Quadra FNX Mining Ltd.

Interim Consolidated Financial Statements

September 30, 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	September 30, 2011	December 31, 2010
ASSETS			
Current			
Cash and cash equivalents		1,067.2	318.8
Receivables		146.4	145.7
Inventory	*5*	168.7	214.2
Investment in Gold Wheaton	*6*	-	161.1
Derivative assets	*15*	5.8	3.0
Other current assets	*7*	88.4	84.4
Total Current Assets		1,476.5	927.2
Mineral properties, plant and equipment	*8*	1,272.6	1,512.7
Investment in Sierra Gorda JV	*4*	521.1	-
Goodwill		140.6	140.6
Environmental trust and bond		71.6	72.0
Other non-current assets	*7*	16.1	32.2
Deferred income tax assets		96.9	68.4
Total Non-Current Assets		2,118.9	1,825.9
Total Assets		3,595.4	2,753.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	*10*	133.7	121.9
Provisions	*11*	7.0	12.0
Derivative liabilities	*15*	8.9	13.1
Current portion of deferred revenue	*13*	17.6	16.5
Other current liabilities	*12*	31.3	3.9
Total Current Liabilities		198.5	167.4
Senior Notes	*9*	488.0	-
Deferred revenue	*13*	172.0	181.4
Site closure and reclamation provision	*14*	86.8	68.5
Derivative liabilities	*15*	49.7	91.8
Deferred income tax liabilities		249.0	226.4
Total Non-Current Liabilities		1,045.5	568.1
Total Liabilities		1,244.0	735.5
Non-controlling interest			
Shareholders' Equity			
Share capital	*16(a)*	1,701.3	1,690.0
Stock options		35.0	32.4
Accumulated other comprehensive (loss) income		(32.5)	21.9
Retained earnings		647.6	273.3
Total Shareholders' Equity		2,351.4	2,017.6
Total Liabilities and Shareholders' Equity		3,595.4	2,753.1

Commitments (Note 23), Contingencies (Note 24), Subsequent Events (Note 26)

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 September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
			(Note 25)		(Note 25)
Revenues	*17*	326.2	259.2	892.8	625.8
Cost of sales inventory writedown		76.0	-	87.0	-
Cost of sales other selling expenses		275.1	192.7	705.8	445.3
(Loss) income from operations	*17*	(24.9)	66.5	100.0	180.5
General and administrative	*18*	13.3	13.5	34.3	30.3
Exploration and evaluation		2.8	-	5.8	-
Foreign exchange loss (gain)		1.6	(6.4)	(0.9)	(8.2)
(Gain) loss on derivatives	*15*	(33.2)	25.5	(45.4)	14.4
Gain from joint venture formation	*4*	(292.5)	-	(292.5)	-
Impairment of non-current assets	*8 (a)*	162.0	-	162.0	-
Gain from disposal of Gold Wheaton shares	*6*	-	-	(133.9)	-
Finance income	*19*	(1.0)	(4.9)	(35.8)	(13.9)
Finance expense	*19*	2.8	0.9	4.6	5.6
Transaction costs for FNX merger		-	0.2	-	7.2
Earnings before income taxes and other items		119.3	37.7	401.8	145.1
Income tax recovery (expense)	*20*	23.5	(19.9)	(27.5)	(37.1)
Share of earnings of equity investee		-	1.7	-	3.0
Earnings for the period		142.8	19.5	374.3	111.0
Other comprehensive income					
Unrealized gain (loss) on marketable securities, net of tax	*7*	(32.3)	11.5	(25.7)	14.2
Reversal of unrealized gain on marketable securities		-	(1.0)	(28.7)	(1.0)
Total comprehensive income		110.5	30.0	319.9	124.2
Earnings per share					
Basic		$ 0.75	$ 0.10	$ 1.96	$ 0.78
Diluted		$ 0.71	$ 0.10	$ 1.89	$ 0.77
Weighted average shares outstanding - basic		191.4	189.0	190.9	143.1
Weighted average shares outstanding - diluted		192.8	190.8	192.7	145.0

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		9.6	-	-	-	9.6
Stock-based compensation		-	4.3	-	-	4.3
Transfer to share capital for stock options exercised		1.7	(1.7)	-	-	-
Reversal of realized gain on marketable securities		-	-	(28.7)	-	(28.7)
Unrealized gain on marketable securities, net of tax	*7*	-	-	(25.7)	-	(25.7)
Earnings for the period		-	-	-	374.3	374.3
Balances, September 30, 2011		**1,701.3**	**35.0**	**(32.5)**	**647.6**	**2,351.4**

	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		9.9	-	-	-	9.9
Shares issued for FNX merger, net of issue costs		952.1	-	-	-	952.1
Stock-based compensation		-	5.1	-	-	5.1
Transfer to share capital for stock options exercised		2.1	(2.1)	-	-	-
Stock options issued for FNX merger		-	6.7	-	-	6.7
Reversal of realized gain on marketable securities		-	-	(1.0)	-	(1.0)
Unrealized gain on marketable securities, net of tax		-	-	14.2	-	14.2
Earnings for the period		-	-	-	111.0	111.0
Balances, September 30, 2010		**1,679.4**	**33.0**	**23.1**	**340.1**	**2,075.6**

