



QuadraFNX
MINING LTD

Quadra FNX Mining Ltd.

Interim Consolidated Financial Statements

March 31, 2011

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

(Unaudited)

Quadra FNX Mining Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollars in Millions)

(Unaudited)

	Notes	March 31, 2011	December 31, 2010	January 1, 2010
			(Note 23)	(Note 23)
ASSETS				
Current				
Cash and cash equivalents		576.7	318.8	133.2
Restricted cash		-	-	4.8
Receivables		147.3	145.7	20.8
Inventory	4	234.3	214.2	186.8
Investment in Gold Wheaton	5	-	161.1	-
Derivative assets	13	5.7	3.0	1.6
Other current assets	6	95.0	84.4	33.3
Total Current Assets		1,059.0	927.2	380.5
Mineral properties, plant and equipment	7	1,560.3	1,512.7	804.8
Goodwill		140.6	140.6	-
Environmental trust and bond		72.2	72.0	59.7
Other non-current assets	6	32.9	32.2	4.6
Deferred income tax assets		68.4	68.4	23.7
Total Non-Current Assets		1,874.4	1,825.9	892.8
Total Assets		2,933.4	2,753.1	1,273.3
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	8	120.4	121.9	65.9
Franke debt facility		-	-	34.2
Provisions	9	9.0	12.0	11.0
Derivative liabilities	13	13.1	13.1	32.8
Current portion of deferred revenue	11	16.2	16.5	-
Other current liabilities	10	0.9	3.9	13.1
Total Current Liabilities		159.6	167.4	157.0
Deferred revenue	11	178.2	181.4	-
Site closure and reclamation provision	12	67.6	68.5	93.4
Derivative liabilities	13	78.2	91.8	36.6
Other non-current liabilities		-	-	2.9
Deferred income tax liabilities		255.3	226.4	5.8
Total Non-Current Liabilities		579.3	568.1	138.7
Total Liabilities		738.9	735.5	295.7
Shareholders' Equity				
Share capital	14(a)	1,692.3	1,690.0	715.3
Stock options	14(b)(i)	33.5	32.4	23.3
Accumulated other comprehensive income		27.7	21.9	9.9
Retained earnings		441.0	273.3	229.1
Total Shareholders' Equity		2,194.5	2,017.6	977.6
Total Liabilities and Shareholders' Equity		2,933.4	2,753.1	1,273.3

Comittments (Note 21), Contingencies (Note 22)

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

Quadra FNX Mining Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollars in Millions)

(Unaudited)

	Notes	Three months ended	
		March 31, 2011	March 31, 2010
			(Note 23)
Revenues	15	268.8	197.5
Cost of sales		207.4	115.1
Income from operations		61.4	82.4
General and administrative	16	8.4	8.2
Foreign exchange (gain) loss		(2.2)	0.1
(Gain) loss on derivatives	13	(13.3)	7.4
Gain from disposal of Gold Wheaton shares	5	(133.9)	-
Finance income	17	(10.0)	(5.7)
Finance expense	17	1.2	2.4
Transaction costs for FNX merger		-	1.7
Earnings before income taxes		211.2	68.3
Income tax expense	18	(43.5)	(13.3)
Earnings for the period		167.7	55.0
Other comprehensive income			
Unrealized gain on marketable securities, net of tax	6	5.8	6.4
Total comprehensive income		173.5	61.4
Earnings per share			
Basic		\$ 0.88	\$ 0.55
Diluted		\$ 0.85	\$ 0.54
Weighted average shares outstanding - Basic		190.6	99.5
Weighted average shares outstanding - Diluted		193.5	101.7

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

Quadra FNX Mining Ltd.

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

(US Dollars in Millions)
(Unaudited)

	Notes	Share capital	Stock options	Accu. other comp. income	Retained earnings	Total
Balances, December 31, 2010		1,690.0	32.4	21.9	273.3	2,017.6
Stock options exercised		1.8	-	-	-	1.8
Stock-based compensation		-	1.6	-	-	1.6
Transfer to share capital for stock options exercised		0.5	(0.5)	-	-	-
Unrealized gain on marketable securities, net of tax	6	-	-	5.8	-	5.8
Earnings for the period		-	-	-	167.7	167.7
Balances, March 31, 2011		1,692.3	33.5	27.7	441.0	2,194.5

	Notes	Share capital	Stock options	Accu. other comp. income	Retained earnings	Total
Balances, January 1, 2010		715.3	23.3	9.9	229.1	977.6
Stock options exercised		1.3	-	-	-	1.3
Stock-based compensation		-	1.6	-	-	1.6
Transfer to share capital for stock options exercised		0.3	(0.3)	-	-	-
Unrealized gain on marketable securities, net of tax		-	-	6.4	-	6.4
Earnings for the period		-	-	-	55.0	55.0
Balances, March 31, 2010		716.9	24.6	16.3	284.1	1,041.9

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

Quadra FNX Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollars in Millions)
(Unaudited)

	Notes	Three months ended March 31, 2011	Three months ended March 31, 2010
			(Note 23)
OPERATING ACTIVITIES			
Earnings for the period		167.7	55.0
Adjustment for:			
Stock-based compensation		1.6	1.5
Amortization, depletion and depreciation		32.0	12.0
Writedown of Carlota leach pad inventory	4	11.0	-
Gain from disposal of Gold Wheaton shares	5	(133.9)	-
Unrealized (gain) loss on derivatives		(13.3)	7.4
Amortization of deferred revenue		(3.5)	-
Foreign exchange gain		(3.9)	-
Income tax expense		43.5	13.3
Finance income		(10.0)	(5.8)
Finance expense		1.2	2.4
		92.4	85.8
Net changes in non-cash working capital	20	(54.8)	(24.1)
Interest received		0.3	-
Interest paid		-	(0.7)
Income taxes paid		(0.4)	(5.1)
Cash provided from operating activities		37.5	55.9
INVESTING ACTIVITIES			
Additions to mineral properties, plant and equipment		(76.2)	(23.0)
Increase in security deposits		(0.4)	-
Increase in restricted cash		(0.7)	-
Increase in environmental bond and trust		-	(5.9)
Proceeds from sale of Gold Wheaton shares	5	295.0	-
Payments for purchasing and settling derivatives		(3.0)	(14.4)
Cash provided from (used in) investing activities		214.7	(43.3)
FINANCING ACTIVITIES			
Proceeds from issue of common shares		1.8	1.3
Drawdown on project debt facility, net of issue costs of \$0.4		-	12.1
Repayment of project debt facilities		-	(2.1)
Decrease in obligations under capital leases		-	(0.4)
Cash provided from financing activities		1.8	10.9
Effect of foreign exchange rate changes on cash and cash equivalents		3.9	0.2
Net increase in cash and cash equivalents during the period		257.9	23.7
Cash and cash equivalents, beginning of period		318.8	133.1
Cash and cash equivalents, end of period		576.7	156.8
Cash and cash equivalents comprise of:			
Cash deposits, bankers acceptances and term deposits		249.7	60.2
Government money market investments		327.0	96.6
		576.7	156.8

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

Quadra FNX Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Three months ended March 31, 2011

(Unaudited)

1. NATURE OF OPERATIONS

Quadra FNX Mining Ltd. ("Quadra FNX" or the "Group") was incorporated on May 15, 2002 under the British Columbia Company Act. The Group is in the business of developing and operating mines, with a focus on base metals, particularly copper. In 2004, the Group acquired and restarted the Robinson mine, an open pit copper mine, with gold and molybdenum by-product credits, located in Nevada, United States. The Group's Carlota mine was acquired as a development project in 2005. Construction of the Carlota open pit mine and SX/EW plant was completed in late 2008. On April 8, 2009, the Group completed the acquisition of Centenario Copper Corporation ("Centenario") and its 100% owned Franke mine, a heap leach – SX/EW copper operation in northern Chile. Quadra FNX completed the mine construction and commenced production at Franke during the fourth quarter of 2009. On May 20, 2010, Quadra Mining Ltd. completed a merger with FNX Mining Company Ltd. ("FNX"), and the combined Group was named Quadra FNX Mining Ltd. As a result of the merger with FNX, the Group now owns the McCreedy West and Levack mines, which includes the Morrison deposit ("Morrison"), together known as the Levack Complex as well as the Podolsky mine ("Podolsky mine"), all located in Canada's Sudbury mining district. The Sudbury operations produce, develop and explore for copper, nickel, platinum, palladium and gold. The Group also owns an advanced exploration project in Chile ("Sierra Gorda") and the Victoria project in Sudbury, Ontario. In addition, the Group has a mining services business ("DMC Mining Services" or "DMC") that provides services in contract mining, mine shaft sinking, lateral mine development, mine construction and raise boring.

