MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDED MARCH 31, 2011

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

	Three months ended March 31		
	2011	2010	Change
FINANCIAL HIGHLIGHTS			
Revenues	269	198	36%
Income from mining opertions	61	82	-25%
EBITDA [(1)]	244	78	211%
EBITDA per share (basic)	1.28	0.79	62%
Earnings for the period	168	55	205%
Earnings per share (basic)	0.88	0.55	59%
Cash	577	157	268%
Working capital	899	269	235%

[(1)] *The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). EBITDA is a non-IFRS measure which is defined as earnings before interest expenses, income taxes, depreciation, amortization and depletion.*

FIRST QUARTER AND RECENT HIGHLIGHTS:

- Total revenues increased 36% to $269 million in the quarter compared to $198 million in the same quarter of 2010.
- Earnings increased 205% to $168 million compared to $55 million in the same quarter of 2010.
- EBITDA increased 211% to $244 million from $78 million in 2010.
- Total production for the quarter was 46 million pounds of copper and 25 thousand ounces of total precious metals (TPMs). Cash costs were $2.19 per pound of copper.
- The ramp up of mining at Morrison continued during the quarter and produced 8.2 million pounds of copper and 5.8 thousand ounces of TPMs.
- The Company ended the first quarter of 2011 with $577 million of cash.
- During the quarter the Company received total proceeds of $295 million from the sale of its Gold Wheaton shares and recorded a pre-tax gain of $134 million.
- The Company announced an NI 43-101 compliant inferred resource for the Victoria project totalling 12.5 million tonnes grading 2.3% Cu, 2.2% Ni, and 8.5 g/t TPMs.

This Management Discussion and Analysis ("MD&A") of Quadra FNX Mining Ltd. and its subsidiaries ("Quadra FNX" or the "Company") has been prepared as at May 5, 2011 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the quarter ended March 31, 2011 and with the audited consolidated financial statements for the year ended December 31, 2010. This MD&A contains 'forward looking information' and reference to the cautionary statement at the end of this MD&A is advised. Additional information relating to the Company, including its Annual Information Form, is available on the SEDAR website at www.sedar.com. The Company is a reporting issuer in all provinces and territories of Canada and its common shares are traded on the Toronto Stock Exchange under the symbol: QUX.All financial information in this MD&A is prepared in accordance with the International Financial Reporting Standards ("IFRS") and ***all dollar amounts are expressed in millions of United States dollars unless otherwise indicated.***

FINANCIAL PERFORMANCE

Earnings

The Company recorded earnings of $168 million or $0.88 per share (basic) for the first quarter of 2011 compared to $55 million or $0.55 per share (basic) for the same period of 2010. The increased earnings in the current quarter were primarily driven by a $133.9 million gain on the disposition of Gold Wheaton shares (see "**General & administrative and other expenses**"), higher average copper prices and the inclusion of the Sudbury operations following the merger with FNX. These factors were partially offset by lower sales volumes at Robinson and Carlota (see **"Revenues"**). During the first quarter of 2011, the Company sold 44 million pounds of copper at an average price of $4.23/lb and 30 thousand ounces of TPMs compared to 48 million pounds of copper in the first quarter of 2010 at an average price of $3.53/lb and 24 thousand ounces of TPMs. Current quarter earnings were also positively impacted by a $9.7 million unrealized gain on held for trading marketable securities (see "**General & administrative and other expenses**").

Revenues

	Three months ended March 31, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	18.2	4.1	6.9	8.2	5.4	1.1	-	43.9
(in millions of U.S. dollars)								
Copper revenues	77.4	17.9	30.2	33.5	22.2	4.4	-	185.6
Nickel revenues	-	-	-	20.5	3.3	2.3	-	26.1
Other by product revenues [(1)]	17.9	-	-	4.3	6.2	6.2	-	34.6
Contract mining revenues	-	-	-	-	-	-	22.5	22.5
Total revenues	95.3	17.9	30.2	58.3	31.7	12.9	22.5	268.8

	Three months ended March 31, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	27.8	9.5	10.3	-	-	-	-	47.6
(in millions of U.S. dollars)								
Copper revenues	103.6	30.9	33.5	-	-	-	-	168.0
By product revenues [(1)]	29.5	-	-	-	-	-	-	29.5
Total revenues	133.1	30.9	33.5	-	-	-	-	197.5

[(1)] *Mainly from precious metals (gold, platinum and palladium)*

Revenues, other than contract mining, are generated by the sale of copper concentrate, copper cathodes and copper and nickel ore. For the sale of copper concentrate and copper and nickel ore, revenues are generally recognized at the time of delivery to a customer based on metal prices at that time, however, under current sales contracts, final pricing for copper sold in concentrate and copper and nickel ore is generally fixed up to six months after the time of arrival of a shipment at the customer's port of delivery. As a result, the Company's revenues include estimated prices for sales, based on forward copper prices at year end, as well as pricing adjustments for sales that occurred in previous year, based on the difference between actual price received and the price at year end for sales from previous years that were not settled in that year. The pricing of copper cathode sales is generally set in the month of shipment or one month after the time of shipment and therefore pricing adjustments in subsequent periods are minimal. Copper sales volumes are reported based on the volume of pounds actually paid for by the customer (payable pounds). Payable pounds at Robinson are generally 3-5% lower than the metal volume actually delivered, and the amount of the deduction varies depending on concentrate grade. Revenues from sales of Sudbury copper and nickel ores are recognized based on the payable metals that are estimates based on metallurgical testing and interim payment terms, neither of which is binding, final payment terms could differ from those reported. Contract mining revenues are generated from services performed.

Revenues in the first quarter of 2010 were significantly higher than the same quarter of 2010 due to higher copper prices partially offset by lower sales volumes. Copper spot price at March 31, 2011 was $4.27/lb compared to $3.55 at March 31, 2010. The lower sales volumes in the current quarter were as a result of the lower production at the Robinson and Carlota mines (see **"Review operations and projects"**).

The first quarter of 2011 revenues at the Morrison deposit, McCreedy West and Podolsky also include non-cash revenue of $3.5 million for the amortization of a deferred revenue liability related to the Company's obligation to sell 50% of the gold, platinum and palladium contained in ore mined and shipped from certain deposits to Gold Wheaton.

Mine operating expenses and operating income

	Three months ended March 31, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	95.3	17.9	30.2	58.3	31.7	12.9	22.5	268.8
Production costs	(54.6)	(12.9)	(24.6)	(20.1)	(17.0)	(11.2)	(18.2)	(158.6)
Inventory write down	-	(11.0)	-	-	-	-	-	(11.0)
AD&D [1]	(4.6)	(3.7)	(3.6)	(9.3)	(7.6)	(2.4)	(0.8)	(32.0)
Royalties and mineral taxes	(4.9)	(0.9)	-	-	-	-	-	(5.8)
Operating expense	(64.1)	(28.5)	(28.2)	(29.4)	(24.6)	(13.6)	(19.0)	(207.4)
Operating income	31.2	(10.6)	2.0	28.9	7.1	(0.7)	3.5	61.4

	Three months ended March 31, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	133.1	30.9	33.5	-	-	-	-	197.5
Production costs	(59.3)	(15.2)	(20.5)	-	-	-	-	(95.0)
Inventory write down	-	-	-					-
AD&D [1]	(5.6)	(2.8)	(3.6)	-	-	-	.	(12.0)
Royalties and mineral taxes	(6.6)	(1.5)	-	-	-	-	-	(8.1)
Operating expense	(71.5)	(19.5)	(24.1)	-	-	-	-	(115.1)
Operating income	61.6	11.4	9.4	-	-	-	-	82.4

[1] *Amortization, depletion and depreciation*

Production costs at Robinson, Carlota and Franke in the first quarter of 2011 were in line with the same quarter of 2010. However, total production costs in the current quarter were higher due to the contribution from the Morrison deposit, Podolsky and McCreedy West mines after the merger with FNX on May 20, 2010.

Amortization, depletion and depreciation ("AD&D") were higher in the current quarter than the same quarter of 2010, mainly due to additional AD&D expenses from the Sudbury operations after the merger with FNX. Royalties and mineral taxes in the first quarter of 2011 were lower than the same quarter of 2010, mainly due to the lower sales volumes at Robinson and Carlota mines partially offset by higher copper prices in the current quarter.

Operating income decreased in the first quarter of 2011 compared to the same quarter of 2010 primarily due to lower revenues from Robinson and Carlota (see **"Revenues"**) offset by operating income from Morrison and Podolsky (see **"Review of Operations and Projects"**). Production from the Company's Sudbury operations had a positive impact on the first quarter 2011 operating income.