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 September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
OPERATING ACTIVITIES					
Earnings for the period		142.8	19.5	374.3	111.0
Adjustment for:					
Stock-based compensation		1.6	1.8	4.3	5.1
Amortization, depletion and depreciation		45.8	31.6	114.1	61.7
Impairment of inventory	*5*	76.0	-	87.0	-
Impairment of non-current assets	*8 (a)*	162.0	-	162.0	-
Gain from disposal of Gold Wheaton shares	*6*	-	-	(133.9)	-
Gain from joint venture formation	*4*	(292.5)	-	(292.5)	-
Amortization of deferred financing fees on bond		0.2	-	0.2	-
Unrealized loss (gain) on derivatives		(33.2)	25.5	(45.4)	14.4
Amortization of deferred revenue		(1.7)	(3.6)	(8.3)	(5.2)
Share of earnings of equity investee		-	(1.7)	-	(3.0)
Foreign exchange loss (gain)		12.5	(0.1)	9.3	(3.7)
Income tax expense	*20*	(23.5)	19.9	27.5	37.1
Finance income	*19*	(1.0)	(4.9)	(35.8)	(13.9)
Finance expense		2.8	0.9	4.6	5.6
		91.8	88.9	267.4	209.1
Net changes in non-cash working capital	*22*	(11.4)	(27.2)	(76.3)	(49.3)
Interest received		0.2	0.5	0.8	0.7
Interest paid		-	(0.7)	-	(2.5)
Income taxes paid		(1.3)	(7.2)	(3.2)	(30.5)
Cash provided from operating activities		**79.3**	**54.3**	**188.7**	**127.5**
INVESTING ACTIVITIES					
Additions to mineral properties, plant and equipment		(123.2)	(51.9)	(309.6)	(121.2)
Cash acquired on merger with FNX		-	-	-	205.0
Increase in other assets		(6.5)	(1.7)	(6.6)	(6.5)
Increase in restricted cash		0.1	-	(0.7)	-
Payment on exercising marketable security warrants		-	-	(14.9)	-
Increase in environmental bond and trust		-	(1.1)	-	(6.1)
Proceeds from sale of marketable securities		-	1.9	11.4	1.9
Proceeds from sale of Gold Wheaton shares	*6*	-	-	295.0	-
Payments for purchasing and settling derivatives		(0.7)	(5.2)	(3.7)	(28.6)
Cash (used in) provided from investing activities		**(130.3)**	**(58.0)**	**(29.1)**	**44.5**
FINANCING ACTIVITIES					
Proceeds from issue of common shares		2.4	6.5	9.6	9.8
Proceeds from issue of senior note net of issue costs		(0.7)	-	487.8	-
Drawdown on project debt facility, net of issue costs of $0.4		-	0.1	-	12.5
Issue costs related to project debt facility		-	(0.1)	-	(0.5)
Repayment of project debt facilities		-	(4.3)	-	(6.4)
Decrease in obligations under capital leases		-	(0.5)	-	(1.3)
Payment from related party		100.7	-	100.7	-
Cash provided from financing activities		**102.4**	**1.7**	**598.1**	**14.1**
Effect of foreign exchange rate changes on cash and cash equivalents		**(12.5)**	**0.1**	**(9.3)**	**3.7**
Net increase in cash and cash equivalents during the period		**38.9**	**(1.9)**	**748.4**	**189.8**
Cash and cash equivalents, beginning of period		**1,028.3**	**324.9**	**318.8**	**133.2**
Cash and cash equivalents, end of period		**1,067.2**	**323.0**	**1,067.2**	**323.0**
Cash and cash equivalents comprise of:					
Cash deposits, bankers acceptances and term deposits		454.3	207.2	454.3	207.2
Government money market investments		612.9	115.8	612.9	115.8
		1,067.2	323.0	1,067.2	323.0

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Nine months ended September 30, 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. The Group has six operating mines: the Robinson mine in Nevada; the Levack mine, including the Morrison deposit, in Ontario; the Franke mine in Chile; the Carlota mine in Arizona; and the Podolsky and McCreedy West mines in Ontario. On September 14, 2011 the Group formed a joint venture (“Sierra Gorda JV”) with Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation (collectively “Sumitomo”) to develop the Sierra Gorda development project in Chile (note 4). The Group also owns an advanced exploration project (“Victoria”) in Sudbury, Ontario.

The Robinson, Franke and Carlota mines are open pit copper mines, with some byproduct gold and molybdenum at Robinson, and the Levack/Morrison, Podolsky and McCreedy West (collectively “the Sudbury Operations”) are underground mines producing copper with byproduct nickel, platinum, palladium and gold. The Sudbury Operations, the Victoria project and a mining services business (“DMC”), were acquired on May 20, 2010, when the Group completed a merger with FNX Mining Company Ltd. (“FNX”).

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 third 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 for the three and nine months ended September 30, 2010 is provided in Note 25. An explanation of the impact on the statements of financial position as at January 1, 2010 and December 31, 2010 and the statement of comprehensive income for the year ended December 31, 2010 are disclosed in Note 23 in the interim consolidated financial statements for the three months ended March 31, 2011.

These interim consolidated financial statements were approved for issue by the Board of Directors on November 9, 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.

c) 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 Franco Nevada (formerly “Gold Wheaton”) metal sales contract 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.

<u>Financial instruments</u>

In November 2009, the IASB issued IFRS 9 - *Financial Instruments* simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis for classification is dependent on an entity’s business model and the cash flow of the financial asset. In August 2011, the IASB issued an exposure draft that proposes adjusting the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Group is still assessing the impact of adopting IFRS 9.

<u>Financial instruments disclosure</u>

In October 2010, the IASB issued amendments to IFRS 7 - *Financial Instruments: Disclosures* to enhance the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Group does not anticipate that this amendment will have a significant impact on its consolidated financial statements.

<u>Income taxes</u>

In December 2010, the IASB issued an amendment to IAS 12 - *Income Taxes* to provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier application permitted. The Group does not anticipate this amendment to have a significant impact on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Nine months ended September 30, 2011
(Unaudited)

Consolidation

In May 2011, the IASB issued IFRS 10 - *Consolidated Financial Statements* ("IFRS 10"), superseding SIC 12 and the requirements relating to consolidated financial statements in IAS 27 - *Consolidated and Separate Financial Statements*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. IFRS 10 establishes control as the basis for an investor to consolidate its investees; and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee.