2. BASIS OF PRESENTATION

a) Statement of compliance

These unaudited interim consolidated financial statements for the Group have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. These are the Group's first interim consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), for which IFRS 1, *First Time Adoption of International Reporting* ("IFRS 1") has been applied. Previously, the Group prepared its consolidated annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Group adopted IFRS on January 1, 2011 (the "Transition Date").

An explanation of the impact of the transition from Canadian GAAP to IFRS on the Group's consolidated financial statements is provided in Note 23.

These interim consolidated financial statements were approved for issue by the Board of Directors on May 5, 2011.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and financial instruments which are measured at fair value. All financial information in these consolidated financial statements is presented in United States dollars rounded to the nearest million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions, and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, along with reported amounts of revenues and expenses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

The accounting for the Gold Wheaton metal sales contract (Notes 3(g) and 11) involves judgements in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements.

Significant areas requiring the use of estimates relate to the determination of the fair value of assets and liabilities acquired in business combinations, determination of mineral reserves, impairment of long-lived assets, determination of site closure and reclamation provisions, valuation of derivative instruments and valuation of concentrate, cathode and leach pad inventories. Key judgements and estimates made by management with respect to these areas have been disclosed in the notes to these consolidated financial statements as appropriate

The determination of mineral reserves requires the use of estimates and these reserve estimates are used in calculating depreciation, assessing impairment and forecasting timing of payments of mine closure and reclamation costs. The estimate of these reserves requires forecasts on commodity prices, exchange rates, production costs and recovery, and these forecasts may change significantly when new information comes available.

d) New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9, *Financial Instruments* ("IFRS 9"), which becomes mandatory for the Group's 2013 consolidated financial statements, and could change the classification and measurement of financial assets. The extent of the impact of IFRS 9 has not been determined.

3. SIGNIFICANT ACCOUNTING POLICIES

These accounting policies described below have been applied consistently to all periods presented and in preparing the opening IFRS Consolidated Statements of Financial Position at January 1, 2010 for transition purposes.

a) Basis of consolidation

These consolidated financial statements include the accounts of the Group and its controlled subsidiaries. Control is achieved when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All subsidiaries are wholly-owned. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Comprehensive Income from the effective date of acquisition or to the date of disposal. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Intergroup balances and transactions are eliminated on consolidation.

Associates are all entities over which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between twenty and fifty percent of the voting power of another entity. Associates are accounted for using the equity method whereby the Group's share of an associate

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income or loss is recognized in the Consolidated Statements of Comprehensive Income. Subsequent to the sale of the Gold Wheaton investment, the Group no longer has any associates.

b) Business combinations

In the transition to IFRS, the Group elected not to restate business combinations prior to January 1, 2010. Accordingly, amounts recognized in these consolidated financial statements for those acquisitions are based on Canadian GAAP.

For acquisitions on or after January 1, 2010, the acquisition method is applied to all business combinations whereby the identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition.

The fair value of the consideration transferred for the acquisition of a business is the fair value of the assets transferred, the liabilities assumed, and the equity interests issued by the Group at the date of exchange. Goodwill is initially measured at fair value being the excess of the fair value of the consideration transferred over the fair value of the acquiree's net identifiable assets acquired. When the consideration transferred is less than the fair value of the net identifiable assets, the gain is recognized immediately in earnings.

Transaction costs such as finder's fees, legal fees, other professional and consulting fees, and due diligence fees are expensed as incurred unless they are costs related to the issue of debt or equity instruments.

c) Exploration and evaluation expenditures

Exploration and evaluation expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves and are classified as a component of mineral properties, plant and equipment.

Recognition and measurement

Acquisition costs to acquire exploration and evaluation assets are capitalized. Exploration and evaluation expenditures include costs of conducting geological surveys, and exploratory drilling and sampling. These types of costs when incurred are recognized as expense for the period unless there is evidence of a resource and management expects the expenditures to be recovered. Amounts capitalized include administrative and other general overhead costs associated with finding specific mineral resources. Expenditures incurred prior to the Group obtaining legal rights to explore an area are recognized as an expense in the period.

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs.

Impairment

Management reviews the carrying value of capitalized exploration and evaluation expenditures at least annually. The review is based on the Group's intentions for development of an undeveloped property. If a project does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project.

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d) Mineral properties, plant and equipment

Mineral properties, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Recognition and measurement

Mineral property acquisition and development costs, including exploration and evaluation assets transferred, mine construction costs, and overburden and waste removal costs, are capitalized until production is achieved, or the property is sold, abandoned or impaired. Development costs are net of proceeds from the sale of metal extracted during the development phase prior to the date mining assets are operating in the way intended by management. When the Group incurs debt directly related to the construction of a new operation or major expansion, the related financing costs are capitalized during the construction period.

The cost of removing overburden to access ore is capitalized during the development phase. During the production phase, such costs are capitalized if the costs are incurred to provide access to sources of reserves that will be produced in future periods and would not otherwise be accessible.

Mineral properties, plant and equipment costs include the fair value of the consideration given to acquire assets at the time of acquisition or construction and include expenditures that are directly attributable to bringing the asset to the location and condition necessary for their intended use. Also, these costs include an initial estimate of the costs of dismantling and removing the assets and restoring the site on which they are located, and for qualifying assets, borrowing costs.

When parts of an item of mineral properties, plant and equipment have different useful lives, they are accounted for separately as major components.

Mineral properties, plant and equipment are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in the Consolidated Statements of Comprehensive Income.

Subsequent costs

The cost of replacing a part of an item of mineral properties, plant and equipment is recorded in the carrying amount of the item provided that there are future economic benefits, and the costs can be measured. The carrying amount of the part being replaced is then derecognized. The costs of day-to-day servicing of mineral properties, plant and equipment are recognized in the Consolidated Statements of Comprehensive Income.

During the production phase, exploration and evaluation costs are capitalized provided that there is an expectation that the costs will be recoverable in exploitation or sale.

Depreciation

The carrying value of mineral properties, plant and equipment is depreciated to their estimated residual value over their estimated useful lives or the estimated useful life of the associated mine, if shorter.

Mineral property acquisition and development costs and certain plant and equipment are depreciated on a unit-of-production basis based on the expected tonnes of proven and probable reserves to be mined or, for heap leach operations, the expected tonnes of copper cathode to be produced. Other equipment is amortized on a straight line basis over their estimated useful lives, generally three to seven years. Depreciation related to production activities is initially recorded in

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inventory when ore is extracted from the mine. Depreciation is recognized in cost of sales in the Consolidated Statements of Comprehensive Income in the same period as the revenue from the sale of the inventory.

The Group's management conducts an annual assessment of the estimated residual values, useful lives, and depreciation methods used for mineral property acquisition and development costs, and property, plant and equipment. Any material changes in estimates are applied prospectively.

e) Impairment of non-current assets

The carrying value of non-current assets, which consist primarily of mineral properties, plant, and equipment and goodwill, is reviewed regularly for events or changes in circumstances which indicate that the carrying value of an asset may not be recoverable. The carrying value of goodwill is reviewed at least annually. An impairment loss is recognized if the carrying value of an asset exceeds the estimated recoverable amount. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Fair value less cost to sell is the amount obtainable from the sale of the asset or cash generating unit in an arm's length transaction between knowledgeable and willing parties less the cost of disposal. Value in use is the estimated future cash flows expected to be received through continued use and subsequent disposal of the asset discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in the Consolidated Statements of Comprehensive Income based on the amount by which the carrying amount of the asset exceeds the recoverable amount.

Estimated future cash flows are based on estimates of future metal prices, proven and probable reserves, estimated value beyond proven and probable reserves, and future operating cost assumptions.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("Cash Generating Units"). This generally results in the Group evaluating its non-financial assets on a mine-specific basis. For the purposes of impairment testing, exploration and evaluation assets are allocated to the Cash Generating Unit to which the exploration activities relate. Goodwill acquired in a business combination is allocated to the cash generating unit that is expected to benefit from the synergies of the combination.