General & administrative and other expenses

General and administrative expenses for the first quarter of 2011 were $8.4 million compared to $8.2 million for the same quarter of 2010. The general and administrative expenses in the current quarter reflect the Company's increased activity level and payroll as a result of the merger with FNX. The general and administrative expenses in the first quarter of 2010 included costs associated with the non-binding MOU entered into with State Grid International Development that subsequently expired.

In the first quarter of 2011, the Company recognized a gain of $13.3 million on derivatives compared to $7.4 million loss in the same quarter of 2010. The gain in the current quarter was due to the decrease in the fair value of the

Company's issued and outstanding warrants, which are treated as derivative liabilities under IFRS (see **"Conversion to IFRS"**). The loss in the same quarter of 2010 was related to the copper put options purchased in the quarter as well as an increase in the liability associated with copper collars, both of which were a result of the increasing copper price. No copper collars were outstanding at March 31, 2011(see "**Financial Instruments and Other Instruments**").

Finance income in the current quarter primarily resulted from the unrealized gain from the increase in fair value of held for trading marketable securities.

During the first quarter of 2011 the Company sold all of its 56,464,126 of common shares of Gold Wheaton to Franco-Nevada for total cash proceeds of $295 million or C$5.20 per share for a total pre-tax gain of $133.9 million.

The Company recorded income tax expense of $43.5 million in the first quarter of 2011 compared to $13.3 million in the same quarter of 2010. The tax expense for the current quarter has been recorded based on an estimated annual effective tax rate of 21% (2010 – 22%). The decrease in effective tax rate in 2011 is due to the lower statutory tax rate on the sale of the Gold Wheaton shares, which is partially offset by an increase in current tax expense.

REVIEW OF OPERATIONS AND PROJECTS

SAFETY AND ENVIRONMENTAL

Safety Performance

McCreedy West achieved 2 years with no lost time incidents in March 2011.The Sudbury operations achieved zero lost time accidents in the first quarter of 2011. This represents a significant safety accomplishment for both employees and contractors working at these sites. Employees at the Sudbury underground operations experienced a TRIR of 4.7 compared to a 4.5 rate for Ontario mines.

The Company's open pit operations (Franke, Robinson and Carlota) first quarter 2011 safety performance was a Total Recordable Injury Rate ("TRIR") of 1.34 compared to a national average rate of 2.1 for U.S. surface mines in 2010.

Environmental Performance

There were no significant environmental incidents in the first quarter of 2011.

PRODUCTION SUMMARY

*****Note: Production and operating statistics in this section are reported for historical periods for all of the Company's mines, including periods prior to the merger of Quadra and FNX. For accounting purposes, the financial results of the Sudbury Operations have been consolidated commencing from May 21, 2010, the date immediately following the closing date of the merger of Quadra and FNX.**

Production for the quarter ended March 31, 2011 from the Company's operating mines is summarized as follows:

	Three months ended March 31, 2011
Copper production (Mlbs)	
Robinson [2]	**19.9**
Carlota [3]	**4.2**
Franke [3]	**7.2**
Morrison deposit [4]	**8.2**
Podolsky [4]	**5.4**
McCreedy West [4]	**1.1**
	46.0
Nickel production (Mlbs)	
Morrison deposit [4]	**1.6**
Podolsky [4]	**0.2**
McCreedy West [4]	**0.2**
	2.0
TPM [1] (kozs)	
Robinson [2]	**5.5**
Morrison deposit [4]	**5.8**
Podolsky [4]	**6.6**
McCreedy West [4]	**7.2**
	25.1

(1) Total precious metal, including gold, platinum and palladium
(2 Payable metals produced in concentrate
(3) Produced in cathode
(4) Shipped payable metal

U.S OPERATIONS

Robinson (Nevada)

	Three months ended March 31	
	2011	2010
Copper production payable (Mlbs)	**19.9**	30.7
Gold production payable (kozs)	**5.5**	26.0
Ore mined (Mt)	**3.2**	3.1
Waste mined (Mt)	**10.7**	9.8
Ore milled (Mt)	**3.4**	3.3
Copper grade (%)	**0.41**	0.59
Gold grade (g/t)	**0.18**	0.31
Copper recovery (%)	**69.5**	72.2
Gold recovery (%)	**30.4**	78.1
Cash cost per pound of copper produced ($/lb)	**$2.49**	$1.14
Capital expenditure	**$20.9**	$7.1
Production costs	**$54.6**	$59.3
Operating income	**$31.2**	$61.6

Copper production in the first quarter of 2011 was lower than the same quarter of 2010 due to lower head grades and recoveries resulting from a lack of flexibility in the Ruth pit. Gold production in the first quarter of 2011 was lower compared to the same quarter of 2010 as a result of the lower grades in the Ruth pit as well as lower recoveries and higher iron content of the feed.

Robinson production costs and capital expenditures

Production costs in the first quarter of 2011 were lower than the same quarter of 2010 mainly due to lower sales volumes offset by higher operating costs. Operating costs are comprised of onsite and offsite costs (see "**Non-IFRS Financial Measures**"). Onsite costs include stripping costs and are primarily driven by the volume of waste and ore moved, payroll costs, supplies and equipment maintenance costs and royalties. Onsite costs in the current quarter were higher than in the same quarter of 2010, primarily due to higher diesel fuel costs caused by the increase in diesel fuel price and increased grinding media consumption.

Offsite costs for the current quarter were lower than in the same quarter of 2010 primarily due to lower sales volumes, partially offset by higher rail and ocean freight rates.

The cash cost per pound of payable copper produced is a non-IFRS term and consists of onsite and offsite costs, less by-product revenue, divided by the pounds of payable copper produced in the period (see "**Non-IFRS Financial Measures**"). The cash cost per pound of payable copper produced was $2.49 in the first quarter of 2011 compared to $1.14 in the same quarter of 2010. The increased unit cost in the current quarter is due primarily to the reduction in payable copper produced, lower by-product revenues and higher input costs.

Capital expenditures during the quarter were primarily related to Ruth pit development work which includes $16.0 million for the pit mud removal and $2.5 million for dewatering

Carlota (Arizona)

	Three months ended March 31	
	2011	2010
Copper cathode production (Mlbs)	**4.2**	8.2
Ore mined (Mt)	**0.8**	1.0
Waste mined (Mt)	**5.3**	5.0
Ore placed (Mt)	**0.8**	1.0
Total copper grade (%)	**0.39**	0.35
Cash cost per pound of copper sold ($/lb)	**$3.37**	$1.77
Capital expenditure	**$4.4**	$5.2
Production costs	**$12.9**	$15.2
Operating (loss) income	**-$10.6**	$11.4

Total tonnes mined in the first quarter of 2011 were slightly higher than the same quarter of 2010 as emphasis was placed on waste stripping to open oxide ore along the Kelly Fault. Copper production in the first quarter of 2011 was lower than the same quarter of 2010 as a result of slower leaching kinetics in the sulphide ore that were stacked in the second half of 2010, the higher fines content in the material placed on the pads in the first quarter and limitations to pad space resulting from the transition to conveyor stacking.

During the first quarter the Company initiated the transition from truck dumping to conveyor stacking and currently all ore at Carlota is being moved using conveyor stacking. While still early stage, initial results indicate that this change of ore handling is having a positive impact on percolation rates. In addition, ore from a portion of the previously stacked and leached pad area was re-mined and re-stacked with both conveyor and conventional stacking to assess the potential for secondary recovery.

Carlota production cost and capital expenditures

Production costs in first quarter of 2011 were lower than the same quarter of 2010 mainly due to lower sales volumes. At December 31, 2010, the Carlota leach pad inventory was carried at its net realizable value (realized price less cost to complete), which impacted the operating income for the subsequent periods when the inventory is sold. As a result, the operating income for the first quarter of 2011 was lower. In addition, an adjustment of $11.0 million was recorded during the quarter to reduce the leach pad inventory to its net realizable value at March 31, 2011.

Capital expenditures for the first quarter in 2011 were primarily related to Phase 2 leach pad construction and conveyor stacking system.

US OPERATIONS OUTLOOK

Robinson Outlook

Production at Robinson continued to be limited by the lack of flexibility in the Ruth pit. A secondary access ramp is being constructed which, together with the expected completion of the mud removal from the bottom of the pit at the end of June 2011, will allow access to high grade ore at the bottom of the Ruth pit and significantly improve flexibility. Overall, 2011 production at Robinson is expected to be back-end weighted contributing between 105 and 120 million pounds of payable copper and 45 to 50 thousand ounces of gold for the year.

