



Quadra Mining Ltd.

Consolidated Financial Statements

September 30, 2009

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

(Unaudited)

Quadra Mining Ltd.

CONSOLIDATED BALANCE SHEETS

(US Dollars in Thousands)
(Unaudited)

		September 30, 2009	December 31, 2008
ASSETS			
Current			
Cash and cash equivalents	Note 5	85,485	107,797
Restricted cash		2,854	-
Receivables	Note 15	67,588	19,505
Inventory	Note 6	142,649	88,257
Derivative assets	Note 11	232	38,481
Other current assets	Note 7	7,157	23,442
Total Current Assets		<u>305,965</u>	<u>277,482</u>
Environmental trust and bond		59,740	55,404
Mineral properties, plant and equipment	Note 8	783,287	506,921
Derivative assets	Note 11	1,247	-
Other non-current assets	Note 9	4,968	3,109
Future income tax assets		1,827	15,718
Total Assets		<u><u>1,157,034</u></u>	<u><u>858,634</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		65,720	49,448
Derivative liabilities	Note 11	24,647	6,667
Other current liabilities	Note 12	7,149	10,052
Future income tax liabilities		3,468	14,493
Total Current Liabilities		<u>100,984</u>	<u>80,660</u>
Long-term debt	Note 13	29,434	-
Asset retirement obligations		49,092	40,969
Obligations under capital leases		4,153	5,473
Derivative liabilities	Note 11	25,234	-
Other non-current liabilities		2,735	-
Total Liabilities		<u>211,632</u>	<u>127,102</u>
Shareholders' Equity			
Share capital	Note 14(a)	712,813	578,474
Stock options and warrants	Note 14(b),(c)	40,575	35,253
Accumulated other comprehensive loss		-	(40,181)
Retained earnings		192,014	157,986
Total Shareholders' Equity		<u>945,402</u>	<u>731,532</u>
Total Liabilities and Shareholders' Equity		<u><u>1,157,034</u></u>	<u><u>858,634</u></u>

Commitments (Note 20), 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

(US Dollars in Thousands)

(Unaudited)

		Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
			As restated (Note 3)		As restated (Note 3)
Revenues	Note 16	87,166	115,957	289,048	494,559
Cost of sales		49,080	67,642	164,603	195,407
Reversal of start-up inventory adjustment	Note 6	(4,347)	-	(9,652)	-
Amortization, depletion and depreciation		4,857	5,085	16,179	13,818
Accretion of asset retirement obligations		1,017	862	2,979	2,494
Royalties and mineral taxes		4,992	8,048	13,002	28,144
		<u>55,599</u>	<u>81,637</u>	<u>187,111</u>	<u>239,863</u>
Operating income		31,567	34,320	101,937	254,696
General and administrative		4,843	3,859	12,434	12,005
Stock-based compensation	Note 14(b)	1,224	1,722	4,819	6,909
Loss on settlement of debt		-	-	-	15,940
Loss (gain) on derivatives	Note 11	13,786	(4,405)	39,765	6,255
Foreign exchange (gain) loss		(1,548)	1,452	(2,221)	2,140
Net interest and other (income) expense	Note 15	(7,934)	(1,934)	636	(3,679)
Earnings before income taxes		<u>21,196</u>	<u>33,626</u>	<u>46,504</u>	<u>215,126</u>
Income tax expense	Note 10	6,495	12,854	12,476	50,437
Earnings for the period		<u>14,701</u>	<u>20,772</u>	<u>34,028</u>	<u>164,689</u>
Retained earnings - beginning of period		177,313	263,294	157,986	119,377
Retained earnings - end of period		<u>192,014</u>	<u>284,066</u>	<u>192,014</u>	<u>284,066</u>
Earnings per share					
Basic earnings per share		\$ 0.16	\$ 0.32	\$ 0.39	\$ 2.74
Diluted earnings per share		\$ 0.15	\$ 0.31	\$ 0.39	\$ 2.65
Weighted average shares outstanding - basic		94,563	65,915	86,695	60,158
Weighted average shares outstanding - diluted		95,446	67,376	87,038	62,059

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 September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
		As restated (Note 3)		As restated (Note 3)
Net earnings	14,701	20,772	34,028	164,689
Other comprehensive income				
Unrealized gain (loss) on marketable securities	18,584	(16,864)	40,999	(16,864)
Realized gain on marketable securities (Note 15)	(8,052)	-	(818)	(599)
Total comprehensive income	<u>25,233</u>	<u>3,908</u>	<u>74,209</u>	<u>147,226</u>