An impairment loss for goodwill is not reversed. Impairment losses for other assets or Cash Generating Units recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If so, an impairment loss is reversed only to the extent that the related asset or Cash Generating Unit's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

f) Revenue recognition

Revenues are recognized when the rights and obligations of ownership pass to the customer and the price is reasonably determinable. The majority of the Group's product is sold under pricing arrangements where final prices are determined based on quoted market prices for the refined product in a period subsequent to the date of sale. For sales of concentrates, final pricing is generally determined three to four months after the date of sale. For sales of ore, final pricing is generally determined three to six months after the date of sale. For sales of copper cathode, final pricing is generally determined in the same month as, or the month subsequent to, the date of sale. Revenues are recorded provisionally at the time of sale based on preliminary assays and forward prices for the expected date of the final settlement. Subsequent variations in price and volumes are recognized as revenue adjustments as they occur until the price is finalized. Contract mining revenues are earned on a fixed price contract basis, on a cost reimbursement basis or on a unit-of-production basis such as metres drilled, metres of advance on underground development, tonnes of ore mined and hourly charges for work performed, and are recognized at the time that the service has been performed.

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g) Deferred revenue

Pursuant to an agreement dated July 15, 2008, and assumed by the Group upon the merger with FNX, the Group is obligated to sell to Gold Wheaton 50% of the ounces of gold, platinum and palladium (“gold equivalent ounces”) contained in ore mined and shipped from the Morrison deposit and certain deposits at the Levack Complex and Podolsky mine over the remaining life of these deposits. In 2008, FNX received an up-front payment of C\$400 million from Gold Wheaton as consideration for the sale of these gold equivalent ounces. In addition, the Group receives a cash payment equal to the lower of \$400 per gold equivalent ounce (subject to a 1.0% annual inflationary adjustment commencing July 1, 2011) and the prevailing market price per ounce of gold as the gold equivalent ounces are delivered to Gold Wheaton.

The up-front payment has been deferred and will be recognized as an adjustment to revenues as the related gold equivalent ounces are sold to Gold Wheaton. The adjustment is determined on the basis of the proportion that the gold equivalent ounces sold to Gold Wheaton is to the total estimated gold equivalent ounces in the life of mine plans for the deposits subject to the agreement. In the event that, at the end of the 40 year term of the agreement, the Group has not delivered gold equivalent ounces with a value of C\$400 million in excess of \$400 per gold equivalent ounce, the Group will be required to pay the deficiency in cash. Effective March 14, 2011, Gold Wheaton was acquired by Franco-Nevada.

h) Inventory

Inventories are comprised of final concentrate products and copper cathodes, leach pad inventory, ore inventory, and supplies. All inventories are carried at the lower of cost and net realizable value. The cost of concentrate products, copper cathodes, leach pad inventory, and ore inventory includes all direct costs incurred in production including mining, processing, mine site administration, freight, overburden and waste removal costs and depreciation charges relating to the production of inventory. Net realizable value is the estimated selling price for inventories less costs of completion and estimated distribution and other selling costs. The cost of inventories is determined using the average cost method. Write-downs of inventory to net realizable value are recorded as a cost of sales in the Consolidated Statements of Comprehensive Income. If there is a subsequent increase in the value of inventories, the previous write-downs to net realizable value may be reversed to the extent that the related inventory has not been sold.

Leach pad inventory is comprised of ore that has been extracted from the mine and placed on the heap leach pad for further processing. Costs are removed from leach pad inventory as cathode copper is produced based on the average cost per recoverable pound of copper in process. The quantity of recoverable copper in process is an estimate which is based on the expected grade and recovery of copper from the ore placed on the leach pad. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. However, the estimate of recoverable copper placed on the leach pad is reconciled to actual copper production, and the engineering estimates are refined based on actual results over time.

i) Financial instruments

The Group designates its financial assets, other than derivative assets, as loans and receivables, available for sale and “fair value through profit and loss”. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Financial assets designated as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are comprised of cash and cash equivalents and trade and other receivables, except for provisionally priced receivables which are designated as derivatives, and are initially measured at fair value and subsequently at amortized cost less any impairment. When these assets are impaired, the carrying amount of the financial asset is reduced by the impairment loss directly, except for receivables. The carrying amount of receivables is reduced through the use of an allowance account and changes to the carrying amount of this account are recognized in the Consolidated Statements of Comprehensive Income.

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Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income, unless such assets are determined to be impaired in which case the impairment loss is reclassified out of other comprehensive income and recognized in the Consolidated Statements of Comprehensive Income for the period. The reversal of previously recognized impairment losses are recognized directly in equity and not reversed through the Consolidated Statements of Comprehensive Income. Available for sale financial assets are comprised of marketable securities, except for investments in warrants.

Financial assets designated as “fair value through profit and loss” are comprised of investments in warrants and are measured at fair value with unrealized gains and losses recognized in the Consolidated Statements of Comprehensive Income.

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. These liabilities include trade accounts payable, other liabilities and loans.

Transaction costs on financial assets and liabilities other than those classified as “fair value through profit and loss” are treated as part of the carrying value of the asset or liability. Transaction costs for asset and liabilities at “fair value through profit and loss” are expensed as incurred.

The Group may, from time to time, use derivative instruments to manage its exposure to commodity prices and foreign exchange movements creating derivative financial assets and liabilities. These derivative instruments, including provisionally priced receivables and embedded derivatives, are recorded at fair value. Changes in the fair value of derivatives are recognized in the Consolidated Statements of Comprehensive Income. Derivatives embedded in non-derivative contracts are recognized separately unless closely related to the host contract.

j) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the Consolidated Statements of Comprehensive Income except to the extent that these taxes relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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k) Foreign currency translation

The United States dollar is considered to be the functional currency of the Group and all of its subsidiaries.

Transactions denominated in currencies other than the United States dollars are translated using the exchange rate in effect on the transaction date or at an average rate. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the balance sheet dates. Non-monetary items are translated at the historical rate. Exchange gains or losses on translation are recorded in the Consolidated Statements of Comprehensive Income.

l) Provisions

When the Group has a present legal or constructive obligation as a result of a past event, a provision is recognized only when the obligation is estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the obligation due to the passage of time is recognized as finance expense.

m) Site closure and reclamation provision

The Group recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the Consolidated Statements of Comprehensive Income.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Group of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Group's closure and reclamation obligations becomes available.

Quadra FNX Mining Ltd.

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(Unaudited)

n) Earnings per share

Basic earnings or loss per share is calculated by dividing the earnings or loss for the period by the weighted average number of shares outstanding during the same period.

Diluted earnings or loss per share is calculated by dividing the earnings or loss for the period by the weighted average number of shares outstanding during the same period adjusted for the effects of all dilutive potential common shares, which comprise options granted to employees and warrants. The dilutive effect of options and warrants is determined using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings or loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive.

o) Share-based payments

The Group accounts for share based payments, including stock options, at their fair value on the grant date and recognizes the cost as an employee expense over the period that the employees become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

Share-based payments expense relating to restricted stock units and performance share units are accrued over the vesting period of the units based on the quoted market value of the Group's common shares with a corresponding increase in liabilities. As these awards will be settled in cash, the liability is re-measured at each reporting period and at the settlement date. Changes in the fair value of the liability are recognized as employee benefit expense in the Consolidated Statements of Comprehensive Income.

p) Leases

Leases are classified as finance or operating depending on the terms and conditions of the lease agreements. Payments under operating leases are expensed in the period in which they are incurred. Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition of an asset related to a finance lease, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Leased assets are amortized on a straight line basis over the period of expected use. Obligations under capital lease are reduced by lease payments, net of computed interest.

q) Cash equivalents

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

r) Share capital

The Group records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

Quadra FNX Mining Ltd.

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(Unaudited)

s) Employee benefits

Employee benefits include base salary, health and disability benefits and annual bonuses. Annual bonuses are paid based on participation in the Group's Short-Term Incentive Plan ("STIP"), which provides the opportunity for employees to earn a cash incentive on the achievement of specific key performance indicators established during the annual performance, planning and review process. In addition to annual bonuses, and at the discretion of the board of directors, payment of extraordinary bonuses may be paid to recognize exceptional performance and results for the Group. Employee benefits are recognized as the related services are provided.

The Group also contributes to employee Registered Retirement Savings Plans or similar plans. These costs are expensed as incurred.

t) Finance income and expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and realized and unrealized gains on investment in warrants. Interest income is recognized as it accrues using the effective interest method. Dividend income is recognized on the date that the Group's right to receive payment is established. Finance income is considered an operating activity for cash flow purposes.