Onsite costs are expected to be in line with 2010. Capital expenditures are expected to increase in 2011 mainly as a result of the construction of a secondary access ramp which is expected to contribute an additional $16 million to the capital expenditures in the remainder of 2011.

An aggressive exploration program has commenced in the Liberty pit focusing in the near term on the potential to further improve operational flexibility and longer term the longevity of the operations.

Carlota Outlook

Carlota completed the transition to conveyor stacking during the first quarter and will continue to use a contractor until the benefits of conveyor stacking has been fully evaluated. Initial conveyor stacked panels showed reduced ponding and improved application rates and with the Phase 2 leach pad area now complete, additional leach areas are accessible.

Pending a marked improvement in percolation rates resulting from the transition to conveyor stacking, 2011 copper production at Carlota is now expected to be in the 20 and 30 million pound range, approximately 5 to 10 million pounds below previous expectations.

Total onsite costs at the Carlota Mine are expected to be higher than 2010 as a result of increased fuel and acid prices, conveyor stacking costs and the increased cost of planned component replacements. Capital expenditures are primarily related to the planned leach pad expansion.

Follow up exploration drilling below the existing pit is planned for later in 2011.

CHILE OPERATIONS

Franke

	Three months ended March 31	
	2011	2010
Copper cathode production (Mlbs)	**7.2**	8.9
Ore mined (Mt)	**0.5**	1.0
Waste mined (Mt)	**0.4**	1.0
Ore placed (Mt)	**0.5**	0.8
Copper grade (%)	**0.75**	0.91
Cash cost per pound of copper sold ($/lb)	**$3.57**	$1.99
Capital expenditure	**$13.6**	$2.4
Production costs	**$24.6**	$20.5
Operating income	**$2.0**	$9.4

Copper cathode production for the first quarter of 2011 totalled 7.2 million pounds compared to 8.9 million pounds in the same quarter of 2010. Lower copper cathode production in the current quarter was mainly due to the reduction in ore production as a result of the termination of the mining contractor.

In early February, the mining contractor (Marineer Zona Franca S.A. or "Marineer") stopped work at the Franke mine as a result of financial difficulties. This resulted in the cessation of all repios removal from the leach pad and activities in the pit until mining equipment could be procured and manned. The primary mining equipment owned by Marineer was subsequently procured from Komatsu and additional drills and support equipment were purchased from other vendors. During the first quarter, Franke mainly processed stockpiled material although a ramp-up of mining in the pit begun in April 2011.

The existing stacking equipment performed adequately during the quarter although lower pad percolation rates which are primarily driven by mineralogy and crush size continued to impact the production.

Following negotiations the Company has entered into a 38 month collective labour agreement which included a wage increase and standard industry benefits that overall represent a labour cost increase of approximately 6.5% over the life of the contract, plus Chilean standard cost of living increases.

Franke production costs and capital expenditures

Production costs at Franke are mainly driven by onsite costs and sales volumes. Onsite costs in the first quarter 2011 were higher as a result of higher acid costs due to increased copper prices, higher power costs, and to various expenditures related to the labour settlement and the transition to owner mining operations. Capital expenditures at Franke in the first quarter of 2011 were primarily related to the purchase of mining equipment.

Franke Operations Outlook

The transition to owner mining and maintenance including the purchase of all necessary equipment is expected to complete in the second quarter of 2011 and mining has resumed in the pit.

As a result of additional engineering being done by the manufacturer, delivery of the new stacker has been delayed until the fourth quarter of 2011. In the interim, the Company continues to expect to sustain 85-90% of its nameplate stacking capacity with its existing equipment.

In order to continue to improve leach recovery and copper production, the Company has been focusing on reduction of lift height, optimizing crush size and custom leach solution application rates as well as varying acid cures and test-work to determine the optimal leach. Additional leach pad space is under consideration and in design to optimize recovery from slower-leaching ores.

The operation is expected to produce between 35 and 45 million pounds of cathode copper in 2011. Copper production is expected to ramp up in the second half of the year benefiting from the transition to owner mining, the commissioning of the new stacking equipment, and higher recoveries.

Major capital expenditures in 2011 include additional mining equipment for owner mining, dust control on the processing equipment, and the construction of additional leach pads. Capital expenditures in 2011 are expected to increase by $21 million versus 2010 levels mainly due to the additional equipment purchases related to the transition to owner mining.

The Company continues to evaluate the exploration potential at the nearby Pelusa property and an aggressive exploration program is planned for the second half of 2011. Drilling of the nearby China deposit has already commenced.

CANADIAN OPERATIONS

Morrison deposit

	Three months ended March 31	
	2011	2010
Copper ore sold (kt) [1]	**50.0**	12.7
Copper grade (%)	**8.4**	5.8
Nickel ore sold (kt) [1]	**4.8**	5.6
Nickel grade (%)	**3.1**	3.4
Copper sold - payable (Mlbs)	**8.2**	1.6
Nickel sold - payable (Mlbs)	**1.6**	0.9
Gold sold - payable (kozs)	**1.2**	0.0
Platinum sold - payable (kozs)	**1.3**	0.2
Palladium sold - payable (kozs)	**3.2**	0.6
Cash cost per pound of copper sold ($/lb) [2]	**-$0.33**	-
Capital expenditure [2]	**$6.1**	-
Production costs [2]	**$20.1**	-
Operating income [2]	**$28.9**	-

[1] *Converted to metric tonnes from short tons*

[2] *March 31, 2010 number is not available as it was prior to the merger with FNX*

Note: Production statistics in the above table are reported for all historical periods, including the period prior to the merger of Quadra and FNX on May 20, 2010. The Morrison deposit includes four successive zones MD1 (previously called the Rob's deposit) though MD4.

The Morrison deposit commenced commercial operations on September 1, 2010. During the first quarter of 2011, 50 thousand tonnes of ore grading 8.4% copper was shipped. Overall, copper and TPM production was in line with expectation, while nickel production exceeded expectations as a result of a larger amount of ore being sourced from higher levels of the Morrison Deposit (i.e., MD1 and MD2).The new back-fill plant commissioned in late December 2010 is online and operational.

Morrison production costs and capital expenditures

Production costs for the first quarter of 2011 was slightly above plan mainly due to higher tonnage mined and shipped. The cash cost per pound of payable copper sold from Morrison averaged negative $0.33 for the first quarter as a result of continuing increase production and by-product metal credits.

Overall capital spending in the first quarter of 2011 was less than planned due to delay of capital development and equipment purchases.

Podolsky

	Three months ended March 31	
	2011	2010
Copper ore sold (kt) [1]	**99.2**	71.3
Copper grade (%)	**3.1**	2.6
Copper sold - payable (Mlbs)	**5.4**	3.2
Nickel sold - payable (Mlbs)	**0.2**	0.3
Gold sold - payable (kozs)	**1.0**	0.9
Platinum sold - payable (kozs)	**2.7**	2.2
Palladium sold - payable (kozs)	**2.9**	2.2
Cash cost per pound of copper sold ($/lb) [2]	**$1.80**	-
Capital expenditure [2]	**$4.0**	-
Production costs [2]	**$17.0**	-
Operating income [2]	**$7.1**	-

[1] *Converted to metric tonnes from short tons*
[2] *March 31, 2010 number is not available as it was prior to the merger with FNX*
Note: Production statistics in the above table are reported for all historical periods, including the period prior to the merger of Quadra and FNX on May 20, 2010.

Podolsky operating income for the first quarter of 2011 was $7.1 million. Ore volumes mined in the first quarter of 2011 were above expectations at 99.2 thousand tonnes at a grade of 3.1% copper contributing 5.4 million pounds of payable copper, 6.6 thousand ounces of TPMs and 0.2 million pounds of nickel.

Podolsky production costs and capital expenditures

Production costs for Podolsky in the first quarter of 2011 was above plan due to the higher than planned ore production. Capital expenditures in the first quarter of 2011 were related to development work, diamond drilling and equipment purchases.

McCreedy West

	Three months ended March 31	
	2011	2010
Copper ore sold (kt) [1]	**74.9**	67.3
Copper grade (%)	**1.0**	1.1
Copper sold - payable (Mlbs)	**1.1**	1.6
Nickel sold - payable (Mlbs)	**0.2**	0.5
Gold sold - payable (kozs)	**0.6**	1.1
Platinum sold - payable (kozs)	**2.8**	2.5
Palladium sold - payable (kozs)	**3.8**	4.4
Cash cost per pound of copper sold ($/lb) [2]	**$4.55**	-
Capital expenditure [2]	**$3.7**	-
Production costs [2]	**$11.2**	-
Operating loss [2]	**-$0.7**	-

[1] *Converted to metric tonnes from short tons*
[2] *March 31, 2010 number is not available as it was prior to the merger with FNX*
Note: Production statistics in the above table are reported for all historical periods, including the period prior to the merger of Quadra and FNX on May 20, 2010.

