



**Quadra Mining Ltd.**

September 30, 2006

(Unaudited)

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

**Quadra Mining Ltd.**

**CONSOLIDATED BALANCE SHEETS**

(US Dollars in Thousands)

Unaudited

		<b>September 30, 2006</b>	<b>December 31, 2005</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		37,864	9,128
Receivables and prepaid expenses		13,985	24,438
Inventory	Note 4	39,080	30,283
Security deposits	Note 5	450	2,075
Short-term investments	Note 3	155	-
<b>Total Current Assets</b>		<u>91,534</u>	<u>65,924</u>
Security deposits	Note 5	23,323	16,830
Environmental trust and bond	Note 6	42,516	31,235
Prepaid royalties		3,665	3,265
Mineral properties	Note 7	51,020	36,754
Property, plant and equipment	Note 8	71,701	67,410
Other assets and deferred charges	Note 9	57,302	37,132
Future income tax assets	Note 10	12,779	3,492
<b>Total Assets</b>		<u><u>353,840</u></u>	<u><u>262,042</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Bank indebtedness	Note 11	12,200	35,000
Accounts payable and accrued liabilities		33,104	15,564
Derivative instrument liability	Note 12	108,121	41,564
Deferred gold consideration payable	Note 7	14,527	13,276
Notes payable - current portion	Note 8	1,390	890
Obligations under capital leases-current portion	Note 20	1,331	1,118
<b>Total Current Liabilities</b>		<u>170,673</u>	<u>107,412</u>
Asset retirement obligations	Note 13	28,671	27,067
Deferred gold consideration payable	Note 7	3,533	11,180
Notes payable		2,160	2,131
Obligations under capital leases	Note 20	9,555	10,100
<b>Total Liabilities</b>		<u>214,592</u>	<u>157,890</u>
<b>Shareholders' Equity</b>			
Share capital	Note 14a	162,600	103,727
Stock options and warrants	Note 14b	3,891	5,155
Deficit		(27,243)	(4,730)
<b>Total Shareholders' Equity</b>		<u>139,248</u>	<u>104,152</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u><u>353,840</u></u>	<u><u>262,042</u></u>

**Commitments (Note 20), Subsequent event (Note 21)**

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

**Quadra Mining Ltd.**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)**

(US Dollars in Thousands)

Unaudited

		<b>Three months ended September 30, 2006</b>	<b>Nine months ended September 30, 2006</b>	<b>Three months ended September 30, 2005</b>	<b>Nine months ended September 30, 2005</b>
Net revenues from concentrate sales	Note 15	67,923	294,084	63,432	162,903
Cost of sales		32,037	126,966	45,458	121,963
Amortization, depletion and depreciation		1,708	7,478	2,519	7,216
Accretion of asset retirement obligations		545	1,604	505	1,485
Royalties and mineral taxes		5,255	13,270	123	304
		<u>39,545</u>	<u>149,318</u>	<u>48,605</u>	<u>130,968</u>
Operating income		28,378	144,766	14,827	31,935
General and administrative		1,724	5,756	1,335	4,045
Realized loss on derivatives		43,964	118,749	10,708	10,850
Stock-based compensation	Note 14b	460	1,713	359	1,477
Foreign exchange (gain) loss		204	(53)	(69)	17
Net interest and other (income) expense		(209)	618	117	114
Earnings (loss) before other items		<u>(17,765)</u>	<u>17,983</u>	<u>2,377</u>	<u>15,432</u>
Unrealized (gain) loss on derivatives		(34,626)	60,996	4,527	11,674
Net gain on cancellation of AMP option	Note 16	(14,472)	(14,472)	-	-
Write down of Magistral property		-	-	6,098	6,098
Contract termination fee		-	-	4,436	4,436
		<u>-</u>	<u>-</u>	<u>4,436</u>	<u>4,436</u>
<b>Earnings (loss) before income taxes</b>		31,333	(28,541)	(12,684)	(6,776)
Income tax - current		1,388	3,258	(67)	-
Future income tax expense (recovery)	Note 10	6,430	(9,286)	(1,727)	(2,553)
		<u>1,388</u>	<u>3,258</u>	<u>(67)</u>	<u>-</u>
<b>Earnings (loss) for the period</b>		<u>23,515</u>	<u>(22,513)</u>	<u>(10,890)</u>	<u>(4,223)</u>
<b>Retained earnings (deficit) – beginning of period</b>		<u>(50,758)</u>	<u>(4,730)</u>	<u>3,960</u>	<u>(2,707)</u>
<b>Deficit – end of period</b>		<u>(27,243)</u>	<u>(27,243)</u>	<u>(6,930)</u>	<u>(6,930)</u>
<b>Earnings (loss) per share</b>					
Basic earnings (loss) per share		\$ 0.62	\$ (0.62)	\$ (0.40)	\$ (0.15)
Diluted earnings (loss) per share		\$ 0.61	\$ (0.62)	\$ (0.40)	\$ (0.15)