Finance expense comprises of interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized using the effective interest method. Finance costs are considered an operating activity for cash flow purposes.

4. INVENTORY

	March 31, 2011	December 31, 2010	January 1, 2010
Carlota leach pad inventory	112.8	112.9	88.2
Franke leach pad inventory	29.3	24.1	16.8
Copper concentrate	50.8	40.3	38.9
Copper cathode	11.9	8.0	16.6
Sudbury crushed ore inventory	1.1	1.6	-
Supplies	28.4	27.3	26.3
	234.3	214.2	186.8

During the first quarter of 2011, an adjustment of \$11.0 was required to reduce Carlota's leach pad inventory to its net realizable value.

Quadra FNX Mining Ltd.

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5. INVESTMENT IN GOLD WHEATON

During the three months ended March 31, 2011, the Group sold all of its 56,464,126 common shares of Gold Wheaton to Franco-Nevada Corporation (“Franco-Nevada”) for total cash proceeds of \$295.0 (C\$293.6) or C\$5.20 per share for a total pre-tax gain of \$133.9.

6. OTHER ASSETS

	March 31,	December 31,	January 1,
	2011	2010	2010
Current			
Marketable securities	73.9	57.2	26.8
Prepaid expenses and advances to suppliers	21.1	27.2	4.9
Prepaid royalties	-	-	1.6
	95.0	84.4	33.3
Non-current			
Security deposits on equipment	19.8	18.1	2.6
Restricted cash	11.2	10.5	-
Other	1.9	3.6	2.0
Total	32.9	32.2	4.6

Marketable securities consist of investments in common shares designated as “available-for-sale”, and warrants designated as “fair value through profit and loss”.

The investments in marketable securities are as follows:

	March 31, 2011			December 31, 2010			January 1, 2010		
	Shares	Original	Fair	Shares	Original	Fair	Shares	Original	Fair
	(# M)	Cost	Value	(# M)	Cost	Value	(# M)	Cost	Value
Common Shares									
Far West Mining Ltd.	5.1	7.4	39.3	5.1	7.4	28.9	4.9	6.5	18.2
INV Metals Inc.	9.4	6.5	6.0	9.4	6.5	9.5	-	-	-
Other	7.9	3.1	4.5	7.9	3.1	4.4	-	-	-
Total investment in common shares		17.0	49.8		17.0	42.8		6.5	18.2
Warrants									
Far West Mining Ltd.	4.9	2.7	24.0	4.9	2.7	14.4	4.9	2.7	8.6
Other	0.5	0.1	0.1	-	-	-	-	-	-
Total		19.8	73.9		19.7	57.2		9.2	26.8

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At March 31, 2011, the fair value of the common shares, based on their quoted market price, increased to \$49.8 resulting in an unrealized gain of \$5.8 (net of tax of \$1.2) which has been recorded in shareholders' equity as a component of other comprehensive income. The fair value of the warrants is estimated using a Black-Scholes option pricing model using the following assumptions: share price C\$7.46, volatility 43%, discount rate 1.69%, expected life 0.5 years. The fair value of these warrants increased to \$24.1, resulting in an unrealized gain of \$9.7 in the three months ended March 31, 2011 which has been recorded in finance income in the Consolidated Statements of Comprehensive Income.

At April 17, 2011, Capstone Mining Corp. ("Capstone") and Far West Mining Ltd. ("Far West") entered into a definitive agreement (the "Agreement") pursuant to which Capstone will acquire all of the issued and outstanding common shares of Far West, by way of a court-approved plan of arrangement. The Group has entered into a customary voting support agreements with respect to the Agreement. Should this transaction be successful, the Group would realize a pre-tax gain of approximately C\$60 million based on current prices.

Quadra FNX Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Exploration and evaluation assets	Mineral property acquisition and development	Plant, buildings and equipment	Equipment under capital lease	Site closure and reclamation asset	Total
At December 31, 2010						
Cost	180.2	1,145.8	589.6	1.7	55.5	1,972.8
Accumulated depletion, depreciation and amortization	(0.8)	(71.0)	(103.0)	(1.6)	(35.5)	(211.9)
Accumulated impairment	(95.7)	(99.6)	(52.9)	-	-	(248.2)
Net book value	83.7	975.2	433.7	0.1	20.0	1,512.7
Period ended March 31, 2011						
Change in Cost						
Additions	4.5	36.3	39.7	-	-	80.5
Decrease in site closure and reclamation asset	-	-	-	-	(1.5)	(1.5)
Subtotal	4.5	36.3	39.7	-	(1.5)	79.0
Change in Accumulative Amortization						
Depletion, depreciation and amortization charge	-	(20.0)	(10.8)	(0.1)	(0.5)	(31.4)
At March 31, 2011						
Cost	184.7	1,182.1	629.3	1.7	54.0	2,051.8
Accumulated depletion, depreciation and amortization	(0.8)	(91.0)	(113.8)	(1.7)	(36.0)	(243.3)
Accumulated impairment	(95.7)	(99.6)	(52.9)	-	-	(248.2)
Net book value	88.2	991.5	462.6	-	18.0	1,560.3

Quadra FNX Mining Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011	December 31, 2010	January 1, 2010
Accounts payable	37.8	41.6	18.7
Accrued payroll, benefits and withholding tax	11.4	10.6	6.0
Accrued liabilities	70.0	66.7	38.6
Accrued royalties	1.2	3.0	2.6
	120.4	121.9	65.9

9. PROVISIONS

	March 31, 2011	December 31, 2010	January 1, 2010
Tax provision	6.0	6.0	6.0
Other	3.0	6.0	5.0
	9.0	12.0	11.0

10. OTHER CURRENT LIABILITIES

	March 31, 2011	December 31, 2010	January 1, 2010
Taxes payable	0.6	3.3	7.7
Obligations under capital lease - current portion	-	0.1	5.4
Other	0.3	0.5	-
	0.9	3.9	13.1

Quadra FNX Mining Ltd.

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11. DEFERRED REVENUE

The Group has recognized a prepayment received previously by FNX from Gold Wheaton for the delivery of 50% of the contained gold, platinum and palladium in ore mined and shipped from the existing Sudbury mining operations as deferred revenue.

Balance - December 31, 2010	197.9
Recognized into revenue	(3.5)
Balance - March 31, 2011	194.4
Current	(16.2)
Non-current	178.2

12. SITE CLOSURE AND RECLAMATION PROVISION

Balance at December 31, 2010	68.5
Decrease in provision due to change in discount rate	(1.5)
Accretion	0.6
Balance at March 31, 2011	67.6

Discount rates used in the estimation of the provision at March 31, 2011 were 3.5% for the US operations, 4.2% for Chile operations and 3.3% for Canadian operations (for December 31, 2010 the discount rates used were 3.3%, 4.1% and 3.3% respectively).

The closure cost estimates are subject to change based on amendments to laws and regulations. The Group is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

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

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13. DERIVATIVE INSTRUMENTS

Derivative instruments are carried in the Consolidated Statements of Financial Position at fair value and are comprised of the following:

	March 31, 2011	December 31, 2010	January 1, 2010
Long-term supply contracts (a)	(62.3)	(62.5)	(33.8)
Fuel contracts (b)	4.9	2.5	1.2
Copper put options (c)	0.8	0.5	0.2
Warrants (d)	(29.0)	(42.4)	(11.0)
Interest rate cap	-	-	0.2
Copper collars	-	-	(24.6)
	(85.6)	(101.9)	(67.8)

Derivative instruments are presented in the Consolidated Statements of Financial Position as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Derivative assets - current	5.7	3.0	1.6
Derivative liabilities - current	(13.1)	(13.1)	(32.8)
Derivative liabilities - non-current	(78.2)	(91.8)	(36.6)
	(85.6)	(101.9)	(67.8)

The (gain) loss on derivatives is comprised of the following:

	Three month ended March 31, 2011	Three month ended March 31, 2010
Long-term supply contracts	(0.2)	(0.7)
Fuel contracts	(2.3)	(0.1)
Copper put options	2.6	3.3
Warrants	(13.4)	0.3
Interest rate cap	-	0.1
Copper collars	-	4.5
	(13.3)	7.4

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(a) Long-term supply contracts

The Group has long-term supply contracts for sulphuric acid and water with contracted prices that are subject to adjustment based on the prevailing copper prices. The acid contract has a low base price, but requires an additional \$2.50/tonne to be paid for each \$0.10/lb that the copper price exceeds \$1.10/lb. Similarly, the water contract requires that an additional \$0.08/cubic metre be paid for each \$0.15/lb that copper price exceeds \$1.50/lb. The minimum commitment under the contracts is estimated to be \$4.1 per annum for acid and \$1.1 per annum for water.