During the first quarter of 2011, production at the McCreedy West mine was limited to the PM zone and the 700 Complex footwall ore bodies and exceeded expectations.

McCreedy West production costs and capital expenditures

Production costs for McCreedy West in the first quarter of 2011 was above plan due to higher ore production. Capital expenditures for the quarter were mainly related to the construction of the Ore Sorter Pilot Plant for Contact Nickel ores.

Canadian Operations Outlook

Morrison deposit

The Company continues to expect 2011 payable copper production from Morrison to range between 30 and 40 million pounds, plus approximately 20 to 25 thousand ounces of payable TPMs and approximately 5 million pounds of payable nickel. Quadra FNX's ability to attain the upper end of the production range is mainly dependent on maximizing utilization of the internal ramp system and the successful commissioning of the backfill plant, which is now fully commissioned

During the quarter the Company has undertaken a new approach in the rehabilitation of the bottom of the Levack # 2 Shaft and now expects to access and rehabilitation the Shaft bottom from the 3900 Level haul ramp. In the interim, rehabilitation work at the Shaft bottom has been deferred until mobile mining equipment can gain access from the new haul ramp.

In 2011, onsite and offsite costs at Morrison are expected to be in the $70 to $80 million range. In addition, the Company expects to spend approximately $50 million for further development of the Morrison deposit. Key capital programs include vertical and lateral development as well major underground infrastructure.

Podolsky

The Company continues to expect 2011 production from Podolsky to range between 18 and 21 million pounds of payable copper approximately 20 to 25 thousand ounces of payable TPMs and about 1 million pounds of payable nickel. In 2011 increased focus is being placed on exploration with the aim of expanding the existing resource and reserve base. The 2011 onsite and offsite costs at Podolsky are expected to be in line with 2010. Capital expenditures are primarily related to mobile equipment, mine infrastructure and additional development work.

McCreedy West

The Company currently expects 2011 production at McCreedy West to be sourced from the copper-rich footwall zones contributing approximately 5 to 6 million pounds of payable copper, 25 to 30 thousand ounces of payable TPMs and approximately 1 million pounds of payable nickel. In 2011, onsite and offsite costs at McCreedy West are expected to be in line with 2010. Capital expenditures are primarily related to mobile equipment, mine infrastructure and development work.

Plans for mining from the Contact Nickel resources remain on hold. The pilot plant for electromagnetic/optical sorting (“Ore Sorter project”) is being built on the McCreedy West site to evaluate the potential for improvement of the economics of the Contact Nickel ore.

PROJECTS UNDER DEVELOPMENT

Sierra Gorda

In the first quarter of 2011 the Company incurred costs of $23.9 million on the project.

In late 2009, the Company commenced the studies required to advance the Sierra Gorda project towards production. Since 2010 the Company's principal activities have been those required to support a development decision including infill and condemnation drilling, geological modeling and reserve calculation, metallurgical and process test work, permitting, as well as infrastructure and engineering studies to establish capital and operating costs. As part of the development of the Financing Study, the Company has involved a contingent of world class engineering and consulting companies as advisors.

The Environmental Impact Study ("EIS") review process continued through the quarter. The process started on May 31, 2010 and there has been a normal course interchange of questions and clarifications with regulators with no substantive issues.

To ensure the earliest start to project development, orders for key mining equipment were placed during 2010 in advance of completing the ongoing Financing Study. Major items included two electric shovels and two drills with a total purchase price of $51 million, with deposits and progress payments of $30 million having been paid to date on this equipment. An order was also placed in October 2010 for the initial truck fleet but no payments are due on this equipment until it is commissioned in 2012. Subsequent to the first quarter of 2011, Fluor was awarded the Engineering, Procurement and Construction Management ("EPCM") contract for the process facilities. The Sierra Gorda project is subject to several lawsuits that have been filed in Chilean courts against the Company's wholly-owned Chilean subsidiary (see section below **"Contingencies"**).

Sierra Gorda Outlook

The internal Sierra Gorda Financing Study, which establishes the development parameters for the project, was completed in draft form at end of the first quarter of 2011, with the NI 43-101 compliant Feasibility Study expected to be completed in the second quarter. Discussions with potential partners are progressing well and targeted for a partnership and financing structure to be in place by mid-2011. The finalization of partnership negotiations is dependent on the completion of the capital and operating cost studies, both of which are now available as part of the Financing Study.

The Company is continuing to advance all aspects of project development including detailed engineering, key equipment selection, ordering and construction and Build-Own-Operate contract negotiations, while partnering negotiations continue. Total project costs and capital expenditures to the end of June 2011 are expected to be in the $110 million range and include continuing detailed engineering and down-payments associated with ordering of major process equipment.

Based on other projects in Chile, the Environmental Impact Study ("EIS") review process is expected to be complete and the permit issued by the end of the second quarter

Victoria Project

During the first quarter of 2011, the Company completed an NI 43-101 compliant Inferred Mineral Resources report totaling 12.5 million tonnes grading 2.3% Cu, 2.2% Ni, and 8.5 g/t total precious metals (TPMs) for its Victoria Project. The inferred resource was defined by 31 diamond drill holes, 23 of which intersected the Zone 4 mineralized envelope. The bulk of the tonnage is contributed by the contiguous 12.0 million tonnes from Zone 4, with the balance contributed by the underexplored Zone 2 and the Mini which is ultimately expected to connect to Zone 4. The Victoria deposit remains open in all directions.

The Company initiated an internal scoping study in the last quarter of 2010 in order to evaluate development options for the Victoria project. Based on the results of this work the Company's current base case development scenario is to concurrently sink a production shaft and a ventilation shaft that could support initial exploration as well as ultimately a 2,500-4000 tpd mining operation. This development approach would allow access for definition drilling as well as support production during the underground development stage allowing for the shortest timeline to full

production. Due to the cylindrical and steeply dipping shape of Zone 4, the deposit appears amenable to lower cost semi-bulk mining methods such as long-hole stoping. Including underground development, the capital costs are estimated to be approximately three quarters of a billion dollars, over a seven year development period.

Victoria Project Outlook

With the inferred resource now complete, the exploration focus at the Victoria property will transfer from infill to step out drilling. The Company will focus on testing the up-dip extension of Zone 4 including testing the area between Zones 4 and the previous discovered Zone 1. The programme will also be evaluating the down-dip potential of the orebody as well as testing other nearby targets

For the remainder of 2011 the Company will continue to advance First Nations consultations, permitting, and discussions with other stakeholders in the project area. Continuing discussions are also expected to be held with Vale, with respect to treatment terms and the back-in right to the project. The timing of commencement of development will depend on these discussions. The Company has also commenced the engineering studies that will form part of a pre-feasibility study.

DMC MINING SERVICES

DMC Mining Services reported no medical aid or lost time injuries in the first quarter of 2011.Work started in earnest on the BHP Billiton Jansen Project in Saskatchewan. This project, announced in December 2010, which has a value of approximately $400 million over the next five years, will have a significant impact on the DMC business going forward.

Revenue for the quarter was $22.5 million with operating income of $3.5 million. DMC is on target to meet all budget objectives for 2011. At the end of the quarter the backlog of contract work to be completed stood at $425 million.

2011 OUTLOOK AND GUIDANCE SUMMARY

For 2011, the Company continues to expect consolidated payable copper production of 240 million pounds +/- 10% plus approximately 115 thousand ounces of payable TPMs and approximately 7 million pounds of payable nickel. The table below outlines a guidance range for each of the operations.

	Payable Copper (Mlbs)	
	Low	**High**
Robinson	105	120
Morrison	30	40
Franke	35	45
Carlota	20	30
Podolsky	18	21
McCreedy West	5	6

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2011, the Company had cash and cash equivalents of $577 million. These amounts are comprised of cash deposits and highly liquid investments that are readily convertible to cash. The counter parties include banks, governments and government agencies. The Company also held marketable securities with a total fair value of $73.9 million. During the quarter ended March 31, 2011 the Company sold all of its 56,464,126 of common shares of Gold Wheaton to Franco-Nevada for total cash proceeds of $295 million or C$5.20 per share. The proceeds included top-up cash received when Franco-Nevada successfully acquired the remaining shares of Gold Wheaton effective March 14, 2011.