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

**Quadra Mining Ltd.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(US Dollars in Thousands)

Unaudited

	<b>Three months ended September 30, 2006</b>	<b>Nine months ended September 30, 2006</b>	<b>Three months ended September 30, 2005</b>	<b>Nine months ended September 30, 2005</b>
<b>OPERATING ACTIVITIES</b>				
Earnings (loss) for the period	23,515	(22,513)	(10,890)	(4,223)
Adjustment for items not involving cash:				
Foreign exchange (gain) loss	204	(53)	(69)	17
Stock-based compensation	460	1,713	359	1,477
Amortization, depletion, depreciation and accretion	2,253	9,082	3,024	8,701
Unrealized (gain)loss on derivatives	(34,626)	60,996	4,527	11,674
Future income tax recovery	6,430	(9,286)	(1,727)	(2,553)
Write down of Magistral property	-	-	6,098	6,098
	(1,764)	39,939	1,322	21,191
Net changes in non-cash working capital:	7,255	25,506	1,773	(4,918)
<b>Cash received from operating activities</b>	<b>5,491</b>	<b>65,445</b>	<b>3,095</b>	<b>16,273</b>
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(6,846)	(10,809)	(3,081)	(6,363)
Increase in security deposits and environmental trust and bond	(6,801)	(16,149)	(2,989)	(4,769)
Additions to mineral properties	(4,560)	(9,758)	(2,134)	(7,925)
Investment in other assets and deferred charges	(5,346)	(21,345)	(5,073)	(8,657)
Decrease in deferred gold consideration payable	(3,687)	(11,231)	-	-
Increase in prepaid royalties	-	(400)	-	-
<b>Cash used in investing activities</b>	<b>(27,240)</b>	<b>(69,692)</b>	<b>(13,277)</b>	<b>(27,714)</b>
<b>FINANCING ACTIVITIES</b>				
Increase (decrease) in bank indebtedness	5,500	(22,800)	1,100	7,100
Increase (decrease) in notes payable	500	500	(1)	1,477
Decrease in obligations under capital leases	(303)	(896)	-	-
Increase in share capital net of issuance costs	3,909	56,126	-	25
<b>Cash provided by financing activities</b>	<b>9,606</b>	<b>32,930</b>	<b>1,099</b>	<b>8,602</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>(12,143)</b>	<b>28,683</b>	<b>(9,083)</b>	<b>(2,839)</b>
Effect of foreign exchange rates on cash and cash equivalents	(204)	53	69	(17)
<b>Cash and cash equivalents, beginning of period</b>	<b>50,211</b>	<b>9,128</b>	<b>18,427</b>	<b>12,269</b>
<b>Cash and cash equivalents, end of period</b>	<b>37,864</b>	<b>37,864</b>	<b>9,413</b>	<b>9,413</b>

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

## **Quadra Mining Ltd.**

### **NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

#### **1. NATURE OF OPERATIONS**

Quadra Mining Ltd. ("Quadra" or the "Company") was incorporated on May 15, 2002 under the British Columbia Business Corporations Act. The Company is in the business of developing and operating mines, with a focus on copper. In 2004, the Company acquired the Robinson mine, an open pit copper mine, with gold and molybdenum by product credits, located near Ely, Nevada in the United States. The Robinson mine was subsequently restarted and achieved commercial production in October 1, 2004. In addition, on December 21, 2005 the Company acquired the Carlota copper project ("Carlota"). Carlota is a development ready Solvent Extraction Electro Winning (SX-EW) copper project located near Phoenix, Arizona in the United States (Note 7). In order to construct the Carlota mine, the Company will be required to obtain additional financing. The Company also has an advanced exploration project in Chile ("Sierra Gorda") (Note 7).