IASB issued IFRS 12 - *Disclosure of Interests in Other Entities* ("IFRS 12") which combines and enhances the disclosure requirements for the Group's subsidiaries, joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include reporting of the nature of risks associated with the Group's interests in other entities, and the effects of those interests on the Group's consolidated financial statements.

Concurrently with the issuance of IFRS 10, existing IAS 27 and IAS 28 were revised and reissued as IAS 27 - *Separate Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures* to align with the new consolidation guidance. The Group continues to evaluate the impact of these standards on its consolidated financial statements.

Joint ventures

In May 2011, the IASB issued IFRS 11 - *Joint Arrangements* ("IFRS 11"), which supersedes IAS 31 - *Interests in Joint Ventures* and SIC-13 - *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.* IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method. The Group continues to evaluate the impact that IFRS 11 will have on its consolidated financial statements.

Fair value measurement

In May 2011, as a result of the convergence project undertaken by the IASB and the US Financial Accounting Standards Board, to develop common requirements for measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13 - *Fair Value Measurement* ("IFRS 13"). IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Group does not anticipate that the application of IFRS 13 will have a material impact on its consolidated financial statements.

Financial statement presentation

In June 2011, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* ("IAS 1") that require an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Group does not anticipate that the amendments to IAS 1 will have a material impact on its consolidated financial statements.

Employee Benefits

In June 2011, the IASB issued amendments to IAS 19 - *Employee Benefits* ("IAS 19") that introduced changes to the accounting for defined benefit plans and other employee benefits. The amendments include elimination of the options to defer, or recognize in full in earnings, actuarial gains and losses and instead mandates the immediate recognition of all actuarial gains and losses in other comprehensive income and requires use of the same discount rate for both the defined benefit obligation and expected asset return when calculating interest cost. Other changes include modification of the accounting for termination benefits and classification of other employee benefits. The Group does not anticipate that the amended IAS 19 will have a material impact on its consolidated financial statements.

Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued IFRIC 20 *Stripping Costs in the Production Phase of a Surface* Mine. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity: useable ore and improved access to other ore bodies that can be mined in future periods. IFRIC 20 must be applied commencing January 1, 2013 with early adoption permitted. The Group is currently assessing the impact of adopting IFRIC 20 on our consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using the same accounting policies as those disclosed in Note 3 to the Group's interim financial statements for the three months ended March 31, 2011.

4. INVESTMENT IN SIERRA GORDA

On May 16, 2011 Quadra FNX entered into a definitive agreement with Sumitomo to form the Sierra Gorda JV to develop the Sierra Gorda copper-molybdenum project in Chile. In August 2011 anti-trust approval was received and the formation of the JV was completed on September 14, 2011. The joint venture operates through a jointly-controlled entity owned 55% by the Group and 45% by Sumitomo and is being accounted for using the equity method.

As part of its initial contribution, Sumitomo made a $360.0 cash payment into the JV on closing and will contribute an additional $364.2 for a total of $764.2, essentially covering 100% of costs from May 2011 until the initial contribution is completed; expected in early 2012. After the initial contributions by Sumitomo, the Group and Sumitomo will fund proportionally those JV costs not covered by JV borrowings.

Sumitomo will take the lead in efforts to arrange, and will guarantee, project financing in the amount of $1,000.0. In the event that project financing is not satisfactorily arranged, Sumitomo will provide a shareholder back-up loan for $800.0 to the JV with no recourse to the Group.

The Group earns a service fee for operational and technical support over the life of mine. Sumitomo has the right and the obligation to purchase 50% of the copper concentrate and the Group can direct the sale of the remaining 50%.

Sumitomo's initial contribution of $764.2 is being paid to a subsidiary of the Group in exchange for shares in the subsidiary for its 45% interest. As a result of the reduction in ownership in the subsidiary the Group recorded a preliminary gain, subject to change as the valuation process is completed during 2011, of $292.5. The gain, after costs, represents 55% of the initial contribution by Sumitomo less 45% of the historic cost. The assets and liabilities essentially contributed by the Group to the joint venture within the wholly-owned subsidiary were cash, mineral property interests, plant and equipment, prepaid expenses, accounts payable and accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

Upon completion of the JV agreement the JV paid $166.8 to the Group for expenses paid by the Group on behalf of the JV during the joint venture closing period. As the JV is accounted for using the equity method the cash held by the JV of $66.1 was removed from the cash balances of the Group.

As of September 30, 2011, contractual commitments at Sierra Gorda totaled $131.4. In addition, purchase orders for mining equipment and infrastructure of $293.6 have been made

5. INVENTORY

	September 30, 2011	December 31, 2010
Carlota leach pad inventory	48.4	112.9
Franke leach pad inventory	24.0	24.1
Copper concentrate	42.4	40.3
Copper cathode	16.2	8.0
Sudbury crushed ore inventory	4.2	1.6
Supplies	33.5	27.3
	168.7	214.2

Due to a decline in copper prices and prolonged lower than expected recovery rates, an adjustment of $77.7 was required at September 30, 2011 to reduce Carlota's inventory to its net realizable value. The calculation of the net realizable value assessed the estimated recoverable pounds on the leach pad using future copper prices with a range of $3.40-$3.75.

In addition, due to a decline in copper prices in the quarter ended September 30, 2011, an adjustment of $9.3 was required to reduce Franke's inventory to its net realizable value. The calculation of the net realizable value assessed the estimated recoverable pounds on the leach pad using a future copper price of $3.40.