The Company generated cash flow from operating activities of $37.5 million for the first three months of 2011 compared to $55.9 million for the same period of 2010. The decrease in operating cash flow is largely driven by the lower sales volumes offset by higher copper prices.

At March 31, 2011, the Company had working capital of $899.4 million as compared to $759.8 million at December 31, 2010. The increase in working capital in 2011 is primarily the result of the operating cash flow net of capital expenditures. At March 31, 2011, accounts receivable and revenues include approximately 28 million pounds of copper that has been provisionally valued at $4.27/lb. The final pricing for these provisionally priced sales is expected to occur between April and August 2011. Changes in the price of copper from the amounts used to calculate the provisional values will impact the Company's revenues and working capital position in the second quarter of 2011.

Capital spending in the first three months of 2011 was $76.2 million for operations and projects, which included $15.9 million of capitalized Ruth pit mud removal costs.

During the first quarter of 2011, the Company purchased additional copper put options under the price protection program at a cost of $2.9 million.

Liquidity Outlook

The Company's future profitability and cash position is highly dependent on the price of copper and precious metals and to a lesser extent nickel. Future changes in the price of copper will also impact the final settlement price of provisionally priced sales. The Company has purchased copper put options to protect a minimum floor price for a portion of its future copper production (see "**Financial Instruments**"). The Company is planning to spend $110 million in the first half of 2011 to progress the Sierra Gorda project. In addition, the Company expects to spend approximately $180 million on capital expenditures at its five operating mines. At current metal prices, the Company expects that it will be able to fund the 2011 capital requirements for all of its mines and projects, including the Sierra Gorda Financing Study, from existing cash on hand and internally generated funds.

Commitments and contractual obligations

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
Reclamation liabilities	$ 0.8	$ 0.8	$ 0.8	$ 0.8	$ 0.8	$ 73.9	$ 77.9
Franke Mine supply contracts	12.1	16.2	15.8	12.7	10.4	51.1	118.3
Robinson Mine power supply contract	6.9	9.2	-	-	-	-	16.1
Sierra Gorda project equipment purchase	30.2	5.1	-	-	-	-	35.3
Minimum lease payments (capital and operating)	11.1	8.2	6.5	34.0	0.9	-	60.6
Total	$ 61.1	$ 39.5	$ 23.1	$ 47.5	$ 12.1	$ 125.0	$ 308.3

Reclamation liabilities

The Company has estimated total future reclamation costs of $77.9 million (undiscounted), which primarily relate to the closure of the Robinson, Carlota and Franke mines and the Sudbury operations. The accounting carrying value of this liability is $67.6 million at March 31, 2011 based on the estimated discounted future payments. To secure a portion of the closure costs related to Robinson, Carlota and Sudbury operations, the Company has posted environmental bonds and held cash in a reclamation trust totalling $72.2 million as at March 31, 2011. The Company revises the reclamation plan and cost estimate for Robinson annually as required by the US Bureau of Land Management and adjusts the amount of the bond accordingly. The reclamation plan and cost estimate for Carlota is updated every five years as required by the regulator and the amount of the bond is adjusted accordingly. There is currently no environmental bonding in place at Franke. A closure plan for Podolsky has been submitted to the Ontario Government. Closure plans for the McCreedy and Levack operations are governed by arrangements between the Ontario Government and Vale and between Vale and the Company.

Franke Mine supply contracts

The Company has a long-term supply contract for sulphuric acid for use in the copper extraction process at Franke. The minimum commitment under the contract is estimated to be $4.1 million per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2022. The Company is committed to purchase 150,000 tonnes of sulfuric acid per annum at a base price of $27/tonne. The base price for acid in the contract is increased by $2.50/tonne for each $0.10/lb that the copper price exceeds $1.10/lb.

Franke also has a long-term supply contract for industrial water. The minimum commitment under the contract is estimated to be approximately $1.1 million per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires in 2020. The copper price adjustment requires, on an annualized basis, that approximately an additional $120 be paid for each $0.15/lb that the copper price exceeds a base price of $1.50/lb. The Company has also entered into various supply and other contracts for operation and development of Franke.

Robinson Mine power supply contract

Robinson has a three year supply contract for electricity. The minimum commitment under the contract is estimated to be $8.8 million plus service charges per annum over the term of the contact which expires in 2012.

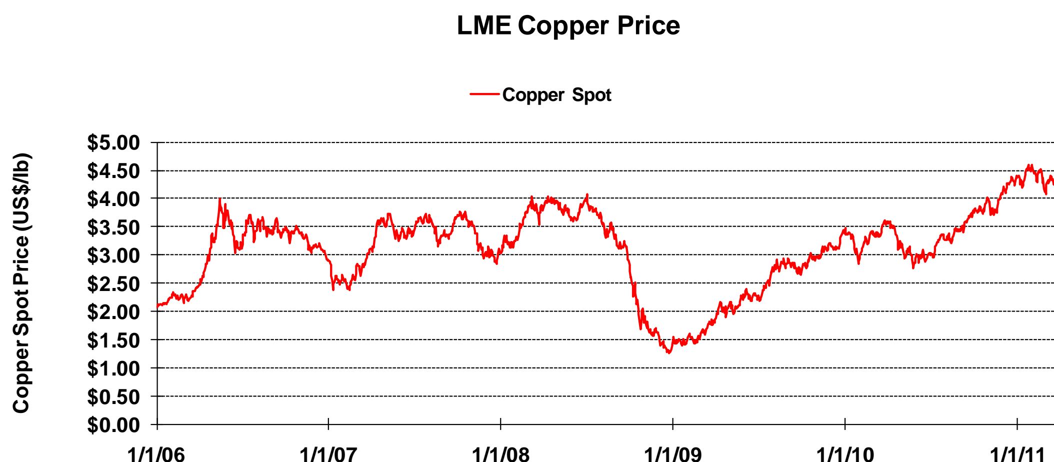
Sierra Gorda project equipment purchase

During 2010, the Company placed orders for two electric shovels and two drills with a total purchase price of $51 million. Non-refundable deposits and progress payments of $30 million have been paid on this equipment. The equipment is expected to be delivered in 2012. 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 Company 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 Company is responsible for the entire purchase price.

MARKET TRENDS AND FUNDAMENTALS

Copper prices exhibited increased volatility in the first quarter of 2011 mainly due to external shocks such as unrest in the Middle East and the tragic events associated with the earthquake in Japan. Looking forward, the Company believes that copper market fundamentals will remain strong; supported by continued mine supply underperformance due to falling ore grades, aging large mines, project delays and difficulty in funding large high cost technically challenging projects. In the short term, from a demand perspective, the Company recognizes that sustained high oil and food prices pose increased inflationary threats in both emerging market countries and Organization for Economic Cooperation and Development (“OECD”) countries. Because of this, it is likely that monetary authorities continue to tighten policy, thereby potentially dampening demand in the short term. In the long term, continued urbanization of emerging market countries such as China and continued gradual growth in OECD economies will provide a positive back drop for copper demand.

The following graph shows the spot price of copper from 2006 to April 29, 2011 as published by the London Metal Exchange ("LME").



At March 31, 2011, the closing spot price was $4.27/lb. At April 29, 2011, the closing spot price was $4.25/lb. The reference price of copper metal is determined by trading on the LME, where the price is set in U.S. dollars at the end of each business day.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's revenues and cash flows are subject to fluctuations in the market price of copper and gold. In addition, there is a time lag between the time of initial payment on shipment and final pricing, and changes in the price of copper and gold during this period impact the Company's revenues and working capital position.

The following table summarizes the impact of the changes in copper price on the Company's after tax earnings for 2011, excluding the impact of changes in fair value of copper put options:

Copper price	Impact on the after tax earnings (excluding derivatives)
+ $0.20/lb	32.1
- $0.20/lb	(32.1)

The Company has a floor price protection program in place for a portion of its anticipated copper sales from April to December 2011. During the first quarter of 2011, the Company purchased additional copper put options for 106 million pounds of copper at an average strike price of $2.70/lb at a cost of $2.9 million. A total of 23 million pounds of copper put options expired unexercised.

At March 31, 2011, the Company 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

Under the terms of these contracts, if the average LME cash price for the month is less than the strike price of the put option the Company will receive the difference in price between the average LME cash price and the strike price for the contracted number of pounds. The counter parties consist of several international financial institutions. The Company monitors its counter party exposures and does not believe there are any credit or collection issues at the current time. The change in fair value of these instruments is recorded as a derivative gain or loss on the statement of earnings.