#### **2. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in Canada ("Canadian GAAP"). They do not include all the disclosures required by generally accepted accounting principles for annual financial statements and should be read in conjunction with the Company's consolidated financial statements and the notes for the year ended December 31, 2005. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

In certain cases prior period amounts have been revised to reflect current period presentation.

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, 2005.

#### **Deferred Stripping**

The Emerging Issues Committee of the CICA issued "Stripping Costs Incurred in the Production Phase in a Mining Operation" (EIC 160), which only allows the capitalization of stripping costs that result in a betterment of the asset by providing access to additional sources of ore. EIC 160 also allows pre existing deferred stripping cost capitalized to be amortized using the unit of production method over the reserves directly impacted by the stripping activities. This new standard applies to stripping costs incurred in fiscal years beginning on or after July 1,

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

2006, or it may be applied retroactively. The Company continues to account for stripping costs in 2006 based on the life-of-pit average strip ratio.

**3. SHORT-TERM INVESTMENTS**

In order to limit the acquisition cost of the Carlota project, a wholly owned subsidiary of the Company purchased gold calls in February and March of 2006 which gave the Company the right to buy 6,250 ounces of gold at a price of \$594 per ounce on September 11, 2006 and 6,250 ounces of gold at a price of \$600 per ounce on December 11, 2006. On September 11, 2006, the Company exercised one of the gold calls and purchased 6,250 ounces of gold, which was subsequently delivered to Cambior. As at September 30, 2006, the fair market value of the remaining gold call was \$155, resulting in an unrealized loss of \$82 which was capitalized to mineral property costs (Note 7).

**4. INVENTORY**

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
Concentrate	30,271	24,603
Supplies	8,809	5,680
Total	39,080	30,283

**5. SECURITY DEPOSITS**

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
Security deposits - mining equipment	22,316	16,418
Security deposits - others	1,457	2,487
Total	23,773	18,905
Less: current portion (Note 20b)	450	2,075
Long-term	23,323	16,830

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

During the quarter ended September 30, 2006, Robinson Nevada Mining Company, the Company's wholly owned subsidiary, renewed the power contract with Deseret Generation and Transmission to September 2009 and the associated security deposit of \$1,400 was included in Security deposits – others.

**6. ENVIRONMENTAL TRUST AND BOND**

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
Environmental bond - Robinson mine (a)	20,671	20,075
Environmental bond - Carlota project (b)	6,589	-
Environmental bond - SALTS (c)	50	-
Cash in trust for reclamation (d)	15,206	11,160
<b>Total</b>	<b>42,516</b>	<b>31,235</b>

(a)The Company has posted an environmental bond with the US Bureau of Land Management (BLM) bearing an interest rate of 5%.

(b) During the quarter ended September 31, 2006, the Company put \$6,589 on deposit with the Forest Service in connection with reclamation costs supporting the permits for the Carlota project.

(c) In order to operate the SALTS facility that the Company purchased during the quarter ended September 30, 2006 (note 8), the Company was required to post a \$50 environmental bond.

(d) The following table summarizes the contributions to and payments by the trust for reclamation at the Robinson mine as at September 30, 2006:

	Contributions to the trust	Reclamation costs paid by the trust	Net trust funds available
Balance as of January 1, 2006	16,060	(4,900)	11,160
Interest income	369	-	369
Contribution	3,677	-	3,677
<b>Balance as of September 30, 2006</b>	<b>20,106</b>	<b>(4,900)</b>	<b>15,206</b>

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

**7. MINERAL PROPERTIES**

	<b>Sierra Gorda</b>	<b>Carlota</b>	<b>Total</b>
Balance at December 31, 2005	6,603	30,151	36,754
Option payments and acquisition costs	691	4,463	5,154
Project expenditures	2,991	6,121	9,112
Balance at September 30, 2006	10,285	40,735	51,020

**Carlota**

During the year ended December 31, 2005 the Company completed the acquisition of the Carlota project. Part of the cost of acquisition included 31,250 ounces of gold. These deferred gold payments had an estimated fair value of \$18,060, based on the average forward price of \$621 per ounce on September 30, 2006, resulting in a gain in deferred gold consideration of \$531 for the quarter ended September 30, 2006. This unrealized gain had been offset against the cost of mineral properties.

**Sierra Gorda**

During the quarter ended September 30, 2006, the Company entered into various option agreements with a cost of \$206. These option agreements give the Company rights to purchase water rights in Calama, Chile in March 2008.