6. INVESTMENT IN GOLD WHEATON

During the nine months ended September 30, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Nine months ended September 30, 2011
(Unaudited)

7. OTHER ASSETS

	September 30, 2011	December 31, 2010
Current		
Marketable securities	46.4	57.2
Prepaid expenses and advances to suppliers	24.2	27.2
Taxes recoverable	17.8	-
	88.4	84.4
Non-current		
Security deposits on equipment	2.6	18.1
Restricted cash	11.2	10.5
Other	2.3	3.6
Total	16.1	32.2

In 2009 Quadra FNX acquired approximately 5 million shares and 5 million warrants in Far West Mining Ltd. (“Far West”) for $10.1. On June 8, 2011 Quadra FNX exercised all its warrants for an additional cost of $14.9 bringing its holdings in Far West shares to approximately 10 million shares. On June 17, 2011 Capstone Mining Corp. (“Capstone”) acquired all of the issued and outstanding common shares of Far West. In Q2 2011, Quadra FNX tendered all its Far West shares for cash and shares in Capstone. This resulted in a realized gain of $24.7 for the nine months ended September 30, 2011.

At September 30, 2011, the fair value of all the investments, based on their quoted market price, had decreased to $46.4 resulting in an unrealized loss of $25.7 which has been recorded in shareholders’ equity as a component of other comprehensive income. As at September 30, 2011, the Group held marketable securities with an original cost of $69.2 (December 31, 2010 - $19.7) and a fair value of $46.4 (December 31, 2010 - $57.2).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Nine months ended September 30, 2011
(Unaudited)

8. 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 September 30, 2011						
Change in Cost						
Additions	8.8	156.5	140.9	(1.7)	-	304.5
Contribution to Sierra Gorda JV	-	(288.1)	(0.4)	-	-	(288.5)
Increase in site closure and reclaimation asset	-	-	-	-	17.1	17.1
Subtotal	8.8	(131.6)	140.5	(1.7)	17.1	33.1
Change in Accumulative Amortization						
Reversal of accumulated depletion, depreciation and amortization on disposal	0.5	-	-	1.6	-	2.1
Depletion, depreciation and amortization charge	-	(72.6)	(42.8)	-	2.1	(113.3)
Impairment charge	-	(102.7)	(38.9)	-	(20.4)	(162.0)
Subtotal	0.5	(175.3)	(81.7)	1.6	(18.3)	(273.2)
At September 30, 2011						
Cost	189.0	1,014.2	730.1	-	72.6	2,005.9
Accumulated depletion, depreciation and amortization	(0.3)	(143.6)	(145.8)	-	(33.4)	(323.1)
Accumulated impairment	(95.7)	(202.3)	(91.8)	-	(20.4)	(410.2)
Net book value	**93.0**	**668.3**	**492.5**	**-**	**18.8**	**1,272.6**

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(Unaudited)

(a) Impairment of mineral properties, plant and equipment

For the nine month period ended September 30, 2011

	Impairment	Future income tax adjustment	Net impairment
Carlota mine	121.5	-	121.5
Podolsky mine	40.5	(10.1)	30.4
Total	**162.0**	**(10.1)**	**151.9**

During Q3 2011, the Group reviewed the carrying value of Carlota's mineral properties, plant, and equipment ("MPPE") due to a major revision of Carlota's mine plan with a significant reduction in mine life. As a result of the review, it was determined that Carlota's MPPE were impaired and an impairment charge of $121.5 was recognized. The impairment charge was determined by discounting estimated future cash flows using a discount rate of 12.4%. The future cash flows were estimated using future copper prices with a range of $3.25-$3.85.

In Q3 2011 the Podolsky mine plan was reviewed for viability. It was determined that the life of the mineral deposit could only be extended if the inferred reserves could be economically mined. After extensive testing it was determined that the inferred reserves for the Podolsky mine were not viable to mine, as a result an impairment loss of $40.5, which represents the carrying value of the inferred reserves, was recognized in the current period.

9. SENIOR NOTES

	September 30, 2011	December 31, 2010
Senior notes	500.0	-
Senior note issue costs	(12.2)	-
Cumulative amortization of senior note issue costs	0.2	-
	488.0	-

During June 2011, the Group issued $500 million aggregate principal amount of 7.75% senior unsecured notes ("Notes") due 2019 in a private placement which is carried at amortized cost. The fair market value of the notes at September 30, 2011 is $500.0 based on their trading price.

At September 30, 2011 no mandatory principal repayments are required in the next five years.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2011	December 31, 2010
Accounts payable	44.6	41.6
Accrued payroll, benefits and withholding tax	7.0	10.6
Accrued liabilities	68.8	66.7
Accrued royalties	2.0	3.0
Accrued interest	11.3	-
	133.7	121.9

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(Unaudited)

11. PROVISIONS

	September 30, 2011	December 31, 2010
Tax provision	6.0	6.0
Other	1.0	6.0
	7.0	12.0

12. OTHER CURRENT LIABILITIES

	September 30, 2011	December 31, 2010
Taxes payable	31.1	3.3
Obligations under capital lease - current portion	-	0.1
Other	0.2	0.5
	31.3	3.9

13. DEFERRED REVENUE

The Group has recognized as deferred revenue a prepayment received previously by FNX from Franco Nevada (formerly “Gold Wheaton”) for the delivery of 50% of the contained gold, platinum and palladium in ore mined and shipped from the existing Sudbury Operations.

Balance - December 31, 2010	197.9
Recognized into revenue	(8.3)
Balance - September 30, 2011	189.6
Current	(17.6)
Non-current	172.0

14. SITE CLOSURE AND RECLAMATION PROVISION

Balance at December 31, 2010	68.5
Change in estimated timing and amount of closure costs	11.3
Increase in provision due to change in discount rate	5.8
Reclamation work done to reduce liability	(0.5)
Accretion	1.7
Balance at September 30, 2011	86.8

Discount rates used in the estimation of the provision at September 30, 2011 were 1.2 to 1.9% for US operations, 3.4% for Chile operations and 2.1% for Canadian operations (for December 31, 2010 the discount rates used were 3.3%, 4.1% and 3.3% respectively).

(US Dollars in Millions)

As a result of changes to the mine plan of Carlota (note 8 (a)) it was determined that the site closure and reclamation provision were required resulting in an increase in the provision of $11.3.

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.