The following table summarizes the impact of different copper prices on the Company's cash flows from copper put options in 2011:

Copper price	Cash flows from copper put options
$1.50/lb	211.8
$2.00/lb	122.8
$2.50/lb	33.8
$3.00/lb	-

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 first quarter of 2011, the Company settled 2.7 million gallons of NYMEX heating oil contracts resulting in a cash receipt of $1.5 million to the Company, which has been recorded in cost of sales on the statement of earnings.

At March 31, 2011, the Company 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. As a result of a review of risks to the Company the diesel price protection program was curtailed as of December 2010 and the existing contracts will be allowed to run out.

CONTINGENCIES

(a) 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 ("MQCL"). These lawsuits seek to invalidate certain of the option agreements under which the Company 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. Based on advice of Chilean counsel, QuadraFNX believes that the option agreements are valid and that the lawsuits are without merit.

    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 Company in 2004. The Company believes it fully complied with the terms of all option agreements and the plaintiffs accepted all option payments until April 2008. In 2009 the company 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 Company 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 the SLM management, in respect of which MQCL has no direct knowledge. MQCL is vigorously defending these lawsuits; however, there is no assurance that it will be successful.

(b) The Company 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 Company'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 company 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 Company 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 Company has not made any payments under such indemnifications and no amounts have been accrued in the financial statements with respect to these indemnification commitments.

(d) The Company is subject to other lawsuits from time to time which are not disclosed on the grounds that they are not believed to be material.

TRANSACTIONS WITH RELATED PARTIES

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the first quarter of 2011, the Company incurred legal fees of $0.3 million with that entity (March 31, 2010: $0.5 million), all of which were at normal business terms.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing financial statements management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ materially from results based on these estimates. These estimates and assumptions are also affected by management’s application of accounting policies. Critical accounting policies and estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

Mineral Properties

Mineral property development costs, including exploration, mine construction, and stripping costs, are capitalized until production is achieved, and are then amortized over the remaining life of the mine based on proven and probable reserves. The determination of the extent of reserves is a complex task in which a number of estimates and assumptions are made. These involve the use of geological sampling and models as well as estimates of future costs. New knowledge derived from further exploration and development of the ore body may also affect reserve estimates. In addition the determination of economic reserves depends on assumptions on long-term commodity prices and in some cases exchange rates.

The carrying value of mineral properties is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized for a mineral property if its carrying value exceeds the higher of total discounted cash flows expected from its use and disposal (“value in use”) or fair value less costs to sell. Discounted cash flows for mineral properties are estimated based on a number of assumptions including management’s view of long-term commodity prices, proven and probable reserves, estimated value beyond proven and probable reserves, and estimates of future operating, capital, reclamation costs and discount rate. Based on management’s view of future metal prices and cost assumptions, the carrying value of the Company’s mineral properties was not impaired at March 31, 2011.

Leach Pad Inventory

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 engineering 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 will be refined based on actual results over time.

Revenue Recognition

Sales are recognized and revenues are recorded at market prices when title transfers and the rights and obligations of ownership pass to the customer. The majority of the Company's product is sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. For sales of Robinson’s concentrates and Sudbury’s copper and nickel ores, final pricing is generally determined three to six months after the date of sale. For the sales of copper cathode, final pricing is generally determined in the month or the subsequent month after the date of sale. The Company estimates provisional pricing for its product 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. As a result, revenues include estimated prices for sales in that period as well as pricing adjustments for sales that occurred in the previous period. These types of adjustments can have a material impact on revenues.

Site Closure and Reclamation Provision

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. In 2011 and in previous years the Company has revised its estimate of the timing and amount of closure costs at its mines, which resulted in adjustments to the liability recorded in the Company’s financial statements. The estimate of the total liability for future site restoration costs is subject to change based on cost inflation, amendments to laws and regulations and may also change as new information concerning the Company’s operations becomes available. The Company 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.

Financial Instruments

Financial instruments are designated as loans and receivables, available for sale and “fair value through profit and loss”. Financial instruments are recorded in the balance sheet as either an asset or liability with changes in fair value recognized in the consolidated comprehensive income. The estimate of fair value of all financial instruments is based on quoted market prices or, in their absence, third-party market indications and forecasts. The estimated fair value of financial assets and liabilities is subject to measurement uncertainty.

Deferred Income Tax Assets

Management believes that uncertainty exists regarding the realization of certain deferred tax assets and therefore a valuation allowance has been recorded as of March 31, 2011. At March 31, 2011 the Company had additional available U.S. Alternative Minimum Tax Credits of $6.8 million, which have not been recognized due to the uncertainty of realization. The Company also has not recognized the benefit of certain non-capital losses. However, the Company has recognized a net current deferred income tax asset for other temporary differences created between the tax and accounting basis of assets and liabilities in the United States, Chile and the Company’s Sudbury operations. Management estimates that, using long term copper prices in line with its mine plan estimates, the future taxable income will be sufficient to utilize the deferred tax assets which have been recognized.

OUTSTANDING SHARE DATA

The Company had 190,647,722 common shares issued and outstanding at March 31, 2011. As of May 5, 2011, the Company had 190,691,329 common shares issued and outstanding.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent

limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in internal control over financial reporting during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Effective January 1, 2011 Canadian publicly listed companies were required to prepare financial statements in accordance with IFRS for interim and annual periods. The three months ended March 31, 2011 is the Company's first reporting period under IFRS.

The IFRS project team has completed the conversion implementation. Post-implementation will continue in future periods. The following outlines the IFRS transitional impacts and the on-going impact of IFRS on the Company's financial results.

Significant accounting impacts of conversion to IFRS

As a result of the accounting policy differences on conversion from Canadian GAAP to IFRS, the Company recorded a reduction in the shareholders' equity of approximately $28 million as at January 1, 2010. The following table summaries the adjustments to the shareholders' equity on adoption of IFRS on January 1, 2010, and at March 31, 2010 and December 31, 2010 for comparative purposes:

	January 1, 2010	March 31, 2010	December 31, 2010
Equity under Canadian GAAP	**1,005.4**	**1,070.5**	**2,195.0**
Site closure and reclamation provisions	(19.1)	(19.6)	(23.5)
Impairment of long-lived assets	-	-	(152.5)
Financial instruments	(11.0)	(11.3)	(42.3)
Deferred income taxes	2.3	2.3	40.9
Total IFRS adjustments to equity	(27.8)	(28.6)	(177.4)
Equity under IFRS	977.6	1,041.9	2,017.6

In transition to IFRS, the Company also recorded a reduction in earnings of approximately $0.8 million and $128.3 million for the three months ended March 31, 2010 and the year ended December 31, 2010, respectively. The following table summarizes the adjustments to earnings for the three months ended March 31, 2010 and the year ended December 31, 2010 under IFRS:

	Three month period ended March 31, 2010	Year ended December 31, 2010
Earnings under Canadian GAAP	**55.8**	**172.5**
Site closure and reclamation provisions	(0.4)	(4.3)
Impairment of long-lived assets	-	(152.5)
Financial instruments	(0.4)	(10.1)
Deferred income taxes	-	38.6
Total IFRS adjustments to earnings	(0.8)	(128.3)
Earnings under IFRS	55.0	44.2

The transition to IFRS has resulted in numerous comprehensive income presentation changes in the financial statements, most significantly on the consolidated statement of comprehensive income. The changes to the balance sheet relate only to the further break-out of balances on the face of the balance sheet including provisions and

deferred income taxes. The following is a summary of the significant changes to the Company's consolidated statement of comprehensive income:

- Expenses by function – the Company's statement of earnings presents expenses by function. Accordingly, depreciation and amortization is no longer presented as a separate item on the statement of comprehensive income but is included in cost of sales.

- Finance expense – under IFRS, finance expense includes interest on debt, accretion expense for site closure and reclamation and other provisions.

- Finance income – finance income under IFRS includes interest income and gain on marketable securities.

The above changes are reclassifications within the statement of comprehensive income so there is no net impact to the Company's earnings as a result of these changes.

Business Activities

The impact of the IFRS conversion project on our compensation arrangements has been assessed. Such arrangements are calculated based on financial information disclosed in the financial statements. The project team continues to work with the human resources department to ensure that all compensation arrangements are amended for the applicable IFRS changes in accordance with compensation policies. There is no significant impact to existing compensation arrangements due to the IFRS conversion project. The Company's budgeting and forecasting models have been amended to reflect the IFRS changes in accounting policies, reclassifications, and measurements of applicable financial statement line items.