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

**8. PROPERTY, PLANT AND EQUIPMENT**

			<b>September 30, 2006</b>	<b>December 31, 2005</b>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Plant and equipment	32,764	(4,848)	27,916	21,903
Equipment under capital leases	12,076	(1,940)	10,136	11,182
Asset retirement obligations	24,590	(5,471)	19,119	20,971
Buildings	14,553	(1,697)	12,856	11,430
Office equipment	2,540	(1,017)	1,523	1,765
Leasehold improvements	210	(59)	151	159
<b>Total</b>	<b>86,733</b>	<b>(15,032)</b>	<b>71,701</b>	<b>67,410</b>

On August 10, 2006, the Company's wholly owned subsidiary Wendover Bulk Transshipment Company ("WBTC") signed an Asset Purchase Agreement with Imco Recycling Utah Inc. ("IMCO") to purchase, for \$2,000, the transshipment facility that the company uses to store and then load concentrate into rail cars. This purchase secures the access to this essential transshipment facility. Assets purchased are as set out below:

**Assets acquired:**

Building and land	1,851
Plant and equipment	149
Net assets acquired	2,000

**Consideration paid:**

Cash	1,500
Notes payable	500
Total	2,000

In connection with the Asset Purchase Agreement, WBTC issued a promissory note of \$500 payable to IMCO bearing an interest rate of 6.87% per annum. The principal and interest are payable on or before March 31, 2007.

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

**9. OTHER ASSETS AND DEFERRED CHARGES**

			<b>September 30, 2006</b>	<b>December 31, 2005</b>
	Cost	Accumulated Amortization	Net book Value	Net book Value
Robinson mine deferred start-up cost	17,922	(3,987)	13,935	15,284
Robinson mine deferred pit cost	597	(166)	431	537
Robinson mine deferred stripping	42,665	-	42,665	20,792
Other long-term receivables	271	-	271	290
Deferred financing fee	-	-	-	229
<b>Total</b>	<b>61,455</b>	<b>(4,153)</b>	<b>57,302</b>	<b>37,132</b>

**10. INCOME TAXES**

During the nine months ended September 30, 2006, the Company recognized future income tax benefits of \$9,286 and current income tax expense of \$3,258 arising from U.S and Canadian operations based on the forecasted 2006 effective income tax rate of (6.84%). As a result, the future income tax assets recognized for U.S. and Canadian operations were \$12,779. The Company has not recognized any tax benefits arising from Chilean operations since management believes that there is no certainty regarding the realization of this unrecognized future income tax asset.

**11. BANK INDEBTEDNESS**

**Bridge Facility**

During the nine months ended September 30, 2006 the Company repaid the \$15,000 Bridge Facility.

## Quadra Mining Ltd.

### NOTES TO FINANCIAL STATEMENTS

(US Dollars in Thousands)

Nine months ended September 30, 2006

#### Working Capital Facility

During the nine months ended September 30, 2006 the Company repaid \$7,800 under the Working Capital Facility. As at September 30, 2006 the Company had drawn down \$5,000 of Corporate Advances and \$7,200 of Concentrate Advances under the Working Capital Facility.

#### 12. DERIVATIVE INSTRUMENTS

During 2005 the Company entered into various short-term copper forward sales contracts. The realized loss from the copper forward contracts for the quarter ended September 30, 2006 was \$42,766. As at September 30, 2006 the outstanding copper forward sales contracts were 22,400 tonnes of copper metal with a weighted-average price of \$1.59 per pound. The liability from the mark-to-market adjustment of the outstanding contracts as at September 30, 2006 was \$102,858.

The Company buys gold forward sales contracts. As at September 30, 2006, the outstanding gold forward contracts for 28,000 ounces had a weighted-average price of \$423 per ounce. The realized loss resulting from the settlement of the contracts during the quarter ended September 30, 2006 was \$1,198. As at September 30, 2006 the liability from the mark-to-market adjustment of the outstanding contracts was \$5,263.

#### 13. ASSET RETIREMENT OBLIGATIONS

	September 30, 2006	December 31, 2005
Balance at January 1, 2006	27,067	25,067
Accretion	1,604	2,000
Balance at September 30, 2006	28,671	27,067

#### 14. SHARE CAPITAL

##### (a) Common Shares

The Company has authorized capital of 1,000,000,000 common shares with no par value.