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

Quadra Mining Ltd.**CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY**(US Dollars in Thousands)
(Unaudited)

		Nine months ended September 30, 2009	Year ended December 31, 2008
Share capital			
Balance - beginning of year		578,474	336,031
Shares issued for cash, net of issue costs	Note 14(a)	67,553	183,621
Shares issued for Centenario acquisition	Note 4	64,451	-
Shares issued for InterMoly acquisition		-	16,324
Shares issued for water rights acquisition		-	30,171
Shares issued, other		181	-
Stock options exercised		2,154	4,747
Warrants exercised		-	7,580
Balance - end of period		712,813	578,474
Stock options and warrants			
Balance - beginning of year		35,253	27,034
Stock-based compensation	Note 14(b)	5,506	10,701
Stock options issued for Centenario acquisition	Note 4	314	-
Transfer to share capital for stock options and warrants exercised		(498)	(2,482)
Balance - end of period		40,575	35,253
Accumulated other comprehensive loss			
Balance - beginning of year		(40,181)	599
Reversal of realized gain on marketable securities	Note 15	(818)	(599)
Unrealized gain (loss) on marketable securities		40,999	(40,181)
Balance - end of period		-	(40,181)
Retained earnings			
Balance - beginning of year		157,986	119,377
Earnings for the period		34,028	38,609
Balance - end of period		192,014	157,986
Total shareholders' equity		945,402	731,532

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

Quadra Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollars in Thousands)

(Unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
		As restated (Note 3)		As restated (Note 3)
OPERATING ACTIVITIES				
Earnings for the period	14,701	20,772	34,028	164,689
Adjustment for items not involving cash from operating activities:				
Stock-based compensation	1,224	1,722	4,819	6,909
Amortization, depletion, depreciation and accretion	5,874	5,947	19,158	16,312
Reversal of start-up inventory adjustment	(4,347)	-	(9,652)	-
Loss on settlement of debt	-	-	-	15,940
Loss(gain) on derivatives	13,686	(4,405)	39,765	6,255
Future income tax expense	2,141	4,033	2,866	4,164
Gain on marketable securities	(8,052)	-	(818)	(1,888)
Other	52	(516)	61	4,450
	<u>25,279</u>	<u>27,553</u>	<u>90,227</u>	<u>216,831</u>
Net changes in non-cash working capital	(21,559)	81,744	(57,889)	31,707
Cash (used in) provided from operating activities	3,720	109,297	32,338	248,538
INVESTING ACTIVITIES				
Additions to mineral properties, plant and equipment	(42,538)	(63,217)	(125,966)	(220,333)
Transaction costs for Centenario acquisition, net of cash acquired	-	-	9,049	-
Increase in loan to Centenario	-	-	(9,500)	-
Disposition of (investment in) marketable securities	-	(54,557)	13,066	(45,040)
Increase in environmental bond and trust	(85)	(43)	(4,336)	(8,483)
Payment of deferred gold consideration	-	(5,429)	-	(16,912)
Refund of security deposit	-	-	-	14,900
Decrease (increase) in other assets	(416)	(568)	(359)	823
Cash used in investing activities	(43,039)	(123,814)	(118,046)	(275,045)
FINANCING ACTIVITIES				
Proceeds from issue of common shares, net of issue costs	761	19,240	69,209	192,965
(Decrease) increase in long-term debt	(82)	-	33,640	-
Proceeds from close out Centenario derivatives	-	-	30,656	-
Repayment of Centenario project loan facility	-	-	(68,966)	-
Decrease in obligations under capital leases	(390)	(494)	(1,143)	(1,660)
Payment of Senior Credit Facility	-	-	-	(150,000)
Payment of loan amendment and prepayment fees	-	-	-	(12,000)
Cash provided from financing activities	289	18,746	63,396	29,305
Net (decrease) increase in cash and cash equivalents during the period	(39,030)	4,229	(22,312)	2,798
Cash and cash equivalents, beginning of period	124,515	262,155	107,797	263,586
Cash and cash equivalents, end of period	85,485	266,384	85,485	266,384

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

Quadra Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Nine months ended September 30, 2009
(Unaudited)

1. NATURE OF OPERATIONS

Quadra Mining Ltd. ("Quadra" or the "Company") was incorporated on May 15, 2002 under the British Columbia Company Act and is continued under the British Columbia Business Corporations Act. The Company is in the business of developing and operating mines, with a focus on base metals, particularly copper. In 2004, the Company acquired 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 (Note 4). Quadra has completed the mine construction and is currently ramping up production at Franke.