15. DERIVATIVE INSTRUMENTS

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

	September 30, 2011	December 31, 2010
Long-term supply contracts (a)	(50.3)	(62.5)
Fuel contracts (b)	-	2.5
Copper put options (c)	5.8	0.5
Warrants (d)	(8.3)	(42.4)
	(52.8)	(101.9)

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

	September 30, 2011	December 31, 2010
Derivative assets - current	5.8	3.0
Derivative liabilities - current	(8.9)	(13.1)
Derivative liabilities - non-current	(49.7)	(91.8)
	(52.8)	(101.9)

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

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Long-term supply contracts (a)	(9.7)	6.6	(12.2)	7.4
Fuel contracts (b)	2.0	(1.6)	2.5	0.5
Copper put options (c)	(4.8)	3.5	(1.6)	7.3
Warrants	(20.7)	17.0	(34.1)	2.4
Interest rate cap	-	-	-	0.2
Copper collars (d)	-	-	-	(3.4)
	(33.2)	25.5	(45.4)	14.4

(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 September 30, 2011, the fair value of the embedded derivative liabilities was determined to be $50.3 based on the following significant assumptions:

- Copper price of $3.27/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 used in operations. During the nine months ended September 30, 2011, the Group settled 8.1 million gallons of NYMEX heating oil contracts resulting in a cash receipt of $5.6 to the Group, which has been recorded as a reduction of cost of sales in the Consolidated Statements of Comprehensive Income.

At September 30, 2011, there are no more NYMEX heating oil futures contracts. The diesel price risk management program was discontinued in November 2010.

(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 nine months ended September 30, 2011, the Group purchased additional copper put options for 124 million pounds of copper at an average strike price of $2.74/lb at a cost of $3.7. A total of 150 million pounds of copper put options expired unexercised during the nine months ended September 30, 2011.

At September 30, 2011, the Group had 69 million pounds of copper puts outstanding with an average strike price of $2.78/lb. The expiry dates of these put options are between October 2011 and January 2012.

(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 September 30, 2011, the warrants assumed in connection with the FNX merger were valued using the quoted market price at September 30, 2011 of C$1.05 as these warrants are publically traded. Lender warrants were valued using the Black Scholes pricing model using the following assumptions: share price C$9.11; expected life 0.42, volatility 61%, discount rate 1.67%.

(US Dollars in Millions)

The following warrants were outstanding and exercisable at September 30, 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 September 30, 2011	7,799,929	13.99	

The lender warrants have had a dilutive effect on the diluted earnings per share calculation on a quarterly and year to date basis. The gain recognized on the lender warrants in the Q3 2011 was $6.0. The gain recognized for the year to date was $9.3.

16. 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	Amount
Balance at December 31, 2010	190,415,494	1,690.0
Capital stock issued:		
Stock options exercised	1,050,090	9.6
Transfer from contributed surplus:		
Stock options exercised	-	1.7
Balance at September 30, 2011	191,465,584	1,701.3

(US Dollars in Millions)

(b) Stock Options and Share-Based Payments

(i) Stock Options

The following table summarizes information relating to stock options outstanding and exercisable at September 30, 2011 (in Canadian dollars):

	Options outstanding			Options exercisable	
Exercise price per share	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price C$	Number exercisable	Weighted-average exercise price C$
$3.45 - $7.76	1,702,691	2.44	6.40	1,423,131	6.52
$7.77 - $11.91	482,967	0.90	10.62	466,300	10.66
$11.92 - $15.35	3,124,383	3.03	13.18	1,636,191	13.23
$15.36 - $20.86	680,980	1.35	19.18	672,646	19.22
$20.87 - $24.60	1,052,180	1.46	24.45	1,052,180	24.45
$24.61 - $43.14	784,710	1.41	31.92	784,710	31.92
	7,827,911	2.25	15.46	6,035,158	16.50

The following tables summarize the stock option activity for the nine months ended September 30, 2011 (in Canadian dollars):

	Options	Weighted-average exercise price (C$)
Outstanding at December 31, 2010	8,783,891	15.16
Granted	772,449	13.16
Forfeited	(593,456)	16.11
Exercised	(1,050,090)	8.81
Expired	(84,883)	16.39
Outstanding at September 30, 2011	7,827,911	15.46

No options were granted during the three months ended September 30, 2011. During the nine months ended September 30, 2011, 772,449 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 nine months ended September 30, 2011 was $4.4 (September, 2010 - $5.3), $0.1 of which was capitalized to inventory (September 30, 2010 - $0.2).

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.

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

During the nine months ended September 30, 2011 and 2010, the Group granted 222,035 RSU’s. RSU’s are settled with a cash payment at the time of maturity. The settlement amount for newly granted RSU’s is equivalent to the volume-weighted average stock price of the Group’s common shares in the 60 days before settlement. At September 30, 2011 there were 426,944 RSU’s outstanding with vesting dates from October 2011 to June 2014.

At September 30, 2011, the Group had 102,155 PSU’s outstanding. The PSU’s are settled with a cash payment at the time of maturity. The PSU’s vest if certain market conditions are met. 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 on an ongoing basis and the settlement obligations accrued over the vesting period. For the nine months ended September 30, 2011, the RSU expense was $0.8 (September 30, 2010 - $2.1) $0.1 of which was capitalized to inventory (September 30, 2010 - $0.8).