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

	<b>Number of Shares</b>	<b>Dollar Amount</b>
Balance at January 1, 2006	27,345,931	103,727
Capital stock issued		
Shares issued for cash	8,280,000	45,544
Employee stock options exercised	999,433	5,298
Broker warrants exercised	1,449,360	7,507
Transfer from contributed surplus:		
Employee options exercised		1,574
Broker warrants exercised		1,403
Issue costs		
Cash payment		(3,304)
Tax benefits recognized		851
Balance at September 30, 2006	38,074,724	162,600

(b) Stock Options and Warrants

**Stock Options**

The following table summarizes the stock option activity for the nine month period ended September 30, 2006 (in Canadian dollars):

	<b>Options</b>	<b>Weighted-average exercise price C\$</b>
Outstanding at January 1, 2006	2,653,500	6.13
Granted	668,600	10.34
Cancelled	(99,233)	6.90
Exercised	(999,433)	5.91
Outstanding at Sep 30, 2006	2,223,434	7.42
Exercisable at Sep 30, 2006	1,364,034	6.86

## Quadra Mining Ltd.

### NOTES TO FINANCIAL STATEMENTS

(US Dollars in Thousands)

Nine months ended September 30, 2006

The following table summarizes information relating to stock options outstanding and exercisable at September 30, 2006 (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 - \$4.91	70,000	2.65	4.82	70,000	4.82
\$5.16 - \$5.75	401,668	3.95	5.29	144,335	5.28
\$6.00 - \$7.40	1,186,066	3.28	6.59	963,066	6.45
\$9.18 - \$12.40	565,700	4.64	10.98	186,633	10.97
	2,223,434	3.73	7.42	1,364,034	6.86

During the quarter ended September 30, 2006, the Company granted 62,500 stock options to directors and employees. For accounting purposes, the estimated weighted-average fair value per stock option is \$4.26 for a total value of \$266, which is amortized over a two year vesting period. The fair value of each option is estimated as at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Expected volatility	30%
Risk-free interest rate	5.00%
Expected lives	4 year
Dividend yield	Nil

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

#### Warrants

During the quarter ended September 30, 2006, no warrants are outstanding, and accordingly the balance at September 30, 2006 was entirely for stock options.

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**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

The following table summarizes the movement in the stock options and warrants account for the period ended September 30, 2006:

	Stock options and warrants
Balance at January 1, 2006	5,155
Stock-based compensation	1,713
Stock options exercised	(1,574)
Warrants exercised	(1,403)
Balance at September 30, 2006	3,891

**15. NET REVENUES FROM CONCENTRATE SALES**

	Three months ended September 30, 2006	Nine months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2005
Copper revenues	74,920	246,047	60,844	157,734
Gold revenues	7,270	28,357	8,727	22,935
Molybdenum revenues	1,063	5,741	-	-
Adjustments for final settlement	24,151	67,065	933	2,361
Marked to market adjustments for outstanding metal	(29,625)	(14,538)	784	2,721
Refining and treatment charges	(9,856)	(38,587)	(7,857)	(22,848)
	67,923	294,084	63,432	162,903

## **Quadra Mining Ltd.**

### **NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

#### **16. GAIN ON CANCELLATION OF AMP OPTION**

On July 19, 2006, the Company announced its intention to make an offer to acquire all of the issued and outstanding shares of Equatorial Mining Limited (“Equatorial”) for AUS\$9.23 cash per share which would have resulted in an acquisition price for Quadra of AUS\$449 million for 100% of Equatorial.. The Company also entered into a Call Option Deed with a subsidiary (the “AMP Subsidiary”) of AMP Life Limited, the major shareholder of Equatorial, in respect of approximately 19.99% of the shares of Equatorial. In order to finance the acquisition, the Company signed a bank financing commitment letter with UBS Loan Finance LLC and UBS Securities LLC to enter into a seven year loan for \$350 million.

On August 15, 2006, Antofagasta PLC submitted an offer of AUS\$11.20 cash per share for Equatorial and entered into a similar call option agreement with the AMP Subsidiary. The Company chose not to match the higher offer from Antofagasta PLC and announced on August 23, 2006 that it received notice from the AMP Subsidiary that it had exercised its right under the Call Option Deed to cancel that agreement. As a result, the AMP Subsidiary was required to pay the Company a fee of AUS\$31,922 (equivalent to \$24,194). Direct expenses related to the Equatorial offer including consulting fee, due diligence fee, bank commitment fee and legal fee amounted to \$9,722, resulting in a net gain on cancellation of AMP option of \$14,472.

