MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2011

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

	Three months ended September 30			Nine months ended Sep 30		
	2011	2010	Change	2011	2010	Change
FINANCIAL HIGHLIGHTS						
Revenues	326	259	26%	893	626	43%
(Loss) income from mining operations	(25)	67	-137%	100	181	-45%
EBITDA (1)	167	73	130%	519	215	141%
EBITDA per share (basic)	0.87	0.38	127%	2.72	1.51	81%
Earnings for the period	143	20	632%	374	111	237%
Earnings per share (basic)	0.75	0.10	623%	1.96	0.78	153%
Cash	1,067	323	230%	1,067	323	230%
Working capital	1,278	675	89%	1,278	675	89%

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.

THIRD QUARTER AND RECENT HIGHLIGHTS:

- Total revenues increased 26% to $326 million in the quarter compared to $259 million in the same quarter of 2010.
- After adjustments to leach pad inventories at Carlota and Franke totalling $76 million, loss from mining operations was $25 million.
- The Company formed a 55%/45% joint venture ("JV") with Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation (collectively "Sumitomo") to develop the Sierra Gorda project in Chile with the Company retaining the 55%. As a result of this transaction the Company recognized a pre-tax preliminary gain of $293 million in the quarter.
- Partially offsetting the gain on the Sierra Gorda JV formation was $162 million in impairment losses on the Carlota and Podolsky mines.
- Earnings increased 632% to $143 million compared to $20 million in the same quarter of 2010.
- EBITDA increased 130% to $167 million from $73 million in 2010.
- Total production for the quarter was 60 million pounds of copper and 27,000 ounces of total precious metals (TPMs). Cash costs were $2.13 per pound of copper.
- The Company received approval of the Environmental Impact Assessment ("EIA"), the master environmental permit, for Sierra Gorda and commenced construction in July.
- Subsequent to the quarter end, the Company and Xstrata Nickel signed a term sheet to utilize Xstrata's Craig mine shaft and related underground infrastructure to further develop and operate the Company's Levack mine, including the Morrison deposit.

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 November 9, 2011 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the quarter ended September 30, 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 $142.8 million or $0.75 per share (basic) for the third quarter of 2011 (Q3 2011) compared to $19.5 million or $0.10 per share (basic) for the third quarter of 2010 (Q3 2010). For the first nine months of 2011, earnings increased to $374.3 million compared to $111.0 million in the same period of 2010. The increased earnings in Q3 2011 were primarily driven by a $292.5 million preliminary dilution gain from the formation of the JV with Sumitomo (see "**Review of Operations and Projects**") and a $33.2 million gain on derivatives (see "**Financial Instruments and Other Instruments**") partially offset by a total of $162 million impairment losses on the Carlota and Podolsky mines (see **"Review of Operations and Projects"**) and $76 million inventory reductions mainly at the Carlota mine. During Q3 2011, the Company sold 62 million pounds of copper at an average price of $3.58/lb and 26 thousand ounces of total precious metals ("TPMs") compared to 56.8 million pounds of copper in Q3 2010 at an average price of $3.54/lb and 33.5 thousand ounces of TPMs.

Revenues

	Three months ended September 30, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	27.9	6.6	10.5	10.1	6.0	0.9		62.0
(in millions of U.S. dollars)								
Copper	97.2	26.2	41.6	34.4	20.0	2.8	-	222.2
Nickel	-	-	-	11.9	2.6	10.7	-	25.2
Other by product [(1)]	19.0	-	-	4.2	5.0	1.5	-	29.7
Contract mining	-	-	-	-	-	-	49.1	49.1
Total	116.2	26.2	41.6	50.5	27.6	15.0	49.1	326.2

	Three months ended September 30, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	28.5	6.6	12.8	2.3	5.4	1.2	-	56.8
(in millions of U.S. dollars)								
Copper	103.2	21.8	41.4	8.3	20.7	5.7	-	201.1
Nickel	-	-	-	5.1	4.0	1.5	-	10.6
Other by product [(1)]	26.7	-	-	0.6	3.5	4.6	-	35.4
Contract mining	-	-	-	-	-	-	12.1	12.1
Total	129.9	21.8	41.4	14.0	28.2	11.8	12.1	259.2

	Nine months ended September 30, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	68.4	16.1	23.5	28.6	17.8	4.3	-	158.7
(in millions of U.S. dollars)								
Copper	265.6	66.3	97.2	112.4	69.4	17.1	-	628.0
Nickel	-	-	-	50.3	8.6	17.4	-	76.3
Other by product [1]	52.1	-	-	11.8	13.5	11.7	-	89.1
Contract mining	-	-	-	-	-	-	99.4	99.4
Total	317.7	66.3	97.2	174.5	91.5	46.2	99.4	892.8

	Nine months ended September 30, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	82.9	23.8	30.9	1.8	2.4	9.1	-	150.9
(in millions of U.S. dollars)								
Copper	276.4	76.7	100.3	8.4	30.9	7.3	-	500.0
Nickel	-	-	-	6.1	5.9	2.0	-	14.0
Other by product [1]	81.4	-	-	0.7	6.6	6.4	-	95.1
Contract mining	-	-	-	-	-	-	16.7	16.7
Total	357.8	76.7	100.3	15.2	43.4	15.7	16.7	625.8

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

Revenues, other than from contract mining, are generated by the sale of copper concentrate, copper cathode 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 period end, as well as pricing adjustments for sales that occurred in the previous period, based on the difference between actual price received and the price at period end for sales from the previous period that were not settled in that period. 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; as such final payment terms could differ from those reported. Contract mining revenues are generated from services performed, and are based on invoices issued.

Revenues in Q3 2011 were higher than the same period of 2010 mainly due to higher sales volumes from the Morrison deposit, which reached commercial production on September 1, 2010. During Q3, 2011, copper price decreased from $4.22/lb at June 30, 2011 to $3.24/lb at September 30, 2011. As a result of the decline in metal prices, Q3 2011 revenues included a $6 million negative price adjustments related to prior quarter shipments. In addition, Q3 2011 revenues included 28 million lbs of copper provisionally priced at $3.24/lb.

Revenues in Q3 2011 at the Morrison deposit, McCreedy West and Podolsky included non-cash revenue of $1.7 million representing the amortization of the 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 Franco Nevada (formerly Gold Wheaton).