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17. 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 September 30, 2011

	Robinson (USA) [a]	**Carlota (USA)**	**Franke (Chile)**	**Sudbury Operations (Cda) [a]**	**DMC**	**Corporate & Other**	Total
Copper revenues	97.2	26.2	41.6	57.2	-	-	222.2
Nickel revenues	-	-	-	25.2	-	-	25.2
Other by-product revenues	19.0	-	-	10.7	-	-	29.7
Contract mining revenues	-	-	-	-	49.1	-	49.1
Revenues	**116.2**	**26.2**	**41.6**	**93.1**	**49.1**	-	**326.2**
Production costs of goods sold	76.3	19.2	34.9	49.9	43.8	-	224.1
Amortization, depletion, and depreciation	9.5	4.8	4.7	25.8	1.0	-	45.8
Royalties and mineral taxes	3.9	1.3	-	-	-	-	5.2
Inventory write down	-	66.7	9.3	-	-	-	76.0
Income (loss) from operations	**26.5**	**(65.8)**	**(7.3)**	**17.4**	**4.3**	-	**(24.9)**
General and administrative expense	-	-	-	-	-	13.3	13.3
Foreign exchange gain	-	-	-	-	-	1.6	1.6
Impairment of non-current assets	-	121.5	-	40.5	-	-	162.0
(Gain) on derivatives	-	-	-	-	-	(33.2)	(33.2)
Exploration and valuation	-	-	-	-	-	2.8	2.8
Gain from joint venture formation	-	-	-	-	-	(292.5)	(292.5)
Finance income	-	-	-	-	-	(1.0)	(1.0)
Finance expense	-	-	-	-	-	2.8	2.8
Segment earnings (loss) before tax	**26.5**	**(187.3)**	**(7.3)**	**(23.1)**	**4.3**	**306.2**	**119.3**
Capital expenditures	24.8	(0.7)	8.3	12.7	2.0	70.3	117.4
Segment assets as at September 30, 2011	467.7	133.0	339.4	1,261.5	69.8	1,324.0	3,595.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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For the three month period ended September 30, 2010

	Robinson (USA) [a]	Carlota (USA)	Franke (Chile)	Sudbury Operations (Cda) [a]	DMC	Corporate & Other	Total
Copper revenues	103.2	21.8	41.4	34.7	-	-	201.1
Nickel revenues	-	-	-	10.6	-	-	10.6
Other by-product revenues	26.7	-	-	8.7	-	-	35.4
Contract mining revenues	-	-	-	-	12.1	-	12.1
Revenues	**129.9**	**21.8**	**41.4**	**54.0**	**12.1**	**-**	**259.2**
Production costs of goods sold	70.2	10.5	33.3	29.3	10.2	-	153.5
Amortization, depletion, and depreciation	7.0	2.2	6.6	15.0	0.8	-	31.6
Royalties and mineral taxes	6.5	1.1	-	-	-	-	7.6
Segment operating income	**46.2**	**8.0**	**1.5**	**9.7**	**1.1**	**-**	**66.5**
General and administrative expense	-	-	-	-	-	13.5	13.5
Foreign exchange loss	-	-	-	-	-	(6.4)	(6.4)
Loss on derivatives	-	-	-	-	-	25.5	25.5
Finance income	-	-	-	-	-	(4.9)	(4.9)
Finance expense	-	-	-	-	-	0.9	0.9
Transaction costs for FNX merger	-	-	-	-	-	0.2	0.2
Segment earnings before incomes taxes	**46.2**	**8.0**	**1.5**	**9.7**	**1.1**	**(28.8)**	**37.7**

Capital expenditures	13.7	5.4	9.6	6.6	(0.9)	20.5	54.9
Segment assets as at September 30, 2010	400.5	419.5	309.7	984.9	38.1	743.2	2,895.9

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For the nine month period ended September 30, 2011

	Robinson (USA) [(a)]	Carlota (USA)	Franke (Chile)	Sudbury Operations (Cda) [(a)]	DMC	Corporate & Other	Total
Copper revenues	265.6	66.3	97.2	198.9	-	-	628.0
Nickel revenues	-	-	-	76.3	-	-	76.3
Other by-product revenues	52.1	-	-	37.0	-	-	89.1
Contract mining revenues	-	-	-	-	99.4	-	99.4
Revenues	**317.7**	**66.3**	**97.2**	**312.2**	**99.4**	**-**	**892.8**
Production costs of goods sold	205.4	48.3	87.1	149.2	85.5	-	575.5
Amortization, depletion, and depreciation	21.2	12.5	12.4	65.3	2.7	-	114.1
Royalties and mineral taxes	12.9	3.3	-	-	-	-	16.2
Inventory write down	-	77.7	9.3	-	-	-	87.0
Income (loss) from operations	**78.2**	**(75.5)**	**(11.6)**	**97.7**	**11.2**	**-**	**100.0**
General and administrative expense	-	-	-	-	-	34.3	34.3
Foreign exchange (gain)	-	-	-	-	-	(0.9)	(0.9)
Impairment of non-current assets	-	121.5	-	40.5	-	-	162.0
(Gain) on derivatives	-	-	-	-	-	(45.4)	(45.4)
Exploration and valuation	-	-	-	-	-	5.8	5.8
Gain from joint venture formation						(292.5)	(292.5)
Gain from disposal of Gold Wheaton shares	-	-	-	-	-	(133.9)	(133.9)
Finance income	-	-	-	-	-	(35.8)	(35.8)
Finance expense	-	-	-	-	-	4.6	4.6
Segment earnings (loss) before tax	**78.2**	**(197.0)**	**(11.6)**	**57.2**	**11.2**	**463.8**	**401.8**

Capital expenditures	74.6	4.2	28.0	42.6	5.1	154.9	309.4
Segment assets as at September 30, 2011	467.7	133.0	339.4	1,261.5	69.8	1,324.0	3,595.4

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For the nine month period ended September 30, 2010