These copper price escalation clauses create embedded derivatives in the acid and water supply contracts. As of March 31, 2011, the fair value of the embedded derivative liabilities was determined to be \$62.3 based on the following significant assumptions:

- Copper price of \$4.26/lb to \$2.50/lb for 2011 to 2022.
- Discount rate: 12.2%

(b) Fuel Contracts

The Group has entered into NYMEX heating oil futures contracts and collar contracts in order to manage the price risk associated with diesel fuel. During the three months ended March 31, 2011, the Group settled 2.7 million gallons of NYMEX heating oil contracts resulting in a cash receipt of \$1.5 to the Group, which has been recorded in cost of sales in the Consolidated Statements of Comprehensive Income.

At March 31, 2011, the Group had 5.4 million gallons of NYMEX heating oil futures contracts outstanding with an average strike price of \$2.26/gallon. The expiry dates of these NYMEX heating oil futures contracts are between April and December 2011. The diesel price risk management program was discontinued in November 2010 and in the first three months of 2011 the Group has not entered in any NYMEX heating oil futures contracts

(c) Copper Put Options

The Group's risk management strategy includes a floor price protection program for a portion of its anticipated copper sales. During the three months ended March 31, 2011, the Group purchased additional copper put options for 106 million pounds of copper at an average strike price of \$2.70/lb at a cost of \$3.0. A total of 23 million pounds of copper put options expired unexercised during the three months ended March 31, 2011.

At March 31, 2011, the Group had 178 million pounds of copper puts outstanding with an average strike price of \$2.69/lb. The expiry dates of these put options are between April and December 2011.

(d) Warrants

The Group's warrants are accounted for as a derivative financial liability. Although the exercise price of the warrants is fixed in Canadian dollars, the functional currency of the Group is the US dollar. Accordingly, the foreign exchange effect results in the warrants being classified as a derivative financial liability as the Group will receive a variable amount of cash in US dollars. At March 31, 2011, the warrants assumed in connection with the FNX merger were valued using the quoted market price at March 31, 2011 of C\$3.25 as these warrants are publically traded. Lender warrants were valued using the Black Scholes pricing model using the following assumptions: share price C\$13.51; expected life 0.92, volatility 61%, discount rate 1.67%.

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The following warrants were outstanding and exercisable at March 31, 2011:

	Number outstanding	Exercise price C\$	Expiry date
Lender warrants	1,297,767	9.24	March 1, 2012
Warrants issued in connection with FNX merger	6,502,162	14.94	September 9, 2012
Exercisable at March 31, 2011	7,799,929	13.99	

14. SHARE CAPITAL

(a) Common Shares

The Group has authorized share capital of 1,000,000,000 common shares ("Shares") with no par value.

	Number of Shares ('000's)	Dollar Amount
Balance at December 31, 2010	190,415	1,690.0
Capital stock issued:		
Stock options exercised	232	1.8
Transfer from contributed surplus:		
Stock options exercised	-	0.5
Balance at March 31, 2011	190,647	1,692.3

Quadra FNX Mining Ltd.

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(b) Stock Options and Share-Based Payments

(i) Stock Options

The following table summarizes information relating to stock options outstanding and exercisable at March 31, 2011 (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	2,020,676	2.92	6.42	1,013,484	6.46
\$8.02 - \$11.91	860,034	1.54	10.13	733,367	10.26
\$12.13 - \$15.35	2,667,178	2.91	13.17	1,413,649	13.23
\$15.50 - \$20.86	823,166	1.71	18.97	812,222	19.02
\$20.89 - \$24.60	1,175,900	1.97	24.45	1,175,900	24.45
\$24.79 - \$43.14	878,670	1.86	31.87	755,391	32.39
	8,425,624	2.42	15.33	5,904,013	17.18

The following tables summarize the stock option activity for the three months ended March 31, 2011 (in Canadian dollars):

	Options	Weighted-average exercise price (C\$)
Outstanding at December 31, 2010	8,783,891	15.16
Forfeited	(115,539)	18.03
Exercised	(232,228)	7.63
Expired	(10,500)	5.20
Outstanding at March 31, 2011	8,425,624	15.33

Under TSX rules, the stock option plan is subject to shareholder approval and, until the Group's shareholders approve the plan, 1,200,981 options issued in 2010 under the current plan are not exercisable. The Group will be seeking approval of the plan at its May 6, 2011 annual general meeting.

During the three months ended March 31, 2011, no stock options were granted to employees. The total fair value of the stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model and is amortized over their vesting periods. The stock-based compensation expense for the three months ended March 31, 2011 was \$1.6 (March 31, 2010 - \$1.6), \$0.1 of which was capitalized to inventory (March 31, 2010 - \$0.1).

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

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(ii) Restricted Stock Units (“RSU”) and Performance Share Units (“PSU”)

During the three months ended March 31, 2011 and 2010, the Group granted no RSU’s. The settlement amount for newly granted RSU is equivalent to the volume-weighted average stock price of the Group’s common shares in the 60 days before settlement. At March 31, 2011 there were 399,680 RSU’s outstanding with vesting dates from May 2011 to May 2013.

At March 31, 2011 the Group had 98,882 PSU’s outstanding. The PSU’s are settled with a cash payment at the time of maturity. The settlement amount for each vested PSU is equivalent to the volume-weighted average stock price of the Group’s common shares in the 60 days before settlement.

For accounting purposes, RSU’s and PSU’s are valued at their fair market value and accrued over the vesting period. For the three months ended March 31, 2011, the RSU and PSU expense was \$0.5 and \$0.1, respectively (March 31, 2010 - \$0.6 RSU only), \$0.1 of which was capitalized to inventory (March 31, 2010 - \$0.1).

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15. SEGMENTED INFORMATION

The Group's reportable operating segments are individual mine operations and development projects, being Robinson, Carlota, Franke, Sudbury Operations, DMC, 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 March 31, 2011

	Robinson (USA)^(a)	Carlota (USA)	Franke (Chile)	Sudbury Operation (Cda)^(a)	DMC	Other mineral properties	Corporate	Total
Copper revenues	77.4	17.9	30.2	60.1	-	-	-	185.6
Nickel revenues	-	-	-	26.1	-	-	-	26.1
Other by-product revenues	17.9	-	-	16.7	-	-	-	34.6
Contract mining revenues	-	-	-	-	22.5	-	-	22.5
Revenues	95.3	17.9	30.2	102.9	22.5	-	-	268.8
Production costs	54.6	12.9	24.6	48.3	18.2	-	-	158.6
Inventory write down	-	11.0	-	-	-	-	-	11.0
Amortization, depletion, and depreciation	4.6	3.7	3.6	19.3	0.8	-	-	32.0
Royalties and mineral taxes	4.9	0.9	-	-	-	-	-	5.8
Income from operations	31.2	(10.6)	2.0	35.3	3.5	-	-	61.4
General and administrative expense	-	-	-	-	-	-	8.4	8.4
Foreign exchange gain	-	-	-	-	-	-	(2.2)	(2.2)
Gain on derivatives	-	-	-	-	-	-	(13.3)	(13.3)
Gain from disposal of Gold Wheaton shares	-	-	-	-	-	-	(133.9)	(133.9)
Finance income	-	-	-	-	-	-	(10.0)	(10.0)
Finance expense	-	-	-	-	-	-	1.2	1.2
Segment earnings before incomes taxes	31.2	(10.6)	2.0	35.3	3.5	-	149.8	211.2
Capital expenditures	20.9	4.4	13.6	13.8	0.4	28.4	0.1	81.6
Segment assets as at March 31, 2011	407.1	300.2	324.8	1,208.5	53.3	338.1	301.4	2,933.4

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For the three month period ended March 31, 2010

