yield	Nil	Nil

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

(c) Warrants

The following warrants were outstanding and exercisable at June 30, 2008:

	Common shares to be issued on exercise	Exercise price C\$	Expiry date
Traded warrants	5,980,000	20.00	May 9, 2010
Lender warrants	1,338,322	9.24	March 1, 2012
Exercisable at June 30, 2008	7,318,322	18.03	

14. REVENUES FROM CONCENTRATE SALES

	Three months ended June 30, 2008	Six months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2007
Copper revenues	149,448	287,945	111,270	217,586
Gold revenues	33,498	64,628	17,453	38,670
Molybdenum revenues	100	647	1,109	1,055
Price adjustments	1,550	35,117	17,766	37,150
Refining and treatment charges	(4,026)	(9,735)	(6,459)	(16,867)
	180,570	378,602	141,139	277,594

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

Revenues from concentrate sales are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as price adjustments as they occur until the price is finalized. At June 30, 2008, receivables include 51.8 million pounds of copper which has been provisionally valued at an average price of \$3.91 per pound (December 31, 2007 - 38.2 million pounds at \$3.04 per pound).

15. NET INTEREST AND OTHER INCOME

	Three months ended June 30, 2008	Six months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2007
Interest income	(1,303)	(3,236)	(1,784)	(2,772)
Interest expense	480	1,151	987	1,885
Gain on sale of marketable securities	-	(1,888)	-	-
Other	63	(112)	(914)	(935)
	(760)	(4,085)	(1,711)	(1,822)

16. 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 and loans payable, as well as cash and cash equivalents. 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 assets or adjust the amount of investments.

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

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

with maturities of three months or less when acquired, selected with regards to the expected timing of expenditures from continuing operations.

17. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest 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 production and 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. In addition, the Company's cash and cash equivalents include approximately \$81.9 million Canadian dollars as at June 30, 2008 as a result of the equity financing in June 2008. The fluctuation of the US dollar in relation to the Canadian dollar consequently has an impact upon the Company's consolidated statements of operations. The Company has not entered into any arrangements to hedge the currency risks.

(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 contract 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 upon shipment. The Company manages the credit risk for trade and other receivables through established credit monitoring activities.
- Cash investments and security deposits. 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, if necessary, takes steps to limit exposures to any one counterparty.

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

(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 16. Accounts payable and accrued liabilities, deferred gold consideration payable and other current liabilities, are due within the current operating period.

(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.

(e) Commodity price risk

The value of the Company's mineral resource properties is related to the price of copper, gold and molybdenum 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, gold and molybdenum. The Company has purchased copper put options to reduce the copper price risk (Note 12). If metal prices decline for a prolonged period the Company's operations and development projects may not be economically feasible.

In addition, changes in the price of copper can have a significant impact on the value of receivables which include sales that have been provisionally valued, and not yet subject to final pricing. A change in the copper price of \$0.50 per pound at June 30, 2008, with all other variables held constant, would have impacted the value of provisionally priced revenues and receivables by \$25,884 and changed after tax earnings for the three months ended June 30, 2008 by \$20,448.

18. SEGMENTED INFORMATION

The Company's operating segments are based on mineral properties (Note 7). All of the Company's operating income for the three and six months ended June 30, 2008 and 2007 was generated by the Robinson mine. Detail as to capital assets and capital expenditures by geographic areas are included in Note 7. Total assets for each segment are as follows:

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

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

	June 30, 2008	December 31, 2007
Robinson mine	343,824	286,520
Carlota project	282,559	184,387
Other mineral properties	222,140	107,417
Corporate and other	158,146	210,895
	1,006,669	789,219

19. RELATED PARTY TRANSACTIONS

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the three and six months ended June 30, 2008, the Company incurred legal fees of \$260 and \$414, respectively, with that entity (three and six months ended June 30, 2007: \$572 and \$761, respectively). All of the fees incurred were at normal business terms.

20. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended June 30, 2008	Six months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2007
(Increase) decrease in receivables	(1,519)	(26,738)	6,942	(22,940)
(Increase) decrease in inventory	(12,687)	(8,162)	(2,518)	2,030
Increase in other current assets	(2,894)	(3,031)	(4,924)	(3,979)
(Decrease) increase in accounts payable and accrued liabilities	(507)	(9,085)	4,446	(7,738)
Decrease in other current liabilities	(24,774)	(756)	(24,917)	(15,046)
Net changes in non-cash working capital	(42,381)	(47,772)	(20,971)	(47,673)
Other supplemental information:				
Interest paid	3,599	8,413	6,365	7,171
Income tax paid	32,998	35,415	7,500	14,000

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Six months ended June 30, 2008
(Unaudited)

21. CONTINGENCIES

- (a) In July 2007, March 2008 and July 2008, Quadra received notice that legal claims had been filed in Chilean courts against Quadra's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada ("Quadra Chile"). There are four legal claims and these claims relate to three of the ten option agreements for the Sierra Gorda mineral property.

The claimants are minority shareholders of the corporations with which Quadra Chile signed the option agreements entered into in 2004 (the "Optioners"). The claimants are seeking to nullify these option agreements on the basis that the Optioners did not have the requisite consent of their shareholders to execute the option agreements and other related arguments to support that position. Although Quadra believes that the option agreements are valid and that the allegations 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.

Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the legal claims are without merit. Eight of the options to acquire the mining properties with respect to the Sierra Gorda mineral property were exercised by Quadra Chile on April 4th, 25th, and 30th, 2008. As a result, Quadra Chile is the exclusive and full owner of such mining properties.

- (b) In October 2007 the U.S. Court of Appeals ordered that the NPDES permit for the Company's Carlota copper project be "vacated". The Company is appealing this decision to the U.S. Supreme Court. The Company is also modifying the design of the Carlota mine site at an additional cost of \$4.4 million. Management believes that this modification will obviate the need for a NPDES permit. This approach does have operational implications following a major storm event including potential interruptions to production and higher operating costs until the storm water is disposed of. Accordingly the Company is appealing the decision in the US Supreme Court. The permit remains valid during the appeal process.

22. SUBSEQUENT EVENT

In July 2008 the Company issued 821,750 common shares at a price of C\$24.50 per share for gross proceeds of \$19,757 (C\$20,133). These shares were issued to the underwriters in connection with their over-allotment option from the Company's bought-deal financing (see Note 13(a)).