Mine operating expenses and operating income

	Three months ended September 30, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	116.2	26.2	41.6	50.5	27.6	15.0	49.1	326.2
Production costs	(76.3)	(19.2)	(34.9)	(20.5)	(17.5)	(11.9)	(43.8)	(224.1)
Inventory write down	-	(66.7)	(9.3)	-	-	-	-	(76.0)
AD&D [1]	(9.5)	(4.8)	(4.7)	(11.8)	(10.1)	(3.9)	(1.0)	(45.8)
Royalties and mineral taxes	(3.9)	(1.3)	-	-	-	-	-	(5.2)
Operating expense	(89.7)	(92.0)	(48.9)	(32.3)	(27.6)	(15.8)	(44.8)	(351.1)
Operating income (loss)	26.5	(65.8)	(7.3)	18.2	-	(0.8)	4.3	(24.9)

	Three months ended September 30, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	129.9	21.8	41.4	14.0	28.2	11.8	12.1	259.2
Production costs	(70.2)	(10.5)	(33.3)	(5.1)	(15.0)	(9.2)	(10.2)	(153.5)
AD&D [1]	(7.0)	(2.2)	(6.6)	(5.8)	(6.1)	(3.1)	(0.8)	(31.6)
Royalties and mineral taxes	(6.5)	(1.1)	-	-	-	-	-	(7.6)
Operating expense	(83.7)	(13.8)	(39.9)	(10.9)	(21.1)	(12.3)	(11.0)	(192.7)
Operating income (loss)	46.2	8.0	1.5	3.1	7.1	(0.5)	1.1	66.5

	Nine month ended September 30, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	317.7	66.3	97.2	174.5	91.5	46.2	99.4	892.8
Production costs	(205.4)	(48.3)	(87.1)	(63.7)	(51.4)	(34.1)	(85.5)	(575.5)
Inventory write down	-	(77.7)	(9.3)	-	-	-	-	(87.0)
AD&D [3]	(21.2)	(12.5)	(12.4)	(30.1)	(26.2)	(9.0)	(2.7)	(114.1)
Royalties and mineral taxes	(12.9)	(3.3)	-	-	-	-	-	(16.2)
Operating expenses	(239.5)	(141.8)	(108.8)	(93.8)	(77.6)	(43.1)	(88.2)	(792.8)
Operating income (loss)	78.2	(75.5)	(11.6)	80.7	13.9	3.1	11.2	100.0

	Nine month ended September 30, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	357.8	76.7	100.3	15.2	43.4	15.7	16.7	625.8
Production costs	(189.5)	(39.0)	(74.1)	(6.5)	(25.1)	(13.7)	(14.2)	(362.1)
AD&D [3]	(18.9)	(7.7)	(14.8)	(6.3)	(8.9)	(3.7)	(1.4)	(61.7)
Royalties and mineral taxes	(17.6)	(3.9)	-	-	-	-	-	(21.5)
Operating expenses	(226.0)	(50.6)	(88.9)	(12.8)	(34.0)	(17.4)	(15.6)	(445.3)
Operating income (loss)	131.8	26.1	11.4	2.4	9.4	(1.7)	1.1	180.5

[1] Amortization, depletion and depreciation

Production costs in Q3 2011 were higher than the same period of 2010 due mainly to the contribution from the Morrison deposit and from DMC as contract mining activities ramped up in 2011. As a result of the less than previously predicted copper recoverable from the ores stacked on the pad in previous quarters and to a lesser extent, the decline in copper price during Q3 2011, Carlota inventory was written down by $66.7 million to its net realizable value. The $9.3 million inventory write down at the Franke mine was mainly due to lower copper price at the end of Q3 2011. Amortization, depletion and depreciation ("AD&D") were higher in Q3 2011 than Q3 2010, mainly due to additional AD&D expenses from Morrison and Podolsky as a result of higher production and sales volumes.

Operating income decreased in Q3 2011 compared to Q3 2010 primarily due to the inventory write down at Carlota and Franke as well as the decrease in by-product revenues and increase in operating costs at Robinson partially offset by higher operating income from the Morrison deposit. (see **"Review of Operations and Projects"**).

General & administrative and other expenses

General and administrative expenses for Q3 2011 were in line with Q3 2010. In Q3 2011, the Company recognized a gain of $33.2 million on derivatives compared to a loss of $25.5 million in the same quarter of 2010. The gain in the current quarter was mainly 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"**) and the copper price linked long-term acid and water contracts at the Franke mine as a result of the decrease in copper prices. For the nine months of 2011, the Company recorded a gain on derivatives of $45.4 million compared to a loss of $14.4 million in the same period of 2010. The gain for 2011 was mainly due to the decrease in the fair value of the Company's issued and outstanding warrants.

On September 14, 2011, the Company formed a JV with Sumitomo to develop the Sierra Gorda project in Chile (see "**Review of Operations and Projects**"). The Company retained 55% beneficial interest in the JV. As a result of the reduction in ownership in the subsidiary the Company 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.

During Q3 2011, the Company reviewed the carrying value of its Carlota mine in light of the major revision of mine plan that reduced the life of mine. It is indicated that the Carlota property is impaired. As a result, the Company recorded an impairment loss of $122 million in Q3 2011 (see "**Review of Operations and Projects**"). In addition, the Company wrote off the exploration value of the Podolsky mine of $40 million due to the exploration programs to date being unable to expand reserves (see **"Review of Operations and Projects"**).

The Company recorded income tax expense of $27.5 million for the first nine months of 2011 compared to $37.1 million for the same period of 2010. The tax expense for 2011 has been recorded based on an estimated annual effective tax rate of 7% (2010 – 22%). The decrease in effective tax rate in 2011 is due to the accounting gain from joint venture formation being non-taxable for tax purposes. Without the accounting gain from joint venture formation, the annual effective tax rate is approximately 25%.

REVIEW OF OPERATIONS AND PROJECTS

SAFETY AND ENVIRONMENTAL

Safety Performance

The Company continued to deliver a generally strong safety performance in Q3 2011. The Sudbury Operations, including exploration team, reached 701 days without a Lost Time Accident (LTA) at the end of the quarter. McCreedy West has had no medical aid injuries in 2011. Carlota Mine has worked 484 days without a LTA and 140 days without a reportable injury.

The Company's Total Recordable Injury Rate ("TRIR") for the quarter was 2.13. The TRIR for underground mines was 6.1 compared to a 5.7 for Ontario mines. The TRIR for open pit mines was 1.14 compared to a national average rate of 1.16 for U.S. surface mines.

Environmental Performance

There were no reportable environmental incidents in Q3 2011 at any of the Company's operations or development projects. Dust management is a key focus at the Franke mine and Sierra Gorda project due to the challenges of working in the Atacama Desert in Northern Chile.

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 and nine months ended September 30, 2011 from the Company's operating mines is summarized as follows:

	Three months ended Sep 30, 2011	Nine months ended Sep 30, 2011
Copper production (Mlbs)		
Robinson [2]	**26.7**	**67.9**
Carlota [3]	**6.6**	**17.0**
Franke [3]	**9.0**	**24.5**
Morrison deposit [4]	**10.1**	**28.6**
Podolsky [4]	**6.0**	**17.8**
McCreedy West [4]	**0.9**	**4.3**
	59.3	**160.1**
Nickel production (Mlbs)		
Morrison deposit [4]	**1.4**	**4.7**
Podolsky [4]	**0.3**	**0.8**
McCreedy West [4]	**1.3**	**1.9**
	3.0	**7.4**
TPM [1] (kozs)		
Robinson [2]	**9.2**	**21.8**
Morrison deposit [4]	**8.4**	**22.4**
Podolsky [4]	**7.2**	**19.7**
McCreedy West [4]	**1.9**	**15.6**
	26.7	**79.5**
Total copper equivalent (Mlbs) [5]	**78.0**	**212.6**