	Robinson (USA) [a]	Carlota (USA)	Franke (Chile)	Sudbury Operations (Cda) [a]	DMC	Corporate & Other	Total
Copper revenues	276.4	76.7	100.3	46.6	-	-	500.0
Nickel revenues	-	-	-	14.0	-	-	14.0
Other by-product revenues	81.4	-	-	13.7	-	-	95.1
Contract mining revenues	-	-	-	-	16.7	-	16.7
Revenues	**357.8**	**76.7**	**100.3**	**74.3**	**16.7**	**-**	**625.8**
Production costs of goods sold	189.5	39.0	74.1	45.3	14.2	-	362.1
Amortization, depletion, and depreciation	18.9	7.7	14.8	18.9	1.4	-	61.7
Royalties and mineral taxes	17.6	3.9	-	-	-	-	21.5
Segment operating income	**131.8**	**26.1**	**11.4**	**10.1**	**1.1**	**-**	**180.5**
General and administrative expense	-	-	-	-	-	30.3	30.3
Foreign exchange loss	-	-	-	-	-	(8.2)	(8.2)
Loss on derivatives	-	-	-	-	-	14.4	14.4
Finance income	-	-	-	-	-	(13.9)	(13.9)
Finance expense	-	-	-	-	-	5.6	5.6
Transaction costs for FNX merger	-	-	-	-	-	7.2	7.2
Segment earnings before incomes taxes	**131.8**	**26.1**	**11.4**	**10.1**	**1.1**	**(35.4)**	**145.1**
Capital expenditures	26.8	17.4	18.1	9.3	(0.9)	57.5	128.2
Segment assets as at September 30, 2010	400.5	419.5	309.7	984.9	38.1	743.2	2,895.9

(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 September 30, 2011, 28.0 million pounds of copper have been provisionally valued at an average price of $3.24 per pound. The final pricing for these provisionally priced sales is expected to occur between October and December 2011 for Robinson, and October 2011 and February 2012 for all provisionally priced metal for the Sudbury Operations.

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18. GENERAL AND ADMINISTRATIVE

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Employee expenses	6.4	12.6	21.1	22.6
Office and communication costs	4.4	1.3	11.3	4.5
Legal and professional services	1.6	0.2	4.3	3.3
Insurance expenses and property taxes	0.3	0.2	0.7	0.5
Other	0.6	(0.8)	(3.1)	(0.6)
	13.3	13.5	34.3	30.3

19. FINANCE INCOME AND EXPENSE

Finance income for the nine months ended September 30, 2011 of $35.8 (September 30, 2010 - $13.9) is almost entirely related to the investment in Far West securities. Finance expense is primarily comprised of accretion related to the site closure and reclamation provision and interest expense primarily related to senior notes.

20. INCOME TAXES

For the nine month period ended September 30, 2011, the Group recognized a current income tax expense of $32.9 and a deferred income tax recovery of $5.4 (for the nine months ended September 30, 2010 $32.1 current income tax expense and $5.0 deferred income tax expense). The income tax expense for the nine months ended September 30, 2011 has been recorded based on a forecasted effective income tax rate of 6.8% 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 11.9%.

Management believes that uncertainty exists regarding the realization of certain deferred tax assets and therefore the economic benefit of the available tax deduction has not been recognized. 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.

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21. 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 nine months ended September 30, 2011, the Group incurred legal fees of $1.3 (September 30, 2010 - $1.3), all of which were at normal business terms.

Upon formation of the Sierra Gorda JV the joint venture became a related party with the Group. The amount due from the Sierra Gorda JV is $1.3. Upon completion of the joint venture agreement the Group received a net amount of $100.7 for the settlement of a loan from the Group. The loan repayment is offset by the cash held by the JV which the Group no longer has title to.

22. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Increase in receivables	(8.3)	(22.1)	(9.4)	(10.1)
Decrease (increase) in inventory	2.5	(0.4)	(40.7)	(25.7)
Increase in restricted cash	-	(2.1)	-	(4.0)
Decrease (increase) in other current assets	5.9	2.5	(11.5)	(0.8)
Decrease in accounts payable and accrued liabilities	(3.1)	(5.0)	(0.1)	(4.9)
Decrease in provisions	(2.0)	-	(5.0)	-
Decrease in other current liabilities	(6.4)	(0.1)	(9.6)	(3.8)
	(11.4)	(27.2)	(76.3)	(49.3)
Non-cash investing and financing activities:				
Mineral properties, plant and equipment purchases in accruals	5.8	(2.2)	0.2	(6.6)

23. COMMITMENTS

As at September 30, 2011 the commitments of the Group were $21.8 in relation to capital projects, rent, and contractual obligations.

24. CONTINGENCIES

(a) 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 Sudbury Operations. 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.

(b) 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.

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

25. 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.
- 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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Nine months ended September 30, 2011
(Unaudited)

Consolidated Reconciliations from Canadian GAAP to IFRS Statement of Financial Position	Note	Cdn GAAP	Effect of Transition to IFRS	Reclass	IFRS
		At September 30, 2010			
ASSETS					
Current					
Cash and cash equivalents		323.0	-	-	323.0
Restricted cash		9.4	-	-	9.4
Receivables		122.8	-	-	122.8
Inventory		224.9	-	-	224.9
Investment in Gold Wheaton		121.7	-	-	121.7
Derivative assets		1.0	-	-	1.0
Other current assets		67.2	-	-	67.2
Total Current Assets		870.0	-	-	870.0
Mineral properties, plant and equipment	*(i)*	1,892.8	30.3	-	1,923.1
Environmental trust and bond		71.9	-	-	71.9
Other non-current assets		11.1	-	-	11.1
Deferred income tax assets	*(iii)*	16.5	3.3	-	19.8
Total Non-Current Assets		1,992.3	33.6	-	2,025.9
Total Assets		2,862.3	33.6	-	2,895.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		116.7	-	(5.0)	111.7
Franke debt facility		42.7	-	-	42.7
Provisions		-	-	11.0	11.0
Derivative liabilities		10.4	-	-	10.4
Current portion of deferred revenue		16.6	-	-	16.6
Other current liabilities		8.4	-	(6.0)	2.4
Deferred income tax liabilities		9.0	-	(9.0)	-
Total Current Liabilities		203.8	-	(9.0)	194.8
Deferred revenue		204.4	-	-	204.4
Site closure and reclamation provision	*(i)*	55.2	51.5	-	106.7
Derivative liabilities	*(ii)*	30.8	(5.0)	39.7	65.5
Other non-current liabilities		0.2	-	-	0.2
Deferred income tax liabilities		239.7	-	9.0	248.7
Total Non-Current Liabilities		530.3	46.5	48.7	625.5
Total Liabilities		734.1	46.5	39.7	820.3
Shareholders' Equity					
Share capital		1,679.4	-	-	1,679.4
Stock options	*(ii)*	72.7	-	(39.7)	33.0
Accumulated other comprehensive income		23.1	-	-	23.1
Retained earnings		353.0	(12.9)	-	340.1
Total Shareholders' Equity		2,128.2	(12.9)	(39.7)	2,075.6
Total Liabilities and Shareholders' Equity		2,862.3	33.6	-	2,895.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Nine months ended September 30, 2011
(Unaudited)