Controls and Procedures

The conversion to IFRS does not have a significant impact on the Company's internal controls (including information technology systems), and accounting processes. However, the extent of change in accounting framework has required the Company to update its internal controls, disclosure controls and procedures to ensure they are appropriately designed and operated effectively for reporting under IFRS. These include: training/communication – to ensure IFRS knowledge is transferred from subject matter experts to the entire organization; documentation – to ensure corporate accounting policies are updated for IFRS, and transitional analysis and decisions are adequately supported; and review – to ensure segregation of duties in the review and approval of IFRS information from preparer to management, and ultimately by the Audit Committee. As a result of these incremental internal control enhancements, the impact of the conversion from Canadian GAAP to IFRS on the Company's risk management or other business activities are reduced.

Ongoing Activities

The completion of the Implementation and commencement of Post-Implementation phases will involve continuous monitoring of the changes implemented to date to ensure completeness and accuracy of our IFRS financial reporting. In particular, there may be additional new or revised IFRSs or IFRICs in relation to consolidation, joint ventures, financial instruments, hedge accounting, discontinued operations, leases, employee benefits, revenue recognition and stripping costs in the production phase of a surface mine. The Company also notes that the International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact the Company's financial statements primarily in the areas of capitalization of exploration costs and disclosures. There are processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

SUMMARY OF QUARTERLY OPERATING RESULTS

The following table summarizes the financial and operating results of the most recent eight quarters (unaudited):

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	2011	2010				2009 **		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenues *								
Robinson								
Robinson	95	132	130	95	133	136	74	84
Carlota	18	30	22	24	31	19	17	16
Franke	30	41	41	25	34	21	-	-
Podolsky	32	48	28	15	-	-	-	-
Levack Complex [1]	71	63	26	5	-	-	-	-
DMC	23	18	12	5	-	-	-	-
Revenues - Total	**269**	**332**	**259**	**169**	**197**	**176**	**91**	**100**
Operating income	61.4	112.0	66.6	31.5	82.4	63.4	31.6	24.1
Earnings (loss) before income taxes	211.2	(79.1)	28.9	39.1	68.3	45.6	21.2	(7.5)
Earnings (loss)	167.7	(67.0)	19.6	36.6	55.0	46.5	14.7	(7.3)
Basic earnings (loss) per share	$0.88	-$0.35	$0.10	$0.26	$0.55	$0.47	$0.16	-$0.08
Diluted earnings (loss) per share	$0.85	-$0.35	$0.10	$0.21	$0.54	$0.46	$0.15	-$0.08

[1] *Including Morrison deposit commercial production revenues*

* See "**Financial Performance - Revenues**" section for description of payments process.

** 2009 quarterly results are recorded in accordance with Canadian GAAP

SUMMARY OF QUARTERLY OPERATING RESULTS								
	2011			2010			2009	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Robinson								
Cu produced payable (Mlbs)	19.9	25.4	25.4	22.7	30.7	28.2	32.2	22.0
Ore milled (Mt)	3.4	3.5	3.3	3.6	3.3	3.3	3.6	3.2
Au production payable (kozs)	5.5	14.9	14.5	14.7	26.0	24.4	20.5	17.5
Cu grade (%)	0.41	0.46	0.49	0.40	0.59	0.59	0.75	0.58
Au grade (g/t)	0.18	0.26	0.25	0.20	0.31	0.31	0.26	0.25
Cu recovery (%)	69.5	75.4	75.3	73.5	72.2	65.9	57.4	56.3
Au recovery (%)	30.4	53.3	58.2	66.3	78.1	73.1	71.4	70.4
Cu sales (Mlbs)	18.2	24.7	28.5	26.6	27.8	31.7	21.1	24.2
Average final settlement price ($/lb)	$4.39	$3.79	$3.19	$3.19	$3.37	$3.02	$2.42	$2.14
Cash cost per pound of payable copper produced ($/lb)	$2.49	$1.89	$1.66	$1.67	$1.14	$1.53	$1.11	$1.60
Carlota								
Cu production (Mlbs)	4.2	6.6	7.3	7.4	8.2	8.0	6.6	6.8
Ore placed (Mt)	0.8	1.5	2.3	1.6	1.0	1.0	1.4	1.3
Total Cu grade (%)	0.39	0.7	0.77	0.39	0.35	0.61	0.45	0.34
Cu sales (Mlbs)	4.1	7.7	6.6	7.7	9.5	6.4	6.5	7.5
Average realized price ($/lb)	$4.37	$3.88	$3.29	$3.13	$3.25	$3.01	$2.63	$2.10
Cash cost per pound of copper sold ($/lb)	$3.37	$1.84	$1.74	$1.89	$1.76	$1.61	$1.88	$1.89
Franke								
Cu production (Mlbs)	7.2	7.8	10.1	10.4	8.9	9.4	4.1	-
Ore placed (Mt)	0.5	0.7	0.9	0.8	0.8	0.8	0.5	-
Total Cu grade (%)	0.75	0.86	0.77	0.86	0.91	0.85	0.80	-
Cu sales (Mlbs)	6.9	10.3	12.8	7.8	10.3	6.9	-	-
Average realized price ($/lb)	$4.38	$3.97	$3.23	$3.24	$3.25	$3.03	-	-
Cash cost per pound of copper sold ($/lb)	$3.57	$2.60	$2.60	$2.60	$1.99	$2.07	-	-
Morrison								
Cu ore sold (kt) [1]	50.0	39.7	29.3	20.0	12.7	3.1	-	-
Cu grade (%)	8.4	9.5	11.2	9.1	5.8	8.2	-	-
Payable Cu sold (Mlbs)	8.2	7.1	6.3	3.5	1.6	0.7	-	0.1
Payable Ni sold (Mlbs)	1.6	1.5	1.2	0.9	0.9	0.3	-	0.2
Payable TPM sold (kozs) [2]	5.8	4.1	3.0	1.9	0.9	0.8	-	0.1
Average realized price ($/lb)	$4.27	$4.37	$3.67	$2.89	$3.49	$3.17	-	$3.29
Cash cost per pound of copper sold ($/lb)	-$0.33	-$0.34	-$0.04	-$2.70	-$7.39	$0.36	-	-$5.07
Podolsky								
Cu ore sold (kt) [1]	99.2	118.0	97.2	128.9	71.3	167.5	6.2	58.1
Cu grade (%)	3.1	3.7	3.2	3.7	2.6	4.2	3.5	4.5
Payable Cu sold (Mlbs)	5.4	8.1	5.4	8.6	3.2	13.0	0.4	5.4
Payable Ni sold (Mlbs)	0.2	0.4	0.3	0.6	0.3	0.8	0.03	0.3
Payable TPM sold (kozs) [2]	6.6	10.6	5.4	11.5	5.3	15.1	0.9	7.8
Average realized price ($/lb)	$4.28	$4.36	$3.82	$2.88	$3.63	$3.17	$3.32	$2.58
Cash cost per pound of copper sold ($/lb)	$1.80	$0.74	$1.67	$1.07	$1.69	$1.16	$1.17	$0.55
McCreedy West								
Cu ore sold (kt) [1]	74.9	76.1	72.6	67.5	67.3	154.5	2.3	89.2
Cu grade (%)	1.0	0.8	0.8	1.1	1.1	1.1	0.8	1.3
Payable Cu sold (Mlbs)	1.1	1.1	1.2	1.2	1.3	3.3	0.03	2.4
Payable Ni sold (Mlbs)	0.2	0.2	0.2	0.2	0.2	0.6	0.01	1.2
Payable TPM sold (kozs) [2]	7.2	8.3	8.1	8.3	7.7	18.8	0.1	8.8
Average realized price ($/lb)	$4.27	$4.46	$3.69	$2.84	$3.25	$3.17	$30.92	$2.37
Cash cost per pound of copper sold ($/lb)	$4.55	$1.55	$2.83	$3.15	$1.23	$1.77	-$5.46	$1.23

[1] *Converted into metric tonne from original short ton*
[2] *Total precious metal, including gold, platinum and palladium*
[3] *Production and operating statistics in this table are reported for historical periods for all of the Company's mines, including periods prior to the merger of Quadra and FNX on May 20, 2010*

The quarterly performance of Robinson varies as a result of changes in head grade, metal recovery and waste stripping requirements. Due to the complex nature of the Robinson ore body, volatility in metal prices, and industry cost pressures the results have varied from quarter to quarter and this is expected to continue in the future.