[(1)] *Total precious metal, including gold, platinum and palladium*
[(2] *Payable metals produced in concentrate*
[(3)] *Produced in cathode*
[(4)] *Shipped payable metal*
[(5)] *Copper equivalent amounts are based on previously announced LOM commodity prices: Cu at \$2.50/lb, Ni at \$7/lb, Pt at \$1500/oz, Pd at US\$400/oz, Au at \$1000/oz and Mo at \$12/lb and excludes the impact of the Franco Nevada Agreement.*

U.S OPERATIONS

Robinson (Nevada)

	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	**2011**	2010
Copper production payable (Mlbs)	**26.7**	25.4	**67.9**	78.8
Gold production payable (kozs)	**9.2**	15.3	**21.8**	57.3
Ore mined (Mt)	**3.9**	3.6	**10.2**	10.7
Waste mined (Mt)	**12.5**	13.2	**34.5**	35.1
Ore milled (Mt)	**3.9**	3.3	**10.5**	10.2
Copper grade (%)	**0.43**	0.49	**0.42**	0.50
Gold grade (g/t)	**0.21**	0.25	**0.19**	0.25
Copper recovery (%)	**77.4**	75.3	**73.6**	73.5
Gold recovery (%)	**38.8**	58.2	**37.6**	68.5
Cash cost per pound of copper produced ($/lb)	**$2.13**	$1.66	**$2.44**	$1.46
Capital expenditure	**$24.8**	$13.7	**$74.6**	$26.8
Production costs of goods sold	**$76.3**	$70.2	**$205.4**	$189.5
Operating income	**$26.5**	$46.2	**$78.2**	$131.8

Production from the Robinson operation continued to improve as mining transitioned into the higher grade benches at the bottom of the Ruth pit, but was impacted by localized slope stability issues. The five haulage trucks that were moved from Carlota to Robinson were re-commissioned and helped the mine achieve a one day record ex-pit mining rate of 257 thousand tonnes (284 thousand tons) in September. During September, the mill also achieved a monthly record averaging approximately 44,000 tonnes (48,500 tons) per day, while copper recovery improved due to improving mineralogy and higher grades.

Overall, copper production in Q3 2011 was higher than in the same quarter of 2010 as a result of higher mill throughput and copper recoveries, offsetting the impact of modestly lower copper head grades. Gold production in Q3 2011 was lower compared to Q3 2010 due to lower head grades and associated recoveries in the Ruth pit compared to the Veteran pit. The mill gold recoveries from the Ruth pit ore are lower than Veteran pit due to the low grade gold feed and fine gold grains that are associated with pyrite and reporting to tailings.

Robinson production costs and capital expenditures

The Q3 2011 production costs of goods sold were $6 million higher than Q3 2010 mainly due to higher mine operating costs (largely fuel and tires) and scheduled maintenance on the mining fleet.

The cash cost per pound of payable copper produced is a non-IFRS term and for Robinson 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 of payable copper produced was $2.13/lb in Q3 2011 compared to $1.66/lb in the same quarter of 2010. The increased unit cost in the current quarter is primarily due to increased onsite and offsite costs and a decrease in by-product revenue in the quarter as a result of the lower gold sales volumes.

Capital expenditures during the quarter were primarily related to Ruth pit development work which included $3.7 million for dewatering activities and $9 million for the Ruth secondary access ramp. An additional $2.4 million in expenditures was related to mill upgrades and $4.7 million was spent on the Liberty pit exploration program.

Robinson Outlook

The measures taken to maximise fleet utilization, the development of a second access ramp and other measures to increase operating flexibility have improved performance and access the higher grade ore at the bottom of the Ruth pit. However, localized wall activity has caused delays in implementing the plan and in 2011 Robinson is expected to produce between 95 and 100 million pounds of copper and 25,000 to 30,000 ounces of gold. The higher grade material delayed by slide activity will be mined in 2012.

The 2011 drill campaign in the Liberty pit was concluded during the quarter. A significant number of ore grade intercepts are driving engineering studies, which are expected to result in a new resource block model by year-end.

Capital expenditures for the remainder of the year are expected to total $14 million including $7 million for the new secondary ramp and dewatering, $2 million for exploration, $3 million for equipment and tailings impoundment, and $2 million for housing. In addition, bonding is expected to increase by $5.6 million in the remainder of the year as a result of additional work in the Liberty pit area.

Carlota (Arizona)

	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	**2011**	2010
Copper cathode production (Mlbs)	**6.6**	7.3	**17.0**	22.9
Ore mined (Mt)	**1.3**	2.3	**3.6**	4.9
Waste mined (Mt)	**2.5**	4.7	**12.2**	15.7
Ore placed (Mt)	**1.3**	2.3	**3.6**	4.9
Total copper grade (%)	**0.32**	0.77	**0.41**	0.56
Cash cost per pound of copper sold ($/lb)	**$3.12**	$1.74	**$3.21**	$1.80
Capital expenditure	**-$0.7**	$5.4	**$4.2**	$17.3
Production costs of goods sold	**$19.2**	$10.5	**$48.3**	$39.0
Operating (loss) income	**-$65.8**	$8.0	**-$75.5**	$26.1

Total tonnes mined in Q3 2011 were lower than the same quarter of 2010 mainly due to a planned reduction in the mining rate which impacted both ore placement and waste stripping. Despite significant reduction in ore placed, Q3 2011 copper production benefited from improvement in recoveries in the conveyor stacked ore placed in the prior quarters with 6.6 million lbs of copper produced.

Carlota production cost and capital expenditures

Production costs for Q3 2011 increased mainly because of higher acid prices and consumption, as well as higher operating costs associated with conveyor stacking partially offset by decreased fuel consumption.

As the Carlota mine is a heap leach operation ore stacked in one period affects production in many future periods. Thus the grade of ore placed in a quarter does not correspond to production in the quarter. The cash cost per pound of payable copper increased from $1.74/lb in Q3 2010 to $3.12/lb in Q3 2011 mainly due to the decreased production and increased production costs of goods sold.

As a result of the less than previously predicted copper recoverable from the ores stacked on the pad in previous quarters and to a lesser extent, the decline in copper price during Q3 2011, Carlota inventory was written down by $66.7 million to its net realizable value.

Capital expenditures for Q3 2011 declined primarily related to the completion of the Phase 2 leach pad construction and the transfer of five haul trucks to Robinson.

Carlota Outlook

After completing the conversion to conveyor stacking in Q2 2011, Carlota implemented a major revision in the long term mining plan, reducing overall tonnes mined, transferring mine equipment and deploying personnel to Robinson. While oxide ore recovery rates were significantly enhanced with conveyor stacking, preliminary bulk sample leach tests indicate that sulphide material at Carlota, due to be mined in 2012, is unlikely to be economic at the Company’s long term copper price forecast. Therefore, the new life-of-mine plan will focus on mining readily available oxide ores followed by residual leaching.

During Q3 2011, the operation continued with staff reduction and other measures in order to reduce costs in line with the new plan and to ensure positive operating cash flow based on forecast copper prices over the next several years.