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, 2008. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

Other than as described in Note 3, these financial statements are prepared using the same accounting policies and methods of application as those disclosed in Note 2 to the Company's consolidated financial statements for the year ended December 31, 2008.

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

3. CHANGE OF ACCOUNTING POLICY

Goodwill and Intangible Assets

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

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(US Dollars in Thousands)
Nine months ended September 30, 2009
(Unaudited)

	Three months ended September 30, 2008	Nine months ended September 30, 2008
Decrease in depreciation, depletion and amortization	(469)	(1,424)
(Decrease) increase in interest and other expense	(537)	1,802
(Increase) decrease in future income tax expense	352	(133)
Decrease (increase) in earnings and comprehensive income	<u>(654)</u>	<u>245</u>
Decrease (increase) in earnings per share - basic	\$ (0.01)	\$ -
Decrease (increase) in earnings per share - diluted	\$ (0.01)	\$ -

4. ACQUISITION OF CENTENARIO

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

Current allocation of the purchase price to the estimated fair value of the assets and liabilities of Centenario is as follows:

Purchase price:

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

Fair value of assets and liabilities acquired:

Cash	11,176
Restricted cash	2,497
Receivables and others	4,520
Copper forward sales contracts	30,656
Mineral property, plant and equipment	211,780
Other non-current assets	1,500
Total assets acquired	262,129
Accounts payable and accruals	(80,617)
Project loan facility	(68,966)
Loan payable to Quadra	(9,500)
Long-term supply contract derivative liabilities	(27,257)
Asset retirement obligations	(6,162)
Other non-current liabilities	(2,735)
Total liabilities assumed	(195,237)
Net assets acquired	66,892

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
Nine months ended September 30, 2009
(Unaudited)

5. CASH AND CASH EQUIVALENTS

	September 30, 2009	December 31, 2008
Cash deposits, bankers acceptances and term deposits	45,485	80,797
Government money market investments	40,000	27,000
Total	85,485	107,797

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired. At September 30, 2009, the Company's cash and cash equivalents were yielding a weighted average interest rate of 0.1%. At September 30, 2009, the majority of the Company's cash and cash equivalents were denominated in U.S. dollars.

6. INVENTORY

	September 30, 2009	December 31, 2008
Copper concentrate	39,425	25,584
Copper cathode	1,668	1,151
Carlota leach pad inventory	76,407	38,839
Supplies	25,149	22,683
Total	142,649	88,257

In the fourth quarter of 2008 the Company recorded an adjustment of \$15,249 to reduce the carrying value of Carlota's copper cathode and leach pad inventory to net realizable value. During the three and nine month periods ended September 30, 2009 the Company recorded reversals of this inventory adjustment in the amount of \$4,347 and \$9,652, respectively, due to the increase in copper prices and the resulting increase in the net realizable value of Carlota's inventory. The inventory adjustment has been fully reversed as of September 30, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Thousands)
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(Unaudited)

7. OTHER CURRENT ASSETS

	September 30, 2009	December 31, 2008
Prepaid expenses	4,521	4,676
Prepaid royalties	2,636	4,391
Marketable securities (Note 15)	-	14,375
Total other current assets	7,157	23,442

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	September 30, 2009	December 31, 2008
Mineral property acquisition and development costs	645,087	390,954
Plant, buildings and equipment	262,861	218,426
Equipment under capital leases	11,354	11,354
Asset retirement cost	37,510	31,348
	956,812	652,082
Accumulated depreciation, depletion, amortization and impairment:		
Mineral property acquisition and development costs	(113,393)	(103,031)
Plant, buildings and equipment	(39,682)	(24,737)
Equipment under capital leases	(7,118)	(5,787)
Asset retirement cost	(13,332)	(11,606)
	(173,525)	(145,161)
	783,287	506,921

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

(US Dollars in Thousands)
Nine months ended September 30, 2009
(Unaudited)