NON-IFRS FINANCIAL MEASURES

The cash cost per pound of copper, and onsite costs and offsite costs are non-IFRS financial measures that do not have a standardized meaning under IFRS, and as a result may not be comparable to similar measures presented by other companies. Management uses these statistics to monitor operating costs and profitability. Onsite costs include mining costs, equipment operating lease costs, mill costs, mine site general and administration costs, environmental costs and royalties. Offsite costs include the costs of transportation, smelting and refining of concentrate, and treatment costs for ores. By-product revenues from the Sudbury Operations reflect the actual cash price earned from sales of precious metals to Gold Wheaton. Costs of sales, as reported on the statement of comprehensive income, is different than the costs of production because of changes in inventory levels. The following table shows a reconciliation of these non-IFRS financial measures to the consolidated statements of operations:

	Three months ended March 31, 2011							Three months ended March 31, 2010			
	Robinson	**Carlota** [1]	**Franke**	**Morrison**	**Podolsky**	**McCreedy West**	**Total**	**Robinson**	**Carlota**	**Franke**	**Total**
Production costs	**54.6**	**12.9**	**24.6**	**20.1**	**17.0**	**11.2**	**140.4**	59.3	15.2	20.5	95.0
Adjustment for change in inventory	**9.9**	**-**	**-**	**-**	**-**	**-**	**9.9**	1.6	-	-	1.6
Royalties	**3.1**	**0.9**	**-**	**-**	**-**	**-**	**4.0**	3.7	1.5	-	5.2
Total cash cost	**67.6**	**13.8**	**24.6**	**20.1**	**17.0**	**11.2**	**154.3**	64.6	16.7	20.5	101.8
By-product revenues	**(17.9)**	**-**	**-**	**(22.8)**	**(7.3)**	**(6.2)**	**(54.2)**	(29.5)	-	-	(29.5)
	49.7	**13.8**	**24.6**	**(2.7)**	**9.7**	**5.0**	**100.1**	35.1	16.7	20.5	72.3
Copper produced/sold (million lbs)	**19.9**	**4.1**	**6.9**	**8.2**	**5.4**	**1.1**	**45.6**	30.7	9.5	10.3	50.5
Cash cost per pound of copper (US$/lb)	**$ 2.49**	**$ 3.37**	**$ 3.57**	**$ (0.33)**	**$ 1.80**	**$ 4.55**	**$ 2.19**	$ 1.14	$ 1.76	$ 1.99	$ 1.43

[1] Carlota cash cost per pound of copper sold does not include the amount of inventory write down.
[2] Robinson cash cost per pound of copper produced is based on payable copper

	Three months ended March 31, 2011			Three months ended March 31, 2010		
	Robinson	**Carlota**	**Franke**	**Robinson**	**Carlota**	**Franke**
Production costs	**54.6**	**12.9**	**24.6**	59.3	15.2	20.5
Adjustment for change in inventory	**9.9**	**12.4**	**6.6**	1.6	9.3	1.7
Capitalized stripping costs	**-**	**-**	**-**	-	-	-
Royalties	**3.1**	**0.9**	**-**	3.7	1.5	-
Total onsite and offsite costs	**67.6**	**26.2**	**31.2**	64.6	26.0	22.2

Note: onsite and offsite costs at Morrison, Podolsky and Levack Complex (excluding Morrison) equal to production costs as inventory movement at these mines is minimal.

Cash flow from operating activities (before working capital changes) is also not a defined term under IFRS, and consists of cash provided from operating activities less net changes in non-cash working capital.

Adjusted earnings and adjusted earnings per share are non-IFRS measures which determine the performance of the Company, excluding certain impacts which the Company believes are either non-recurring, or recurring, but of a nature which are not reflective of the Company's underlying performance, such as the impact of gain and loss on derivatives, gains and losses from marketable securities and investments, foreign exchange gains and losses on translation of future income tax liabilities, inventory write down (reversal), merger costs, and adjustments of prior year taxes. Management believes that these measures provide investors with ability to better evaluate underlying performance. The following table provides a reconciliation of earnings to adjusted earnings for the periods presented:

(All amounts in millions of United States dollars except per share amounts)	Three months ended March 31, 2011	Three months ended March 31, 2010
Net earnings	**167.7**	55.0
Adjusting items:		
Loss on derivatives	**(13.3)**	7.4
Gain on marketable securities	**(9.7)**	(5.7)
Accounting gains on sale of Gold Wheaton investment	**(133.9)**	-
Carlota inventory write down	**11.0**	-
Tax impact of the above items	**30.0**	(1.4)
	(115.9)	0.3
Net earnings - Adjusted	**51.8**	55.3
Weighted-average number of shares outstanding -basic	**190.6**	99.5
Earnings per share - adjusted	**$ 0.27**	$ 0.56

May 5, 2011

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" that is based on Quadra FNX's expectations, estimates and projections as of the dates as of which those statements were made. This forward-looking information includes, among other things, statements with respect to the Company's business strategy, plans, outlook, financing plans, long-term growth in cash flow, earnings per share and shareholder value, projections, targets and expectations as to reserves, resources, results of exploration (including targets) and related expenses, property acquisitions, mine development, mine operations, mine production costs, drilling activity, sampling and other data, estimating grade levels, future recovery levels, future production levels, capital costs, costs savings, cash and total costs of production of copper, gold and other minerals, expenditures for environmental matters, projected life of Quadra FNX's mines, reclamation and other post closure obligations and estimated future expenditures for those matters, completion dates for the various development stages of mines, availability of water for milling and mining, future copper, gold, molybdenum and other mineral prices (including the long-term estimated prices used in calculating Quadra FNX's mineral reserves), end-use demand for copper, currency exchange rates, debt reductions, use of future tax assets, timing of expected sales and final pricing of concentrate sales, the percentage of anticipated production covered by option contracts or agreements, anticipated outcome of litigation and anticipated impact of converting to IFRS,. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan" and similar expressions. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause Quadra FNX's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, and developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to:

- Fluctuations in metal prices;
- The ability to expand or replace depleted reserves and the possible recalculation or reduction of the reserves and resources;
- The need to attract and retain qualified personnel;
- Dewatering at the Robinson Mine in 2012 and beyond;
- The development of the Sierra Gorda Project, a large project with significant capital expenditure, permitting and infrastructure requirements;
- Actual capital costs, operating costs and expenditures, production schedules and economic returns from the Company's mining projects;

- Underground mining at the Levack Mine including reserves replacement, delays on re-establishing 3600L Loading Pocket, and backfilling rate;
- Geotechnical issues at all properties; specifically pit slope stability at open pit operations and structural issues at the underground mines;
- The mineralogy and block model assumptions at all mines and projects;
- The leaching rate and recoveries achievable at the Carlota Mine due to the high content of fines within the ore and other processing factors;
- The leaching rate and recoveries at the Franke Mine;
- The ability to find a suitable partner or obtain project financing for the Sierra Gorda project;
- The ongoing litigation and potential future litigation at the Sierra Gorda Project;
- The offtake agreement with Vale, including the risk of potential adjustment to final payable metal and processing cost terms;
- Potential challenges to title to the properties;
- Transition to owner mining at the Franke Mine;
- Updated equipment for the Franke Mine may be not be available;
- The dependence on transportation facilities and infrastructure;
- Labour relations, in particular with respect to the Sudbury operations;
- The actual costs of reclamation;
- Quadra FNX is impacted by the availability and cost of key operating supplies and services;
- The acquisition of businesses and assets;
- Inherent hazards and risks associated with mining operations;
- Inherent uncertainties associated with mineral exploration;
- The mining industry is competitive;
- Being subject to government regulation, including changes in regulation;
- Being subject to extensive environmental laws and regulations, including change in regulation;
- Need for governmental licenses and permits;
- Derivative contracts and exposure to the credit risk of counter-parties;
- The shareholder rights plan;
- Taxation;
- Dividends;
- Political and country risk;
- Conflicts of interest;
- Fluctuations in foreign currency exchange rates; and
- Global financial conditions.

A discussion of these and other factors that may affect Quadra FNX's actual results, performance, achievements or financial position is contained in the filings by Quadra FNX with the Canadian provincial securities regulatory authorities, including Quadra FNX's Annual Information Form and the Annual Information Form filed by FNX prior to the merger between Quadra and FNX. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the continued operation of Quadra FNX's mining operations, no material adverse change in the market price of commodities, that the mining operations will operate in accordance with Quadra FNX's public statements and achieve its stated production outcomes, and such other assumptions and factors as set out herein. Although Quadra FNX has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements. Quadra FNX disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.