As a result of the revisions made to Carlota's life-of-mine plan, the Company has reviewed the carrying value of the property and recorded an impairment loss of $122 million to reduce its carrying value to zero. Notwithstanding the impairment decision, the Company is continuing to evaluate the leaching of sulphides, the mining of the Edar deposit on the Carlota property, as well as other strategic options.

Based on performance to date, 2011 cathode production at Carlota is expected to be in the lower half of the previously revised range of 20 to 30 million pounds.

Capital costs for the remainder of 2011 are expected to total $3 million, plus an additional $10.6 million for the renewal of the environmental closure bond.

CHILE OPERATIONS

Franke

	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	**2011**	2010
Copper cathode production (Mlbs)	**9.0**	10.1	**24.5**	29.4
Ore mined (Mt)	**0.8**	1.0	**2.1**	3.0
Waste mined (Mt)	**1.3**	1.3	**2.5**	3.4
Ore placed (Mt)	**0.8**	0.9	**2.1**	2.5
Copper grade (%)	**0.80**	0.77	**0.79**	0.83
Cash cost per pound of copper sold ($/lb)	**$3.33**	$2.60	**$3.70**	$2.40
Capital expenditure	**$8.3**	$9.6	**$28.0**	$18.1
Production costs of goods sold	**$34.9**	$33.3	**$87.1**	$74.1
Operating loss/income	**-$7.3**	$1.5	**-$11.6**	$11.4

The transition to owner mining and maintenance was completed during Q3 2011 and the workforce was expanded to include additional mine operators and maintenance personnel while the mining rate increased to a level in line with plan.

Leaching performance improved early in the quarter but weakened in September as a result of degradation of ore on several modules stacked in late August and early September which resulted in high turbidity in the solution fed to the SX plant. Copper cathode production for Q3 2011 was lower than the same quarter of 2010 due to lower recovery from the ore placed late in the quarter and a lower throughput rate.

Franke production costs and capital expenditures

Production costs at Franke are mainly driven by onsite costs, sales volumes and projected recoveries from the leach pads. Onsite costs in Q3 2011 were higher than Q3 2010 due to higher acid and power costs.

Due to higher cost in inventory and the decline in copper prices in Q3 2011, a $9.3 million write down was required to adjust Franke's leach pad inventory to its net realizable value. The cash cost per pound of payable copper increased from $2.60/lb in Q3 2010 to $3.33/lb in Q3 2011 mainly due to the decreased production and increased production costs of goods sold.

Capital expenditures of $8.3 million at Franke in Q3 2011 were primarily related to road work, the vibration mitigation project on the primary crusher, and various other projects including a vacuum truck, and initial payments on two new bunk houses.

Franke Operations Outlook

The total 2011 copper cathode production is expected to be modestly below the previously stated guidance range of 35 to 45 million pounds.

Leaching of high carbonate ore from the Franke pit requires approximately 100 kg of acid per tonne of ore, well above any other heap leach operation known to the Company. This level of acid placement causes degradation of the rock structure, leading to generation of slimes and, in turn, porosity issues in the leach pads as well as turbidity in the SX plant, which together impact copper recovery. Based on its current mine plan, the operation was expected to encounter secondary sulphides in the Franke pit in the second half of 2012 which, based on tests to date, are expected to yield lower recovery.

The China deposit is located 5 km from the Franke processing facility. Following a drill program at China, the Company is completing engineering and metallurgical studies, including commercial scale tests, on the China orebody with a view to fully transitioning to the China pit in Q2 2012. In the meantime, in order to reduce operating costs, the operation has adjusted cut-off parameters in the Franke pit to reduce carbonate levels and associated acid requirements.

The operation is expected to continue to run at below its design throughput rate due to low overall availability issues and pending the replacement stacker being in place. The commissioning of the new stacker has been impacted by further design issues.

Capital costs for the remainder of 2011 are expected to be below $1 million and are related to the study of the China orebody, the access road, and the completion of the bunkhouse project.

CANADIAN OPERATIONS

Note: Production statistics in the following tables are reported for all historical periods, including the period prior to the merger of Quadra and FNX on May 20, 2010.

Morrison deposit

	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	**2011**	2010
Copper ore sold (kt) [1]	**53.3**	29.3	**155.5**	62.1
Copper grade (%)	**9.6**	11.2	**9.4**	9.4
Nickel ore sold (kt) [1]	**2.0**	4.5	**12.8**	14.5
Nickel grade (%)	**1.8**	2.5	**3.1**	2.8
Copper sold - payable (Mlbs)	**10.1**	6.3	**28.6**	11.2
Nickel sold - payable (Mlbs)	**1.4**	1.2	**4.7**	3.0
Gold sold - payable (kozs)	**1.8**	0.4	**4.1**	0.7
Platinum sold - payable (kozs)	**2.1**	0.8	**5.7**	1.5
Palladium sold - payable (kozs)	**4.5**	1.9	**12.5**	3.6
Cash cost per pound of copper sold ($/lb) [2]	**$0.59**	-$0.04	**$0.19**	-$0.08
Capital expenditure [2]	**$7.5**	$1.0	**$22.1**	$1.0
Production costs of goods sold [2]	**$20.5**	$5.1	**$63.7**	$6.5
Operating income [2]	**$18.2**	$3.1	**$80.7**	$2.4

[1] *Converted to metric tonnes from short tons*
[2]*Morrison was in pre-production stage in Q2 2010 and production costs were capitalized. Q2 2010 performance is not comparable. The Morrison deposit commenced commercial operations on September 1, 2010*

The Morrison deposit commenced commercial production in September 2010 and as such operating results for only one month were recorded for Q3 2010. Therefore, Q3 2010 results are not comparable.

Operating performance in Q3 2011 remained strong although there was a normal grade variation based on mining sequencing, compared to Q2 2011. Development performance (including the ramp to the #2 Shaft) improved

steadily through Q3 2011 but has since been suspended as a result of the Craig Access Arrangement which is discussed below.

Morrison production costs and capital expenditures

Despite higher volumes, production costs of goods sold for Q3 2011 were $2.7 million lower than in Q2 2011 as cost control efforts resulted in a continuous improvement in direct mining costs throughout the quarter.

Despite the lower production costs in Q3 2011, the cash cost per pound of payable copper increased from $0.23/lb in Q2 2011 to $0.59/lb in Q3 2011. The increase was mainly due to a $6.8 million reduction in by-product revenues as a result of the lower metal prices in Q3 2011.

Capital spending of $7.5 million in Q3 2011 was primarily due to lateral development work and surface haulage of waste.

Morrison deposit outlook

Q4 2011 is expected to be a strong quarter for production as mining starts on the second cut of higher grade sill horizons. The 2011 payable copper production is expected to be at the high end of the previously stated 30 to 40 million pounds guidance range. In addition, TPM production is expected to be between the 25,000 to 30,000 ounces range while payable nickel production is expected to total approximately 6 million pounds.

In October the Company and Xstrata Nickel signed a term sheet (the "Craig Access Arrangement") to utilize the Craig mine shaft and related underground infrastructure to further develop and operate the Levack mine, including the Morrison deposit. The Company expects that the use of Xstrata Nickel's Craig infrastructure will significantly improve the operational flexibility of the Morrison deposit and provide additional mining and drill access in the lower portions of this high grade ore body. The additional development and improved efficiency is expected to have a positive impact on Morrison's long term production outlook.