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

			September 30, 2009
	Cost	Accumulated depreciation, depletion, amortization and impairment	Net book value
Robinson mine (Nevada) (a)	189,786	(63,594)	126,192
Carlota copper mine (Arizona) (b)	280,830	(13,614)	267,216
Sierra Gorda project (Chile) (c)	135,699	(189)	135,510
Franke mine (Chile) (d)	248,659	-	248,659
Malmbjerg molybdenum project (Greenland)	101,455	(95,901)	5,554
Other	383	(227)	156
	956,812	(173,525)	783,287

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

(a) Robinson mine

During the nine months ended September 30, 2009, the Company incurred capital expenditures of \$13,766 (nine months ended September 30, 2008: \$35,745) related to mill upgrades and Ruth Pit development works. The Company also capitalized \$16,675 of pre-production stripping costs related to the Ruth pit area of the Robinson mine.

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(b) Carlota mine

During the nine months ended September 30, 2009, the Company incurred \$17,191 (nine months ended September 30, 2008: \$130,578) related to the construction of the Pinto Creek Diversion and the acquisition of mining equipment for the Carlota mine.

(c) Sierra Gorda project

During the nine months ended September 30, 2009, the Company incurred \$5,787 (nine months ended September 30, 2008 - \$15,175) for exploration and development costs on the Sierra Gorda project and made land option payments totaling \$2,041 (nine months ended September 30, 2008 - \$31,851).

(d) Franke mine

Since the acquisition of Centenario on April 8, 2009 (Note 4), the Company has incurred \$36,879 in development and construction costs for the Franke project.

9. OTHER NON-CURRENT ASSETS

	September 30, 2009	December 31, 2008
Security deposits	4,603	2,695
Other long-term assets	365	414
Total	4,968	3,109

10. INCOME TAXES

For the nine month period ended September 30, 2009, the Company recognized a current income tax expense of \$9,610 and a future income tax expense of \$2,866. The income tax expense for the nine months ended September 30, 2009, has been recorded based on a forecasted effective income tax rate of 22% for 2009 (2008: 23%). In the third quarter of 2009, the Company also recorded an expense of \$2,245 to adjust prior year taxes. For the nine months ended September 30, 2008, the Company recognized current income tax expense of \$46,274 and a future income tax expense of \$4,163.

The forecast of the annual effective income tax rate includes assumptions regarding metal prices, mine production and costs. At September 30, 2009 the Company has \$22.5 million of Alternative Minimum Tax credits for U.S income tax purposes, the tax benefit of which has not yet been recognized.

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

(US Dollars in Thousands)
 Nine months ended September 30, 2009
 (Unaudited)

11. DERIVATIVE INSTRUMENTS

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

	September 30, 2009	December 31, 2008
Copper put options (a)	232	38,481
Franke copper collars and put options (b)	(16,596)	-
Fuel contracts (c)	(880)	(6,667)
Franke long-term supply contracts (d)	(31,357)	-
Interest rate cap	199	-
Total fair value of the derivative instruments	(48,402)	31,814

Derivative instruments are presented in the balance sheets as follows:

	September 30, 2009	December 31, 2008
Derivative assets - current	232	38,481
Derivative assets - non-current	1,247	-
Derivative liabilities - current	(24,647)	(6,667)
Derivative liabilities - non-current	(25,234)	-
	(48,402)	31,814

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

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Copper put options (a)	1,675	(4,487)	19,354	5,721
Franke copper collars and put options (b)	12,078	-	22,118	-
Fuel contracts (c)	(1,182)	-	(5,787)	486
Franke long-term supply contracts (d)	1,164	-	4,100	-
Interest rate cap	51	82	(20)	48
Loss (gain) on derivatives	13,786	(4,405)	39,765	6,255

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(a) Copper Put Options

During 2008, the Company acquired copper put options to protect a minimum floor price of \$2.50/lb for a portion of its anticipated copper sales. At December 31, 2008, the Company had 35 million pounds of copper put options at a strike price of \$2.50/lb. These put options were exercised during the first six months of 2009, resulting in cash proceeds of \$23,291 for the Company.

During the nine month period ended September 30, 2009 the Company purchased additional copper put options at a total cost of \$4,396. At September 30, 2009 the following copper put options remain outstanding:

Expiry	Pounds	Strike price	Fair value
October to December 2009	39.9	\$ 1.50	1
January to March 2010	33.1	\$ 1.68	231
Total	73.0	\$ 1.58	232

In the three months and nine months ended September 30, 2009, the Company recorded unrealized derivative losses of \$1,675 and \$19,354 respectively related to the decrease in the fair value of copper put options.