	Robinson (USA)^(a)	Carlota Franke (USA) (Chile)	Sudbury Operation (Cda)^(a)	DMC	Other mineral properties	Corporate	Total
Copper revenues	103.6	30.9	33.5	-	-	-	168.0
Other by-product revenues	29.5	-	-	-	-	-	29.5
Revenues	133.1	30.9	33.5	-	-	-	197.5
Production costs	59.3	15.2	20.5	-	-	-	95.0
Amortization, depletion, and depreciation	5.6	2.8	3.6	-	-	-	12.0
Royalties and mineral taxes	6.6	1.5	-	-	-	-	8.1
Income from operations	61.6	11.4	9.4	-	-	-	82.4
General and administrative expense	-	-	-	-	-	8.2	8.2
Foreign exchange loss	-	-	-	-	-	0.1	0.1
Loss on derivatives	-	-	-	-	-	7.4	7.4
Finance income	-	-	-	-	-	(5.7)	(5.7)
Finance expense	-	-	-	-	-	2.4	2.4
Transaction costs for FNX merger	-	-	-	-	-	1.7	1.7
Segment earnings before incomes taxes	61.6	11.4	9.4	-	-	(14.1)	68.3
Capital expenditures	7.1	5.2	2.4	-	-	14.80	30.2
Segment assets as at March 31, 2010	417.2	390.6	305.6	-	-	166.90	1,359.3

- (a) Revenues at Robinson and Sudbury Operations are from concentrate and ore sales and are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as revenue adjustments as they occur until the price is finalized. At March 31, 2011, 28 million pounds of copper have been provisionally valued at an average price of \$4.27 per pound. The final pricing for these provisionally priced sales is expected to occur between April and June 2011 for Robinson, and April and August 2011 for all provisionally priced metal for the Sudbury Operations.

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16. GENERAL AND ADMINISTRATIVE

	Three months ended March 31, 2011	Three months ended March 31, 2010
Employee expenses	7.1	5.4
Office and communication costs	3.6	1.0
Legal and professional services	0.5	1.5
Insurance expenses and property taxes	0.2	0.1
Other	(3.0)	0.2
	8.4	8.2

17. FINANCE INCOME AND EXPENSE

Finance income is mainly comprised of unrealized gain on investment in warrants in the amount of \$9.7 (March 31, 2010 - \$5.6). Finance expense is mainly comprised of accretion related to the site closure and reclamation provision.

18. INCOME TAXES

For the three month period ended March 31, 2011, the Group recognized a current income tax expense of \$15.8 and a deferred income tax expense of \$27.7 (For the three months ended March 31, 2010 \$13.0 and \$0.3 respectively). The income tax expense for the quarter ended March 31, 2011 has been recorded based on a forecasted effective income tax rate of 21% for 2011 (2010: 22%). The forecast of the annual effective income tax rate includes assumptions regarding metal prices, mine production and costs. The effective income tax rate on the capital gain on the sale of Gold Wheaton shares was 13%.

Management believes that uncertainty exists regarding the realization of certain future tax assets and therefore a valuation allowance has been recorded. The Group has not recognized the benefit of U.S. Alternative Minimum Tax credits, the tax basis of Carlota in excess of the acquisition price, and certain non-capital losses.

The Group has foreign subsidiaries that have undistributed earnings. These undistributed earnings are not expected to be repatriated in the foreseeable future and therefore, taxes have not been provided.

19. RELATED PARTY TRANSACTIONS AND BALANCES

One of the directors of the Group is a partner of an affiliate of the Group's primary legal counsel. During the three months ended March 31, 2011, the Group incurred legal fees of \$0.3 (March 31, 2010 - \$0.5), all of which were at normal business terms.

As a result of the merger with FNX, Gold Wheaton became a significantly influenced investee and thus became a related party. Due to the sale of the Group's Gold Wheaton common shares to Franco Nevada and the subsequent purchase of Gold Wheaton by Franco Nevada (Note 5), Gold Wheaton is no longer a related party at March 31, 2011.

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(Unaudited)

20. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three month ended March 31, 2011	Three month ended March 31, 2010
Increase in receivables	(1.6)	(15.3)
Increase in inventory	(31.0)	(12.1)
Increase in other current assets	(12.2)	0.5
Increase (decrease) in accounts payable and accrued liabilities	(6.7)	4.9
Decrease in provisions	(3.0)	-
Decrease in other current liabilities	(0.3)	(2.1)
	(54.8)	(24.1)
Non-cash investing and financing activities:		
Mineral properties, plant and equipment purchases in accruals	(5.3)	(7.2)

21. COMMITMENTS

As of March 31, 2011, the Group has made initial non-refundable deposits and progress payments of \$29.8 for mobile equipment for the Sierra Gorda project and the total cost of this equipment, if purchased would be approximately \$51.0. An order was also placed in October 2010 for the initial truck fleet and other mobile equipment for a total purchase price of \$61 million but no payments are due on this equipment until it is commissioned in 2012; however, if the order is cancelled between April and October 2011, the Group is required to pay a cancellation fee that increases incrementally from \$14 to \$57 million over the period. If the order is cancelled after October 2011, the Group is responsible for the entire purchase price.

22. CONTINGENCIES

(a) The Group was originally served with four lawsuits that were filed in Chilean Courts against the Group's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada ("MQCL"). These lawsuits seek to invalidate certain of the option agreements under which the Group acquired mining tenements that comprise a significant part of the Sierra Gorda project. MQCL is aware that the same plaintiffs are attempting to initiate additional lawsuits seeking to declare null and void the option agreements relating to the mineral properties that are already the subject of the first case.

The plaintiffs in the lawsuits are or were shareholders in the "sociedades legales mineras" ("SLM") or legal mining companies that owned certain of the mining tenements that were optioned to the Group in 2004. The Group believes it fully complied with the terms of all option agreements and the plaintiffs accepted all option payments until April 2008.

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In 2009, the Group has settled one case for an immaterial sum and recently a court dismissed the plaintiff's appeal in another case. In another case an arbitrator found that the contracts were valid and in a further case the court ruled in favour of MQCL and awarded MQCL costs. The plaintiffs are appealing or attempting to appeal certain decisions.

Although the Group believes, based on advice from Chilean counsel, that the disputed option agreements are valid and that the legal claims are without merit, the outcome is uncertain. These lawsuits are subject to the procedural and substantive laws of Chile and the allegations are based on the actions of SLM management, in respect of which MQCL has no direct knowledge. MQCL is vigorously defending these lawsuits; however, there is no assurance that it will be successful.

- (b) The Group sells all the ore produced from its Sudbury operations to a single processor. That processor is required to pay for ore shipped and sold based on the metals which the processor is able to recover from the various ores delivered. This varies depending on the metallurgical and mineralogical composition as well as mining grades of nickel, copper, cobalt, platinum, palladium, gold and silver for each ore. This is determined by the processor via metallurgical and mineralogical testing of the various ores. There are several different payable metals terms with the processor for the various ores from the Group's Sudbury mines in order to reflect the differences in the metal recoveries.

Interim processing terms (i.e. treatment and refining charges) and interim payable metals terms have been established by the processor for the Levack Complex and Podolsky mines. The Group is currently discussing final commercial terms with the processor. There is a possibility that once final terms have been agreed that revised terms may be applied to ore shipped in prior periods. The Group cannot, at this time, determine the amount, if any, of such adjustment. Depending on the outcome of the negotiations of final payable metals and processing terms, a material increase or decrease in payable metals and/or processing costs may need to be recorded.

- (c) In the normal course of business DMC enters into agreements that contain indemnification commitments and may contain features that meet the expanded definition of guarantees. The terms of these indemnification agreements will vary based on the contract and typically do not provide for a limit on the maximum potential liability. The Group has not made any payments under such indemnifications and no amounts have been accrued in the consolidated financial statements with respect to these indemnification commitments.
- (d) The Group is subject to other lawsuits from time to time which are not disclosed on the grounds that they are not believed to be material.

23. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Prior to January 1, 2011, the Group prepared its consolidated financial statements in accordance with Canadian GAAP. These interim consolidated financial statements are prepared in accordance with IAS 34.

IFRS 1 was applied in preparing these consolidated financial statements. This standard governs and provides guidance to first-time adopters of IFRS, and generally requires IFRS accounting policies to be applied retroactively as if the accounting policies have always been in effect unless certain exemptions are applied. This requires adjustment to amounts reported previously under Canadian GAAP for assets and liabilities with corresponding adjustments to retained earnings as at the Transition Date. Further, IFRS 1 provides exemptions, which allow the Group to elect not to retrospectively apply certain standards. The Group has chosen the following exemptions in its transition to IFRS:

- Not to apply IFRS 3, *Business Combinations* and restate business combinations that occurred prior to the Transition Date.
- Not to apply the recognition and measurement requirements of IFRS 2, *Share-based Payments* to equity instruments granted after November 7, 2002 and vested prior to Transition Date.