As a result of the Craig Access Arrangement, the Company has ceased the development of the 3900 Level ramp and is focused on development to depth below 4200 Level. An implementation plan and preparation work has been initiated which will enable a seamless transition to Craig infrastructure in Q1 2012. Key priorities are establishing ore and waste haulage through the existing 4000 Level breakthrough to the Craig mine and up the Craig Shaft as well as development of an exploration drift platform to delineate reserves to depth.

Onsite and offsite costs at Morrison are on a downward trend and are expected to a total approximately $80 million for 2011. Capital expenditures are expected to be $30 million for 2011, below the previously stated $40 million. This is primarily due to a reduction in development work (i.e., 3900 Level ramp) and cancellation of shop upgrades as a result of the Craig Access Arrangement.

Podolsky

	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	**2011**	2010
Copper ore sold (kt) [1]	**112.2**	97.2	**302.5**	297.4
Copper grade (%)	**3.0**	3.2	**3.2**	3.3
Copper sold - payable (Mlbs)	**6.0**	5.4	**17.8**	17.2
Nickel sold - payable (Mlbs)	**0.3**	0.3	**0.8**	1.2
Gold sold - payable (kozs)	**1.1**	0.9	**3.1**	3.8
Platinum sold - payable (kozs)	**2.8**	2.0	**7.8**	9.1
Palladium sold - payable (kozs)	**3.2**	2.5	**8.8**	9.3
Cash cost per pound of copper sold ($/lb)	**$1.89**	$1.67	**$1.78**	$1.64
Capital expenditure	**$2.8**	$2.7	**$10.6**	$3.9
Production costs of goods sold	**$17.5**	$15.0	**$51.4**	$25.1
Operating income	**$0.0**	$7.1	**$13.9**	$9.4

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

Ore production in Q3 2011 was higher than Q3 2010 as a result of higher throughput, which offset the impact of lower grades. Lateral development and backfill production remained at or above plan levels.

Podolsky production costs and capital expenditures

Production costs of goods sold for Q3 2011 was higher than Q3 2010 mainly due to higher ore production. Cash cost per pound of payable copper for Q3 2011 was slightly higher than Q3 2010 due to higher production cost. Capital expenditures for the quarter were primarily associated with development and diamond drilling activities.

Podolsky outlook

The Company continues to expect 2011 production from Podolsky to be in the upper end of the previously stated 18 to 21 million pounds of payable copper, 20,000 to 25,000 ounces of payable TPMs and approximately 1 million pounds of payable nickel.

While a number of exploration targets had been identified at Podolsky the 2011 exploration program was completed with no material additional reserves identified. As a result the Company has taken a $40 million impairment related to the exploration potential at Podolsky. In consequence, the Company has also decided to terminate operations once the 2000 Deposit is mined out. As a result of this change in mine plan, copper production from the Podolsky operation will cease by the end of 2012.

Capital expenditures for the remainder of the year is expected to total $2 million and will mainly be related to additional development work.

The Company will continue to explore in the vicinity of Podolsky and to evaluate methodologies for mining the complex vein structures in the Grey Gabbro profitably. The Company will also continue to evaluate increasing nickel production from its McCreedy West and Levack mines and the highly skilled Podolsky workforce will be encouraged to transfer to these properties (subject to nickel prices as well as ongoing studies and off-take terms for the ore).

McCreedy West

	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	**2011**	2010
Copper ore sold (kt) [1]	**15.6**	72.6	**168.5**	207.3
Copper grade (%)	**1.6**	0.9	**1.3**	1.0
Nickel ore sold (kt) [1]	**53.6**	-	**53.6**	-
Nickel grade (%)	**1.6**	-	**1.6**	-
Copper sold - payable (Mlbs)	**0.9**	1.2	**4.3**	3.7
Nickel sold - payable (Mlbs)	**1.3**	0.2	**1.9**	0.6
Gold sold - payable (kozs)	**0.5**	0.9	**2.0**	3.3
Platinum sold - payable (kozs)	**0.7**	2.7	**5.9**	7.7
Palladium sold - payable (kozs)	**0.8**	4.5	**7.7**	13.1
Cash cost per pound of copper sold ($/lb)	**-$0.38**	$2.83	**$1.85**	$3.73
Capital expenditure	**$2.4**	$2.9	**$9.9**	$4.4
Production costs of goods sold	**$11.9**	$9.2	**$34.1**	$13.7
Operating Income (loss)	**-$0.8**	-$0.5	**$3.1**	-$1.7

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

In Q3 2011 McCreedy West changed from mining copper-rich and precious metal-rich ores to mining contact nickel ores. This change in mining type was accomplished with the same workforce and same equipment. Copper mining from the 700 Copper Complex continued at scheduled rates while production from the PM zone declined.

Following the waiver by Vale of its right to the magnesium oxide ("MgO") contact nickel ores, the Company delivered approximately 54,000 tonnes of contact nickel ore from McCreedy West to Xstrata, which was milled in August on a trial basis. Discussions with Xstrata for the treatment of additional ore are ongoing.

McCreedy West production costs and capital expenditures

Production costs of goods sold for Q3 2011 were higher than Q3 2010 due to a combination of higher tonnage volumes and additional operational diamond drilling Cash cost per pound of copper sold decreased from $2.83/lb in Q3 2010 to negative $0.38/lb in Q3 2011 as a result of higher nickel by-product credits.

McCreedy West outlook

In 2011 payable copper production expectations remain in the 5 to 6 million pound range, while annual nickel production volumes increases to 3 to 4 million pound range with the contact nickel re-start. Capital expenditures are primarily related to mobile equipment, mine infrastructure and development work.

Mining of contact nickel ore has continued in parallel with discussions with Xstrata. Subject to nickel price and the outcome of these negotiations, the 2012 business plan includes mining of McCreedy West contact nickel ores.

PROJECTS UNDER DEVELOPMENT

Sierra Gorda Joint Venture (55% interest)

On May 16, 2011, Quadra FNX entered into a definitive agreement with Sumitomo to form the Sierra Gorda Joint Venture ("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 JV operates through a jointly-controlled entity owned 55% by the Company and 45% by Sumitomo.

As part of its initial contribution, on closing Sumitomo made a $360 million cash payment into the JV and will contribute an additional $364 million for a total of $764 million which is expected to cover 100% of costs from May 2011 until early 2012. After the initial contributions by Sumitomo, the Company and Sumitomo will fund proportionally those JV costs not covered by borrowing. During the quarter the Company recognized a preliminary gain of $293 million on formation of the JV.

Cash calls by the JV fund three months of capital costs and thus at September 30, 2011 the JV had cash of $220 million. Because the JV is accounted for using equity based accounting principles, this cash is not included in the Company's cash balances. For the first nine months of 2011 Sierra Gorda project had incurred $177 million capital expenditures, including progress payments for mining and plant equipment, camp and infrastructure construction, and other project related payments. The Company funded $33 million of costs for 2011 prior to May 2011 and provided $17 million of cash for working capital. Full credit for these amounts was made in arriving at the JV contributions.