Consolidated Reconciliations from Cdn GAAP to IFRS
Statement of Comprehensive Income

	Note	Three months ended September 30, 2010			
		Cdn GAAP	Effect of Transition to IFRS	Reclass	IFRS
Revenues		259.2	-	-	259.2
Cost of sales		153.5	-	39.2	192.7
Amortization, depletion and depreciation	*(i)*	30.3	1.2	(31.5)	-
Accretion of asset retirement obligations	*(i)*	1.3	(0.6)	(0.7)	-
Royalties and mineral taxes		7.7	-	(7.7)	-
Income from operations		66.4	(0.6)	0.7	66.5
General and administrative		10.5	-	3.0	13.5
Stock-based compensation		3.0	-	(3.0)	-
Foreign exchange loss (gain)		2.5	-	(8.9)	(6.4)
(Gain) loss on derivatives	*(ii)*	8.5	17.0	-	25.5
Net interest and other income		(4.7)	-	4.7	-
Finance income		-	-	(4.9)	(4.9)
Finance expense		-	-	0.9	0.9
Transaction costs for FNX merger		0.2	-	-	0.2
Earnings before income taxes and other items		46.4	(17.6)	8.9	37.7
Income tax expense	*(iii)*	(11.0)	-	(8.9)	(19.9)
Share of earnings of equity investee		1.7	-	-	1.7
Earnings for the period		37.1	(17.6)	-	19.5
Other comprehensive income					
Unrealized gain on marketable securities, net of tax		10.5	-	-	10.5
Comprehensive income		47.6	(17.6)	-	30.0
Earnings per share					
Basic		0.20			0.10
Diluted		0.19			0.10
Weighted average shares outstanding - Basic		189.0			189.0
Weighted average shares outstanding - Diluted		190.8			190.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Nine months ended September 30, 2011
(Unaudited)

Consolidated Reconciliations from Cdn GAAP to IFRS
Statement of Comprehensive Income

	Note	Nine months ended September 30, 2010			
		Cdn GAAP	**Effect of Transition to IFRS**	**Reclass**	**IFRS**
Revenues		625.8	-	-	625.8
Cost of sales		362.1	-	83.2	445.3
Amortization, depletion and depreciation	*(i)*	59.1	2.6	(61.7)	-
Accretion of asset retirement obligations	*(i)*	3.3	(0.5)	(2.8)	-
Royalties and mineral taxes		21.5	-	(21.5)	-
Income from operations		179.8	(2.1)	2.8	180.5
General and administrative		24.0	-	6.3	30.3
Stock-based compensation		6.3	-	(6.3)	-
Foreign exchange loss (gain)		0.7	-	(8.9)	(8.2)
(Gain) loss on derivatives	*(ii)*	12.0	2.4	-	14.4
Net interest and other income		(11.1)	-	11.1	-
Finance income		-	-	(13.9)	(13.9)
Finance expense		-	-	5.6	5.6
Transaction costs for FNX merger		7.2	-	-	7.2
Earnings before income taxes and other items		140.7	(4.5)	8.9	145.1
Income tax expense	*(iii)*	(29.2)	1.0	(8.9)	(37.1)
Share of earnings of equity investee		3.0	-	-	3.0
Earnings for the period		114.5	(3.5)	-	111.0
Other comprehensive income					
Unrealized gain on marketable securities, net of tax		13.2	-	-	13.2
Comprehensive income		127.7	(3.5)	-	124.2
Earnings per share					
Basic		0.80			0.78
Diluted		0.79			0.77
Weighted average shares outstanding - Basic		143.1			143.1
Weighted average shares outstanding - Diluted		145.0			145.0

(US Dollars in Millions)

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. 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.

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

	As at September 30, 2010					
	Estimated reclamation	Estimated closure	Discount	Site Closure Provision		
Mineral property	cost	date	rate	IFRS	Cdn GAAP	Difference
Robinson mine	84.8	2031	3.4%	81.4	40.8	40.6
Carlota mine	10.4	2021	2.5%	9.3	5.0	4.3
Franke mine	8.6	2020	3.1%	9.8	6.4	3.4
Sudbury operations	6.5	2020	2.8%	5.4	2.2	3.2
Other mineral properties	0.8		Nil	0.8	0.8	-
				106.7	55.2	51.5

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) 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.

(US Dollars in Millions)

(iii) Income tax

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

	September 30, 2010
Deferred income tax assets	
Share-based payments (iii)(a)	0.9
Site closure and reclamation provisions (i)	2.4
Impairment of non-current assets	-
	3.3

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.

26. SUBSEQUENT EVENTS

Subsequent to September 30, 2011 the Group purchased a non deliverable forward contract to sell $200.0 into Chilean Pesos (“CLP”) at rates between CLP 504 and CLP 510 to manage the CLP currency risks at the Sierra Gorda JV for a period of 30 days. If the CLP weakens against the U.S. dollar, the Group would have to pay the counterparty the difference between the hedged rate and the market rate. If the CLP strengthens against the U.S. dollar the counterparty would have to pay the Group the difference between the hedged rate and the market rate.