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- To apply the simplified method of calculating the net book value of the site closure and reclamation provision recognized in mineral property, plant and equipment. As such, the Group has re-measured the provision for asset retirement obligations as at the Transition Date under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose using best estimates of the historical discount rates, and re-calculated the accumulated depreciation under IFRS up to the Transition Date.

The transition to IFRS has resulted in significant changes to reported financial position and results of operations of the Group. Reconciliations from Canadian GAAP to IFRS are presented below:

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Consolidated Reconciliations from Canadian GAAP to IFRS

At January 1, 2010

Statement of Financial Position

	Note	Cdn GAAP	Effect of Transition to IFRS	Reclass	IFRS
ASSETS					
Current					
Cash and cash equivalents		133.2	-	-	133.2
Restricted cash		4.8	-	-	4.8
Receivables		20.8	-	-	20.8
Inventory		186.8	-	-	186.8
Derivative assets		1.6	-	-	1.6
Other current assets		33.3	-	-	33.3
Total Current Assets		380.5	-	-	380.5
Mineral properties, plant and equipment	(i)	780.8	24.0	-	804.8
Environmental trust and bond		59.7	-	-	59.7
Other non-current assets		4.6	-	-	4.6
Deferred income tax assets	(iv)	21.4	2.3	-	23.7
Total Non-Current Assets		866.5	26.3	-	892.8
Total Assets		1,247.0	26.3	-	1,273.3
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		70.9	-	(5.0)	65.9
Franke debt facility		34.2	-	-	34.2
Provisions		-	-	11.0	11.0
Derivative liabilities		32.8	-	-	32.8
Other current liabilities		19.1	-	(6.0)	13.1
Deferred income tax liabilities		5.8	-	(5.8)	-
Total Current Liabilities		162.8	-	(5.8)	157.0
Site closure and reclamation provision	(i)	50.3	43.1	-	93.4
Derivative liabilities	(iii)	25.6	(7.4)	18.4	36.6
Other non-current liabilities		2.9	-	-	2.9
Deferred income tax liabilities		-	-	5.8	5.8
Total Non-Current Liabilities		78.8	35.7	24.2	138.7
Total Liabilities		241.6	35.7	18.4	295.7
Shareholders' Equity					
Share capital		715.3	-	-	715.3
Stock options		41.7	-	(18.4)	23.3
Accumulated other comprehensive income		9.9	-	-	9.9
Retained earnings		238.5	(9.4)	-	229.1
Total Shareholders' Equity		1,005.4	(9.4)	(18.4)	977.6
Total Liabilities and Shareholders' Equity		1,247.0	26.3	-	1,273.3

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Consolidated Reconciliations from Canadian GAAP to IFRS

At March 31, 2010

Statement of Financial Position

	Note	Cdn GAAP	Effect of Transition to IFRS	Reclass	IFRS
ASSETS					
Current					
Cash and cash equivalents		156.8	-	-	156.8
Restricted cash		2.9	-	-	2.9
Receivables		36.1	-	-	36.1
Inventory		203.7	-	-	203.7
Derivative assets		1.5	-	-	1.5
Other current assets		47.9	-	-	47.9
Total Current Assets		448.9	-	-	448.9
Mineral properties, plant and equipment	(i)	794.9	22.4	-	817.3
Environmental trust and bond		65.6	-	-	65.6
Derivative assets		0.1	-	-	0.1
Other non-current assets		4.7	-	-	4.7
Deferred income tax assets	(iv)	20.4	2.3	-	22.7
Total Non-Current Assets		885.7	24.7	-	910.4
Total Assets		1,334.6	24.7	-	1,359.3
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		83.8	-	(5.0)	78.8
Franke debt facility		45.1	-	-	45.1
Provisions		-	-	11.0	11.0
Derivative liabilities		27.1	-	-	27.1
Other current liabilities		23.9	-	(6.0)	17.9
Deferred income tax liabilities		6.3	-	(6.3)	-
Total Current Liabilities		186.2	-	(6.3)	179.9
Site closure and reclamation provision	(i)	51.3	42.1	-	93.4
Derivative liabilities	(iii)	24.0	(7.2)	18.4	35.2
Other non-current liabilities		2.6	-	-	2.6
Deferred income tax liabilities		-	-	6.3	6.3
Total Non-Current Liabilities		77.9	34.9	24.7	137.5
Total Liabilities		264.1	34.9	18.4	317.4
Shareholders' Equity					
Share capital		716.9	-	-	716.9
Stock options	(iii)	43.0	-	(18.4)	24.6
Accumulated other comprehensive income		16.3	-	-	16.3
Retained earnings		294.3	(10.2)	-	284.1
Total Shareholders' Equity		1,070.5	(10.2)	(18.4)	1,041.9
Total Liabilities and Shareholders' Equity		1,334.6	24.7	-	1,359.3

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Consolidated Reconciliations from Canadian GAAP to IFRS

Statement of Financial Position

At December 31, 2010

	Note	Cdn GAAP	Effect of Transition to IFRS	Reclass	IFRS
ASSETS					
Current					
Cash and cash equivalents		318.8	-	-	318.8
Receivables		145.7	-	-	145.7
Inventory		214.2	-	-	214.2
Investment in Gold Wheaton		161.1	-	-	161.1
Derivative assets		3.0	-	-	3.0
Other current assets		78.4	-	6.0	84.4
Deferred income tax assets		0.3	-	(0.3)	-
Total Current Assets		921.5	-	5.7	927.2
Mineral properties, plant and equipment	(i)	1,657.7	7.5	-	1,512.7
	(ii)		(152.5)		
Goodwill		140.6	-	-	140.6
Environmental trust and bond		72.0	-	-	72.0
Other non-current assets		32.2	-	-	32.2
Deferred income tax assets	(iv)	10.5	57.6	0.3	68.4
Total Non-Current Assets		1,913.0	(87.4)	0.3	1,825.9
Total Assets		2,834.5	(87.4)	6.0	2,753.1
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		127.9	-	(6.0)	121.9
Provisions		-	-	12.0	12.0
Derivative liabilities		13.1	-	-	13.1
Current portion of deferred revenue		16.5	-	-	16.5
Other current liabilities		3.9	-	-	3.9
Deferred income tax liabilities		4.8	-	(4.8)	-
Total Current Liabilities		166.2	-	1.2	167.4
Deferred revenue		181.4	-	-	181.4
Site closure and reclamation provision	(i)	37.5	31.0	-	68.5
Derivative liabilities	(iii)	49.5	2.6	39.7	91.8
Deferred income tax liabilities	(iv)	204.9	16.7	4.8	226.4
Total Non-Current Liabilities		473.3	50.3	44.5	568.1
Total Liabilities		639.5	50.3	45.7	735.5
Shareholders' Equity					
Share capital		1,690.0	-	-	1,690.0
Stock options	(iii)	72.1	-	(39.7)	32.4
Accumulated other comprehensive income		21.9	-	-	21.9
Retained earnings		411.0	(137.7)	-	273.3
Total Shareholders' Equity		2,195.0	(137.7)	(39.7)	2,017.6
Total Liabilities and Shareholders' Equity		2,834.5	(87.4)	6.0	2,753.1

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 (Unaudited)

	Note	Three Months Ended March 31, 2010			
		Cdn GAAP	Effect of Transition to IFRS	Reclass	IFRS
Revenues		197.5	-	-	197.5
Cost of sales		95.0	-	20.1	115.1
Amortization, depletion and depreciation	(i)(ii)	11.4	0.6	(12.0)	-
Accretion of asset retirement obligations	(i)	1.2	(0.2)	(1.0)	-
Royalties and mineral taxes		8.1	-	(8.1)	-
Income from operations		81.8	(0.4)	1.0	82.4
General and administrative		6.6	-	1.6	8.2
Stock-based compensation		1.6	-	(1.6)	-
Foreign exchange loss (gain)		0.1	-	-	0.1
(Gain) loss on derivatives	(iii)	7.0	0.4	-	7.4
Net interest and other income		(2.6)	-	2.6	-
Finance income		-	-	(5.7)	(5.7)
Finance expense		-	-	2.4	2.4
Transaction costs for FNX merger		-	-	1.7	1.7
Earnings before income taxes and other items		69.1	(0.8)	-	68.3
Income tax expense		(13.3)	-	-	(13.3)
Earnings for the period		55.8	(0.8)	-	55.0
Other comprehensive income					
Unrealized gain on marketable securities, net of tax		6.4	-	-	6.4
Comprehensive income		62.2	(0.8)	-	61.4