(b) Franke copper collars and put options

Under the terms of the Franke secured project debt facility, the Company was required to enter into a copper price protection program in order to establish a minimum floor price for a portion of anticipated copper sales from the Franke mine. In May 2009 the Company entered into copper collar contracts at zero cost for 27.6 million pounds of copper and also purchased copper put options for 15 million pounds at a cost of \$4,935. During the quarter ended September 30, 2009, the Company settled 1.2 million pounds of copper collar contracts with cash payments of \$586. The following table includes a summary of the terms of these contracts which remain outstanding at September 30, 2009:

Expiry	Pounds (millions)	Instrument	Floor price	Cap price	Fair value
October 2009 to June 2010	26.5	Collar	\$ 1.79	\$ 2.16	(18,264)
July 2010 to December 2010	15.0	Put	\$ 1.79		1,668
Total	41.5				(16,596)

In the three and nine months ended September 30, 2009, the Company recorded an unrealized derivative loss of \$12,078 and \$22,118 respectively related to the decrease in the fair value of these copper collars and put options.

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(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 and nine months ended September 30, 2009, the Company settled 1.9 million gallons and 5.9 million gallons, respectively, of NYMEX heating oil contracts. These settlements resulted in cash payments of \$1,442 and \$5,569 for the three and nine month periods ended September 30, 2009, which have been recorded in cost of sales on the statement of earnings. During the first nine months of 2009, the Company had entered into contracts for a total of 8.3 million gallons of NYMEX heating oil futures and collars at no cost.

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

Expiry	Gallons (millions)	Contract	Fair value
October to December 2009	1.6	Futures, strike price \$2.41/gallon	(883)
January to August 2010	4.8	Futures, strike price \$2.01/gallon	(174)
December 2009 to April 2010	3.2	Collars, cap \$2.00/gallon; floor \$1.72/gallon	176
Total	9.6		(881)

The Company recorded an unrealized derivative gain of \$1,182 and \$5,787 for the three and nine month period ended September 30, 2009 respectively, due to the change in the fair value of the fuel contracts.

(d) Franke long-term supply contracts

On the acquisition of Centenario, the Company assumed long-term supply contracts for sulphuric acid and water (Note 20). The contracted prices for acid and water are subject to adjustment based on the prevailing copper prices. The acid contract 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.

These copper price escalation clauses create an embedded derivative in the acid and water supply contracts. As of September 30, 2009, the fair value of the embedded derivative liabilities was \$31,357 based on the following significant assumptions:

- Copper price of \$2.77/lb. for 2009- 2011, \$2.50/lb. for 2012-2013, and \$2.00/lb. thereafter
- Discount rate: 13.4%

The change in the fair value of the embedded derivative liabilities of \$1,164 and \$4,100 for the three and nine months ended September 30, 2009 was recorded as loss on derivatives on the statements of earnings.

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12. OTHER CURRENT LIABILITIES

	September 30, 2009	December 31, 2008
Taxes payable	941	8,521
Obligations under capital lease - current portion	1,708	1,531
Long-term debt - current portion (Note 13)	4,500	-
Total other current liabilities	7,149	10,052

13. LONG-TERM DEBT

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

The project finance facility principal repayment schedule is as follows:

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

The Company is also 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 Company has the right to prepay the full facility at any time without penalty.

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.

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

	September 30, 2009	December 31, 2008
Project finance facility	30,000	-
Working capital facility	7,500	-
Debt issue costs	(3,860)	-
Cumulative amortization of debt issue costs	294	-
	33,934	-
Less: current portion (Note 12)	(4,500)	-
Long-term debt	29,434	-

14. SHARE CAPITAL

(a) Common Shares

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

	Number of Shares	Dollar Amount
Balance at January 1, 2009	66,000,747	578,474
Capital stock issued		
Shares issued for cash, net of issue costs (i)	18,630,000	67,553
Stock options exercised	301,286	1,656
Shares issued for Centenario acquisition	14,368,563	64,451
Shares issued, other	16,800	181
Transfer from contributed surplus:		
Stock options exercised		498
Balance at September 30, 2009	99,317,396	712,813

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

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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 September 30, 2009 (in Canadian dollars):