Sumitomo will take the lead in efforts to arrange, and will guarantee, project financing in the amount of $1.0 billion. In the event that project financing is not satisfactorily arranged then Sumitomo will provide a shareholder back-up loan for $800 million to the JV with no recourse to the Company. The JV has retained Sumitomo Mitsui Bank Corporation (SMBC) as the financial advisor for the $1 billion project financing. Discussions are progressing with the project syndicate.

Sierra Gorda activities and outlook

On July 6, 2011, the Estudio de Impacto Ambiental (EIA – or Environmental Impact Assessment) was approved by the regulatory authorities and construction activities commenced on the Sierra Gorda project.

Fluor has been retained as the EPCM contractor for process plant and related construction activities and by the end of Q3 2011, over 130 engineering, construction and service contracts have been awarded while 14 additional contracts are under bidding and evaluation process. A total of over 600 employees and contractors are on site. The project has also successfully recruited key management positions for participation in the project design and ahead of the pre-stripping activities as well as for future operation. The recruiting of operating personnel will continue throughout the construction phase.

Mass earthworks activities have commenced. Specifically, construction has started on project offices, camp facilities, potable water and sewage facilities, and equipment laydown and assembly areas. The first two Bucyrus shovels were delivered to site, with assembly scheduled for the next quarter.

During the quarter, the JV has also contracted for most of its requirement of tires and replacements to support the pre-stripping activities. Commencement of pre-stripping is scheduled for the beginning of Q2 2012.

The JV has been negotiating several of the major key outsourced operation contracts including the water supply system, railway transportation, transmission lines, port facilities and power purchase agreement with terms of these contracts expected to be finalized by year end.

The total capital cost including contingency for Sierra Gorda is unchanged at $2,877 million, and with working capital and interest during construction the total is estimated at approximately $3.0 billion. The project is expected to start production in 2014.

As of September 30, 2011, the Sierra Gorda JV has made contract commitments of $131 million. In addition, purchase orders for mining equipment (including shovels, drills and trucks) and infrastructure of $294 million have been made.

Victoria Project

During the quarter the drilling program at the Victoria property focused on the expansion of the Zone 4 Deposit at depth, completion of shaft geotechnical holes, and exploration for Zone 4 satellite orebodies that could impact the size of underground infrastructure.

The Company continues to advance Engineering Studies for the Victoria project, targeted to be completed by the end of the year. The Studies consider sinking two concurrent shafts, one for production and the other for ventilation, a secondary egress and lateral development. The second shaft will also be used to establish definition diamond drill platforms and facilitate the extraction of a bulk sample for metallurgical/commercial test work. Concurrent with this, the Company has continued First Nations and other stakeholder consultation, and the continued preparation and submission of required permits.

Victoria Project Outlook

The exploration approach for the remainder of 2011 will continue to be drill focused. The focus will be the expansion of Zone 4 in both the up and down plunge directions and testing for satellite orebodies to the west of Zone 4.

The ongoing Engineering Studies and First Nations consultations are expected to form part of the project's Closure Plan, which will serve as the basis for the final permits. The Company has also engaged Vale, who has the offtake agreement for the production from Victoria and a back-in right to acquire 51% of the project by bringing Victoria into production. All of these activities are required before a decision can be made to proceed with the project.

DMC MINING SERVICES

DMC Mining Services continued to report no lost time accidents but did experience one medical aid to the end of Q3 2011. Work volume continues to grow in Canada and the United States with the total contract work to be completed now exceeding $440 million.

DMC engineers are working diligently on the shaft for BHP Billiton's Jansen Project in Saskatchewan where ground freezing commenced for both the production and services shafts in early October. Revenue for the quarter was $49.1 million and for the first nine months of 2011 was $99.4 million. Operating income for the quarter was $4.3 million and $11.2 million for the first nine months of 2011. DMC is on target to meet or exceed all budget expectations for the year.

2011 OUTLOOK AND GUIDANCE SUMMARY

For 2011, the Company expects consolidated payable copper production to still be in the range of 240 million pounds +/- 10% plus approximately 100 thousand ounces of payable TPMs, mainly due to lower gold production from Robinson. The Company also expects approximately 8 to 10 million pounds of payable nickel production, although values are dependent on the timing of the potential nickel re-start at McCreedy West.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2011, the Company had cash and cash equivalents of $1,067 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 $46.4 million. During the first nine months 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. The proceeds included top-up cash received when Franco-Nevada successfully acquired the remaining shares of Gold Wheaton effective March 14, 2011.

During Q3 2011 the Company generated $79.3 million in operating cash flow. The Company generated cash flow from operating activities of $188.7 million for the first nine months of 2011 compared to $127.5 million for the same period of 2010. The increase in operating cash flow in 2011 is largely driven by the higher average copper prices and sales volumes in the current year.

At September 30, 2011, the Company had working capital of $1,278.1 million as compared to $759.8 million at December 31, 2010. The increase in working capital in 2011 is primarily the result of the increase in cash and cash equivalent from the proceeds of the issue of the senior notes and the sale of Gold Wheaton shares. At September 30, 2011, accounts receivable and revenues include approximately 28 million pounds of copper that have been provisionally valued at $3.24/lb. The final pricing for these provisionally priced sales is expected to occur between October and December 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 fourth quarter of 2011. Based on the Q3 2011 quarter end copper price of $3.24/lb, the Company estimates a cash repayment of approximately $20 million for provisional payments received from customers for the Q3 2011 shipments.

During June 2011, the Company issued, through private placement, $500 million aggregate principal amount of 7.75% senior unsecured notes ("Notes") due 2019. These Notes contain certain covenants that limit the Company's ability, and the ability of certain subsidiaries, to incur additional indebtedness and issue preferred stock; create liens; make restricted payments; create or permit to exist restrictions on the ability of the Company or certain subsidiaries to make certain payments and distributions; engage in amalgamations, mergers or consolidations; make certain dispositions and transfers of assets; and engage in transactions with affiliates.

The Company may redeem, prior to June 15, 2014, up to 35% of the Notes with the net proceeds of certain equity offerings at a redemption price equal to 107.75% of the principal amount plus accrued interest. Prior to June 15, 2015, the Company may redeem the Notes in whole or in part at 100.0% of their principal amount, plus accrued interest, and amount equal to the greater of 1.0% of the principal amount of the note to be redeemed and the excess, if any, of the present value of the June 15, 2015 redemption price plus required interest payments through June 15, 2015 over the principal amount of the note.

The Company may redeem the Notes at any time on or after June 15, 2015 at the redemption prices and periods set forth below, plus accrued and unpaid interest:
June 15, 2015 .... 103.875%
June 15, 2016 .... 101.938%
June 15, 2017 and thereafter 100.000%

Upon specified change of control events, each holder of a note will have the right to require the Company to purchase all or a portion of the Notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase. At September 30, 2011 no mandatory principal repayments are required in the next five years.