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 (Unaudited)

Consolidated Reconciliations from Cdn GAAP to IFRS Statement of Comprehensive Income	Note	Year Ended December 31, 2010			
		Cdn GAAP	Effect of Transition to IFRS	Reclass	IFRS
Revenues		957.7	-	-	957.7
Cost of sales		522.2	-	143.1	665.3
Carlota start-up inventory writedown (recovery)		33.4	-	(33.4)	-
Amortization, depletion and depreciation	(i)(ii)	74.6	5.2	(79.8)	-
Accretion of asset retirement obligations	(i)	4.7	(0.9)	(3.8)	-
Royalties and mineral taxes		29.8	-	(29.8)	-
Income from operations		293.0	(4.3)	3.7	292.4
General and administrative		34.6	-	8.3	42.9
Stock-based compensation		8.3	-	(8.3)	-
Foreign exchange loss (gain)		1.3	-	(13.3)	(12.0)
(Gain) loss on derivatives	(iii)	33.9	10.1	-	44.0
Net interest and other income		(3.1)	-	3.1	-
Finance income		-	-	(10.4)	(10.4)
Finance expense		-	-	11.0	11.0
Transaction costs for FNX merger		7.2	-	-	7.2
Impairment of non-current assets	(ii)	-	152.5	-	152.5
Earnings before income taxes and other items		210.8	(166.9)	13.3	57.2
Income tax expense	(iv)(a)	(47.2)	1.9	(13.3)	(21.9)
	(ii)		53.4		
	(iv)(b)		(16.7)		
Share of earnings of equity investee		8.9	-	-	8.9
Earnings for the period		172.5	(128.3)	-	44.2
Other comprehensive income					
Unrealized gain on marketable securities, net of tax		14.2	-	-	14.2
Realized gain on marketable securities		(2.2)	-	-	(2.2)
Comprehensive income		184.5	(128.3)	-	56.2

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Notes to reconciliations from Canadian GAAP to IFRS

(i) Adjustment for site closure and reclamation provision

The adjustment to the site closure and reclamation provision was due to the differences mainly between discount rates used under Canadian GAAP and IAS 37 Assets. Under Canadian GAAP, the site closure and reclamation provision is measured initially using the Group's credit adjusted, risk free interest rate. Subsequent re-measurement occurs in the event of changes in the amount, or timing of cash flows required to settle the liability. Upward revision in cash flow estimates are discounted using a current credit adjusted risk free interest rate, whereas, downward revisions are discounted at the rate prevailing at the time of recognition of the original provision.

In accordance with IAS 37, the site closure and reclamation provision is measured using a pre-tax risk free rate specific to the liability. The provision, including revisions in estimated future cash flows is re-measured at each reporting date using the current pre-tax discount rate. Since the range for pre-tax discount rates (from 3.4% to 7.3%) for the Group's obligations are lower than credit adjusted risk free rates (from 8.3% to 14.5%) applied for Canadian GAAP, the site closure and reclamation provision and related asset on the Transition Date were higher under IFRS resulting in higher depreciation charges. Unwinding of the discount is required to be presented as a finance expense under IFRS, whereas, under Canadian GAAP, the Group previously presented accretion charges as a separate line item.

There were full valuation allowances taken against the deferred tax asset related to the provision for site closure and reclamation for Robinson and Franke mines, thus, any increase in the deferred tax asset will also have a full valuation allowance against it resulting in no tax impact. Only Carlota and Sudbury operations are affected since no valuation allowance was taken against these deferred tax assets.

The key assumptions used to estimate the adjustments were as follows:

Mineral property	As at January 1, 2010						
	Estimated reclamation cost	Estimated closure date	Discount rate	Site Closure Provision		Difference	
				IFRS	Cdn GAAP		
Robinson mine	85.3	2031	4.6%	74.3	39.0	35.3	
Carlota mine	10.4	2021	3.9%	8.5	4.5	4.0	
Franke mine	8.6	2020	3.1%	9.8	6.0	3.8	
Other mineral properties	0.8		Nil	0.8	0.8	-	
				93.4	50.3	43.1	

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Mineral property	As at March 31, 2010					
	Estimated	Estimated	Discount	Site Closure Provision		Difference
	reclamation	closure		IFRS	Cdn GAAP	
cost	date	rate				
Robinson mine	85.3	2031	4.6%	74.1	39.6	34.5
Carlota mine	10.4	2021	3.8%	8.6	4.7	3.9
Franke mine	8.6	2020	3.1%	9.9	6.2	3.7
Other mineral properties	0.8		Nil	0.8	0.8	-
				93.4	51.3	42.1

Mineral property	As at December 31, 2010					
	Estimated	Estimated	Discount	Site Closure Provision		Difference
	reclamation	closure		IFRS	Cdn GAAP	
cost	date	rate				
Robinson mine	48.4	2020	3.3%	41.8	20.3	21.5
Carlota mine	13.6	2021	3.3%	11.8	6.9	4.9
Franke mine	8.6	2020	4.1%	8.9	6.5	2.4
Sudbury operations	6.5	2022	3.1%	5.2	3.0	2.2
Other mineral properties	0.8		Nil	0.8	0.8	-
				68.5	37.5	31.0

As a result of changes to the discount rate, both the site closure and reclamation asset, including accumulated amortization as of the transition date, and the provision have new carrying amounts established for future amortization of the asset and unwinding of the discount related to the provision under IFRS.

(ii) Impairment of non-current assets

Under Canadian GAAP impairment of a non-current asset is initially assessed on an undiscounted cash flow basis. If the carrying value exceeds the aggregate undiscounted cash flows, an impairment loss is measured as the amount by which the carrying value exceeds fair value. Under IFRS, impairment testing and loss recognition is based on discounted cash flows. Impairment losses are recognized when the carrying value exceeds the recoverable amount.

An asset impairment assessment is required only when indicators exist to indicate potential impairment to long-lived assets. No impairment indicators were identified on the transition date. During 2010, the Carlota mine leaching operations experienced lower than expected leaching and recovery rates due to the existence of “fines” in the ore body. Accordingly, the Group performed an impairment assessment at December 31, 2010 in accordance with IFRS and as a result an impairment charge of \$152.5 was recognized for the year ended December 31, 2010. The impairment charge was determined by discounting estimated future cash flows using a discount rate of 13.1%. The tax effect of this impairment was a creation of a tax asset at Carlota.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(iii) Account for warrants as derivative liability

Under Canadian GAAP, warrants are classified as equity instruments within Shareholders' Equity and measured at their fair value on the issue date but are not re-measured subsequently. Under IFRS, although the exercise price of the warrants is fixed in Canadian dollars, the functional currency of the Group is U.S. dollars. As a result, the cash flows received on exercise are not fixed in US dollars and the warrants are considered a derivative and are classified as liabilities. Derivative financial liabilities are re-measured at fair value at each financial reporting date and changes in fair value are recognized in the Consolidated Statements of Comprehensive Income.

(iv) Income tax

The transition to IFRS resulted in the following adjustments to deferred income tax assets and liabilities:

	January 1, 2010	March 31, 2010	December 31, 2010
Deferred income tax assets			
Share-based payments (iv)(a)	0.9	0.9	1.8
Site closure and reclamation provisions (i)	1.4	1.4	2.4
Impairment of non-current assets (ii)	-	-	53.4
	2.3	2.3	57.6
Deferred income tax liabilities			
Foreign exchange on income taxes (iv)(b)	-	-	16.7

a) Impact on Share-Based Payments

Stock option awards issued to employees in U.S. are tax deductible when the employee exercises the stock options. Under Canadian GAAP, the Group recognized a deferred tax asset based on the stock-based compensation cost for financial reporting purposes. Under IFRS, the temporary difference is based on the intrinsic value of the option which is the estimated amount the tax authorities will permit as a deduction in future periods. To the extent that the tax benefit determined based on the intrinsic value of the options exceeds the amount determined based on the cumulative stock-based compensation recognized, the excess benefit is recognized in equity.

b) Functional currency

Under Canadian GAAP, no deferred tax assets or liabilities are recognized for temporary differences arising from the difference between the functional currency in which an asset or liability is reported and its tax basis as determined in its local currency, translated at current exchange rates. Under IFRS deferred tax assets and liabilities are recognized for such temporary differences.