Exercise price per share	Options outstanding			Options exercisable	
	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price C\$	Number exercisable	Weighted-average exercise price C\$
\$3.45 - \$7.76	2,096,214	3.86	6.93	909,222	6.96
\$8.02 - \$11.91	1,030,204	2.51	10.34	850,204	10.65
\$12.10 - \$15.35	1,744,306	2.74	13.15	1,585,636	13.16
\$16.50 - \$20.86	804,000	3.31	19.19	633,164	19.26
\$20.90 - \$24.60	1,280,500	3.61	24.49	865,345	24.47
	6,955,224	3.27	13.65	4,843,571	14.37

The following tables summarize the stock option activity for the nine months ended September 30, 2009:

	Options	Weighted-average exercise price (C\$)
Outstanding at January 1, 2009	4,958,277	15.62
Granted	1,942,500	7.38
Issued for Centenario acquisition	574,000	14.04
Forfeited	(213,267)	14.37
Exercised	(301,286)	6.01
Expired	(5,000)	6.00
Outstanding at September 30, 2009	6,955,224	13.65

During the nine months ended September 30, 2009, 1,942,500 stock options were granted to directors and employees (September 30, 2008 – 1,749,000). The weighted-average fair value of these stock options is estimated to be \$2.21 each (September 30, 2008 - \$6.43). 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 nine months ended September 30, 2009 was \$1,362 and \$5,506 respectively (three and nine months September 30, 2008: \$2,160 and \$8,533 respectively) of which \$138 and \$687 respectively, was capitalized to inventory and mineral properties (September 30, 2008: \$438 and \$1,623 capitalized to mineral properties respectively).

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

	<u>2009</u>	<u>2008</u>
Expected Volatility	58%	47%
Risk-free interest rate	2%	3%
Expected Life	3.0 years	2.0 years
Dividend Yield	Nil	Nil

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

(ii) Restricted Stock Units

In July 2009 the Company implemented its Restricted Stock Unit (“RSU”) plan as a long term incentive to directors and certain employees in an effort to foster a responsible balance between short-term and long-term results. The RSUs are settled with a cash payment at the time of maturity. The settlement amount for each RSU is equivalent to the average stock price of the Company’s common shares in the month before settlement. As of September 30, 2009 the Company has 78,625 RSUs with a maturity date of May 2010, and 78,625 RSUs with a maturity date of May 2012.

For accounting purposes, RSUs are valued at their fair market value, and amortized over the vesting period. At September 30, 2009 the carrying value of the outstanding RSUs at the balance sheet date is \$271 and is reflected on the balance sheet as an accrued liability.

(c) Warrants

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

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

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15. NET INTEREST AND OTHER (INCOME) EXPENSE

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Interest income	(41)	(1,684)	(534)	(4,919)
Interest expense	231	422	774	1,574
Gain on sale of marketable securities	(8,052)	-	(818)	(1,888)
Other	(72)	(672)	1,214	1,554
	(7,934)	(1,934)	636	(3,679)

During the nine month period ended September 30, 2009, the Company sold the remainder of its available-for-sale marketable securities for total proceeds of \$55,374. During the quarter ended September 30, 2009 the proceeds from these sales was \$42,308 and this amount was included in accounts receivable at September 30, 2009.

As a result of the disposition of marketable securities, the Company recorded a realized gain of \$8,052 and \$818 in other (income) expense for the three and nine month periods ended September 30, 2009 respectively. These gains were previously recorded in shareholders' equity as a component of other comprehensive income and have been reversed.

16. REVENUES FROM CONCENTRATE SALES

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Copper revenues	69,077	151,228	194,411	439,173
Gold revenues	14,463	32,912	59,641	97,540
Molybdenum revenues	379	579	1,923	1,226
Price adjustments	6,822	(64,398)	46,550	(29,281)
Refining and treatment charges	(3,575)	(4,364)	(13,477)	(14,099)
	87,166	115,957	289,048	494,559

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 September 30, 2009, working capital and revenues include 16.2 million pounds of copper which has been provisionally valued at an average price of \$2.79 per

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pound (December 31, 2008 – 43.2 million pounds at \$1.33 per pound). Accounts receivable at September 30, 2009 includes an amount for provisional price adjustments of \$7,619. The final pricing for these provisionally priced sales is expected to occur between October and December 2009.