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**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)  
Nine months ended September 30, 2006

**17. SEGMENTED INFORMATION**

The Company's reportable geographic segments are as follows:

	<b>September 30, 2006</b>				
	Robinson South America Mine Exploration (Chile)	Carlota Project	Corporate	Total	
Cash	13,805	694	311	23,054	37,864
Other current assets	52,548	8	880	234	53,670
Long-term assets	189,364	10,293	62,494	155	262,306
Total assets	255,717	10,995	63,685	23,443	353,840
Current liabilities	149,571	573	15,179	5,350	170,673
Long-term liabilities	40,386	-	3,533	-	43,919
Total liabilities	189,957	573	18,712	5,350	214,592
Earnings (loss) for the three months ended September 30, 2006	11,501	(63)	-	12,077	23,515
Earnings (loss) for the nine months ended September 30, 2006	(33,936)	(86)	-	11,509	(22,513)
Earnings (loss) for the three months ended September 30, 2005	(4,487)	(6,046)	-	(357)	(10,890)
Earnings (loss) for the nine months ended September 30, 2005	1,569	(6,084)	-	292	(4,223)

All of the Company's revenues to September 30, 2006 have been generated from concentrate sales at the Robinson Mine.

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**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

	<b>December 31, 2005</b>				
	Robinson South America	Carlota	Corporate	Total	
	Mine	Exploration (Chile)	Project		
Cash	6,520	55	31	2,522	9,128
Other current assets	56,353	10	249	184	56,796
Long-term assets	147,835	6,707	41,165	411	196,118
Total assets	210,708	6,772	41,445	3,117	262,042
Current liabilities	76,203	102	28,757	2,350	107,412
Long-term liabilities	39,298	-	11,180	-	50,478
Total liabilities	115,501	102	39,937	2,350	157,890
Earnings (loss) for the year ended December 31, 2005					
	4,452	(6,762)	(114)	401	(2,023)

**18. RELATED PARTY TRANSACTIONS**

One of the Directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP and one is a partner of Chancellor Partners Management Consultants Inc. During the three month period ended September 30, 2006 the Company incurred legal fees of \$140 and recruiting and human resources consulting fees of \$118. During the nine month period ended September 30, 2006 the Company incurred legal fees of \$339 and recruiting and human resources consulting fees of \$332 respectively payable to those entities (three months ended September 30, 2005: \$43 and \$44 respectively; nine months ended September 30, 2005: \$435 and \$183 respectively).

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

**19. STATEMENT OF CASH FLOWS**

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

	<b>Three months ended September 30, 2006</b>	<b>Nine months ended September 30, 2006</b>	<b>Three months ended September 30, 2005</b>	<b>Nine months ended September 30, 2005</b>
(Increase) decrease in receivables and prepaid expenses	35,702	10,451	(15,616)	(27,486)
(Increase) decrease in short-term investments	172	172	(542)	(542)
(Increase) decrease in inventory	(16,750)	(8,218)	(924)	1,777
Increase (decrease) in accounts payable and accruals	(11,869)	23,101	18,855	21,333
Net changes in non-cash working capital	<u>7,255</u>	<u>25,506</u>	<u>1,773</u>	<u>(4,918)</u>

**20. COMMITMENTS**

(a) The following schedule summarizes the future minimum lease payments under the capital lease expiring December 31, 2011.

	<b>September 30, 2006</b>
2006	704
2007	2,817
2008	2,817
2009	2,817
2010	6,333
2011	89
Total minimum lease payments	15,577
Amount representing notional interest	(4,691)
Balance of the obligation	10,886
Current portion	(1,331)
Long-term portion	<u>9,555</u>

**Quadra Mining Ltd.**

**NOTES TO FINANCIAL STATEMENTS**

(US Dollars in Thousands)

Nine months ended September 30, 2006

- (b) On March 3, 2006 the Company's wholly owned subsidiary Carlota Copper Company, entered into an agreement to purchase a Hitachi EX5500 shovel for \$6,945 and made a non refundable down payment of \$450. The shovel is expected to be delivered in May 2007.

**21. SUBSEQUENT EVENT**

On October 16, 2006, the Company signed an option agreement to purchase two additional properties located contiguous to the Sierra Gorda property for a total purchase price of \$5,000 payable over 4 years. The Company made an initial option payment of \$100.