17. SEGMENTED INFORMATION

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

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

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

	Robinson	Carlota	Franke	Other mineral properties	Corporate	Total
Revenues	70,096	17,070	-	-	-	87,166
Cost of sales	37,751	11,329	-	-	-	49,080
Reversal of inventory adjustment	-	(4,347)	-	-	-	(4,347)
Amortization, depletion and depreciation	4,210	1,664	-	-	-	5,874
Royalties and mineral taxes	4,113	879	-	-	-	4,992
Operating income	24,022	7,545	-	-	-	31,567
Capital expenditures	13,771	6,649	19,719	2,620	-	42,759
Total assets as of September 30, 2009	321,238	358,293	271,420	142,272	63,811	1,157,034

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

	Robinson	Carlota	Other mineral properties	Corporate	Total
Revenues	115,957	-	-	-	115,957
Cost of sales	67,642	-	-	-	67,642
Amortization, depletion and depreciation	5,947	-	-	-	5,947
Royalties and mineral taxes	8,048	-	-	-	8,048
Operating income	34,320	-	-	-	34,320
Capital expenditures	13,847	36,374	10,080	-	60,301
Total assets as of September 30, 2008	386,209	317,066	221,715	156,442	1,081,432

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For the nine month period ended September 30, 2009, segmented information is presented as follows:

	Robinson	Carlota	Franke	Other mineral properties	Corporate	Total
Revenues	247,126	41,922	-	-	-	289,048
Cost of sales	130,049	34,554	-	-	-	164,603
Reversal of inventory adjustment	-	(9,652)	-	-	-	(9,652)
Amortization, depletion and depreciation	15,458	3,700	-	-	-	19,158
Royalties and mineral taxes	10,836	2,166	-	-	-	13,002
Operating income	90,783	11,154	-	-	-	101,937
Capital expenditures	30,441	17,191	36,879	8,448	(9)	92,950
Total assets as of September 30, 2009	321,238	358,293	271,420	142,272	63,811	1,157,034

For the nine month period ended September 30, 2008, segmented information is presented as follows:

	Robinson	Carlota	Other mineral properties	Corporate	Total
Revenues	494,559	-	-	-	494,559
Cost of sales	195,407	-	-	-	195,407
Amortization, depletion and depreciation	16,312	-	-	-	16,312
Royalties and mineral taxes	28,144	-	-	-	28,144
Operating income	254,696	-	-	-	254,696
Capital expenditures	35,745	130,578	62,874	33	229,230
Total assets as of September 30, 2008	386,209	317,066	221,715	156,442	1,081,432

18. RELATED PARTY TRANSACTIONS

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the three and nine months ended September 30, 2009, the Company incurred legal fees of \$78 and \$373 with that entity (three and nine months ended September 30, 2008: \$94 and \$508 respectively), all of which were at normal business terms.

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19. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
(Increase) decrease in receivables	(2,198)	25,887	(1,368)	(851)
Increase (decrease) in inventory	(17,084)	3,746	(31,958)	(4,415)
Decrease (increase) in derivatives	(1,509)	-	13,194	(2,465)
Decrease in restricted cash	(699)	-	(357)	-
Decrease (increase) in other current assets	179	(4,343)	2,023	(7,174)
Increase (decrease) in accounts payable and accrued liabilities	6	50,484	(30,826)	41,398
Increase (decrease) in other current liabilities	(255)	5,970	(8,598)	5,214
Net changes in non-cash working capital	(21,559)	81,744	(57,889)	31,707
Other supplemental information:				
Interest paid	1,267	422	2,087	8,835
Income tax paid	8,090	3,013	17,749	38,428

20. COMMITMENTS

(a) Long-term Sulfuric Acid Supply Contract

The Company has a long-term sulfuric acid supply contract for use in the copper extraction process at the Franke project. The minimum commitment under the contract is estimated to be \$4,050 per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2022 (see Note 11(d)).

(b) Long-term Water Supply Contract

The Franke Mine also has a long-term supply contract for industrial water. The minimum commitment under the contract is estimated to be approximately \$1,060 per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2020 (see Note 11(d)).

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(c) Mining contractor

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

21. CONTINGENCIES

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

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

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

22. SUBSEQUENT EVENT

Subsequent to September 30, 2009, the Company made an investment of \$10 million, representing a 7.9% interest in Far West Mining Ltd., a publicly traded company.