Capital spending in the first nine months of 2011 was $309.6 million for operations and projects, which included $22 million of capitalized Ruth pit mud removal costs and $141 million on the Sierra Gorda project before the formation of the JV. After the formation of the JV, the Company received a net payment of $100.7 million from the JV for the repayment of the loan which was advanced by the Company to the JV from May 1 to September 14, 2011.

During the first nine months of 2011, the Company purchased additional copper put options under the price protection program at a cost of $3.7 million. In addition, the Company exercised the Far West warrants with a total exercise price of $14.9 million. This resulted in the Company acquiring additional shares in Far West which were then converted, along with the originally held Far West shares, to cash of $11.4 million and Capstone Mining Corp. ("Capstone") shares after Far West was acquired by Capstone.

Liquidity Outlook

The Company's future profitability and cash position is highly dependent on the price of copper and to a lesser extent, precious metals and 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"**). In addition, the Company expects to spend approximately $30 million on capital expenditures and $16.2 million on environmental bond at its six operating mines in the remainder of 2011. 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 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	$ 0.6	$ 1.0	$ 3.2	$ 2.2	$ 0.5	$ 89.2	$ 96.7
Franke Mine supply contracts	2.8	11.5	11.6	12.7	10.4	51.1	100.1
Robinson Mine power supply contract	2.3	9.2	-	-	-	-	11.5
Minimum lease payments (capital and operating)	3.3	8.4	6.1	2.8	1.0	0.3	21.8
Total	$ 9.0	$ 30.1	$ 20.9	$ 17.7	$ 11.9	$ 140.5	$ 230.1

Under the Sierra Gorda JV agreement, the Company expects to fund approximately $650 million of the construction budget in the next three years.

Reclamation liabilities

The Company has estimated total future reclamation costs of $96.7 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 $86.8 million at September 30, 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 $71.6 million as at September 30, 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 West 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.

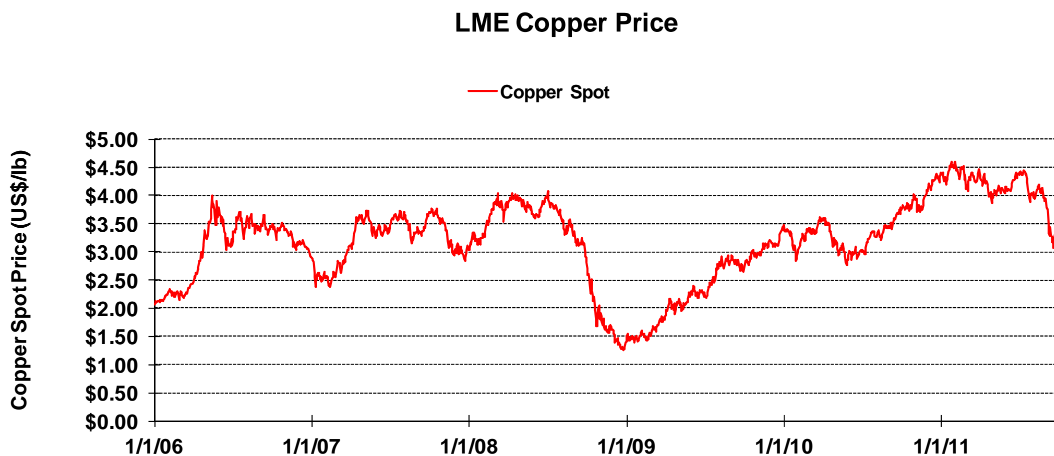
Robinson Mine power supply contract

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.

MARKET TRENDS AND FUNDAMENTALS

Copper prices declined approximately 25% in September trading to a fifteen month low of approximately $3.00/lb due largely to uncertainty in the European banking sector and sovereign debt crises. However, despite the sharp September selloff, copper prices averaged $4.07/lb in Q3 2011. Looking forward, the Company believes that copper market fundamentals will remain strong; supported by continued underperformance in copper supply resulting from falling ore grades, strikes, aging large mines and project delays and difficulty in funding large high cost technically challenging projects. In the short term, from a demand perspective, the Company recognizes headwinds due to the economic environment in Europe and slowing economic activity in parts of China. Longer term, continued urbanization of emerging market countries such as China and continued gradual growth in OECD economies should provide a positive backdrop for copper demand.

The following graph shows the spot price of copper from 2006 to October 31, 2011 as published by the London Metal Exchange ("LME").



At September 30, 2011, the closing spot price was $3.24/lb. At October 31, 2011, the closing spot price was $3.62/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 the remainder of 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	17.1
- $0.20/lb	(17.1)

The Company has a floor price protection program in place for a portion of its anticipated copper sales from April to January 2012. During the first nine months of 2011, the Company 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 million. A total of 150 million pounds of copper put options expired unexercised.

At September 30, 2011, the Company 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.

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 the remainder of 2011:

Copper price	Cash flows from copper put options
$1.50/lb	88.3
$2.00/lb	53.8
$2.50/lb	19.3
$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 nine months of 2011, the Company settled 8.1 million gallons of NYMEX heating oil contracts resulting in a cash receipt of $5.6 million to the Company, which has been recorded in cost of sales on the statement of earnings. At September 30, 2011, the Company had no NYMEX heating oil futures contracts outstanding.

Subsequent to September 30, 2011 the Company 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 Company 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 Company the difference between the hedged rate and the market rate.

CONTINGENCIES

(a) 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 Sudbury operations. 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.

(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 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.

(c) The Company is subject to 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 the Company's primary legal counsel. During the nine months ended September 30, 2011, the Company incurred legal fees of $1.3 million (September 30, 2010 - $1.3 million), all of which were at normal business terms.

Upon formation of the Sierra Gorda JV, it became a related party with the Company. The amount due from the Sierra Gorda JV is $1.3 million.

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, mineral reserves and cost assumptions, the carrying value of the Carlota mine mineral properties was impaired and a $122 million impairment loss was recorded in Q3 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 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 September 30, 2011. At September 30, 2011 the Company had additional available U.S. Alternative Minimum Tax Credits of $8.3 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 191,456,584 common shares issued and outstanding at September 30, 2011. As of November 9, 2011, the Company had 191,487,944 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 September 30, 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 summarizes the adjustments to Shareholders' Equity on adoption of IFRS on January 1, 2010, and at September 30, 2010 and December 31, 2010 for comparative purposes:

	January 1, 2010	September 30, 2010	December 31, 2010
Equity under Canadian GAAP	**1,005.4**	**2,128.2**	**2,195.0**
Site closure and reclamation provisions	(19.1)	(21.1)	(23.5)
Impairment of long-lived assets	-	-	(152.5)
Financial instruments	(11.0)	(34.8)	(42.3)
Deferred income taxes	2.3	3.3	40.9
Total IFRS adjustments to equity	(27.8)	(52.6)	(177.4)
Equity under IFRS	977.6	2,075.6	2,017.6

In transition to IFRS, the Company recorded a decrease in earnings of approximately $17.6 million and $3.5 million for the three months ended September 30, 2010 and nine months ended September 30, 2010, respectively. For the year ended December 31, 2010, a reduction in earnings of approximately $128.3 million as a result of applying IFRS

standards. The following table summarizes the adjustments to previous reported Canadian GAAP earnings for the three and nine months ended September 30, 2010 and the year ended December 31, 2010 under IFRS:

	Three month period ended September 30, 2010	Nine month period ended September 30, 2010	Year ended December 31, 2010
Earnings under Canadian GAAP	**37.1**	**114.5**	**172.5**
Site closure and reclamation provisions	(0.6)	(2.1)	(4.3)
Impairment of long-lived assets	-	-	(152.5)
Financial instruments	(17.0)	(2.4)	(10.1)
Deferred income taxes	-	1.0	38.6
Total IFRS adjustments to earnings	(17.6)	(3.5)	(128.3)
Earnings under IFRS	19.5	111.0	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 **
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenues *								
Robinson	116	106	95	132	130	95	133	136
Carlota	26	22	18	30	22	24	31	19
Franke	42	26	30	41	41	25	34	21
Podolsky	28	32	32	48	28	15	-	-
Levack Complex [1]	66	84	71	63	26	5	-	-
DMC	49	28	23	18	12	5	-	-
Revenues - Total	**326**	**298**	**269**	**332**	**259**	**169**	**197**	**176**
Operating (loss) income	(24.9)	63.5	61.4	112.0	66.5	31.5	82.4	63.4
Earnings (loss) before income taxes	119.3	71.3	211.2	(79.1)	37.7	39.1	68.3	45.6
Earnings (loss)	142.8	63.8	167.7	(67.0)	19.5	36.5	55.0	46.5
Basic earnings (loss) per share	$0.75	$0.33	$0.88	-$0.35	$0.10	$0.26	$0.55	$0.47
Diluted earnings (loss) per share	$0.71	$0.33	$0.85	-$0.35	$0.10	$0.21	$0.54	$0.46

[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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Robinson								
Cu produced payable (Mlbs)	26.7	21.2	19.9	25.4	25.4	22.7	30.7	28.2
Ore milled (Mt)	3.9	3.2	3.4	3.5	3.3	3.6	3.3	3.3
Au production payable (kozs)	9.2	7.1	5.5	14.9	14.5	14.7	26.0	24.4
Cu grade (%)	0.43	0.43	0.41	0.46	0.49	0.40	0.59	0.59
Au grade (g/t)	0.21	0.17	0.18	0.26	0.25	0.20	0.31	0.31
Cu recovery (%)	77.4	73.0	69.5	75.4	75.3	73.5	72.2	65.9
Au recovery (%)	38.8	44.2	30.4	53.3	58.2	66.3	78.1	73.1
Cu sales (Mlbs)	27.9	22.3	18.2	24.7	28.6	26.6	27.8	31.7
Average final settlement price ($/lb)	$4.07	$4.13	$4.39	$3.79	$3.19	$3.19	$3.37	$3.02
Cash cost per pound of payable copper produced ($/lb)	$2.13	$2.78	$2.49	$1.89	$1.66	$1.67	$1.14	$1.53
Carlota								
Cu production (Mlbs)	6.6	6.2	4.2	6.6	7.3	7.4	8.2	8.0
Ore placed (Mt)	1.3	1.5	0.8	1.5	2.3	1.6	1.0	2.3
Total Cu grade (%)	0.32	0.44	0.39	0.7	0.77	0.39	0.35	0.61
Cu sales (Mlbs)	6.6	5.4	4.1	7.7	6.6	7.7	9.5	6.4
Average realized price ($/lb)	$3.99	$4.06	$4.37	$3.88	$3.29	$3.13	$3.25	$3.01
Cash cost per pound of copper sold ($/lb)	$3.12	$3.24	$3.37	$1.84	$1.74	$1.89	$1.76	$1.61
Franke								
Cu production (Mlbs)	9.0	8.3	7.2	7.8	10.1	10.4	8.9	9.4
Ore placed (Mt)	0.8	0.8	0.5	0.7	1.0	0.8	0.8	0.9
Total Cu grade (%)	0.80	0.82	0.75	0.86	0.77	0.86	0.91	0.85
Cu sales (Mlbs)	10.5	6.1	6.9	10.3	12.8	7.8	10.3	6.9
Average realized price ($/lb)	$3.96	$4.15	$4.38	$3.97	$3.23	$3.24	$3.25	$3.03
Cash cost per pound of copper sold ($/lb)	$3.33	$4.49	$3.57	$2.60	$2.60	$2.60	$1.99	$2.07
Morrison								
Cu ore sold (kt) [1]	53.3	52.2	50.0	39.7	29.3	20.0	12.7	3.1
Cu grade (%)	9.6	10.1	8.4	9.5	11.2	9.1	5.8	8.2
Payable Cu sold (Mlbs)	10.1	10.3	8.2	7.1	6.3	3.5	1.6	0.7
Payable Ni sold (Mlbs)	1.4	1.7	1.6	1.5	1.2	0.9	0.9	0.3
Payable TPM sold (kozs) [2]	8.4	8.2	5.8	4.1	3.1	1.9	0.9	0.8
Average realized price ($/lb)	$3.47	$4.14	$4.27	$4.37	$3.67	$2.89	$3.49	$3.17
Cash cost per pound of copper sold ($/lb)	$0.59	$0.23	-$0.33	-$0.34	-$0.04	-$2.70	-$7.39	$0.36
Podolsky								
Cu ore sold (kt) [1]	112.2	91.0	99.2	118.0	97.2	128.9	71.3	167.5
Cu grade (%)	3.0	3.6	3.1	3.7	3.2	3.7	2.6	4.2
Payable Cu sold (Mlbs)	6.0	6.4	5.4	8.1	5.4	8.6	3.2	13.0
Payable Ni sold (Mlbs)	0.3	0.3	0.2	0.4	0.3	0.6	0.3	0.8
Payable TPM sold (kozs) [2]	7.2	5.9	6.6	10.6	5.4	11.5	5.3	15.1
Average realized price ($/lb)	$3.42	$4.14	$4.28	$4.36	$3.82	$2.88	$3.63	$3.17
Cash cost per pound of copper sold ($/lb)	$1.89	$1.67	$1.80	$0.74	$1.67	$1.07	$1.69	$1.16
McCreedy West								
Cu ore sold (kt) [1]	15.6	78.0	74.9	76.1	72.6	67.5	67.3	154.5
Cu grade (%)	1.6	1.6	1.0	0.8	0.9	1.1	1.1	1.1
Ni ore sold (kt) [1]	53.6	-	-	-	-	-	-	-
Ni grade (%)	1.6	-	-	-	-	-	-	-
Payable Cu sold (Mlbs)	0.9	2.3	1.1	1.1	1.2	1.2	1.3	3.3
Payable Ni sold (Mlbs)	1.3	0.4	0.2	0.2	0.2	0.2	0.2	0.6
Payable TPM sold (kozs) [2]	1.9	6.4	7.2	8.3	8.1	8.3	7.7	18.8
Average realized price ($/lb)	$3.74	$4.12	$4.27	$4.46	$3.69	$2.84	$3.25	$3.17
Cash cost per pound of copper sold ($/lb)	-$0.38	$1.39	$4.55	$1.55	$2.83	$3.15	$1.23	$1.77

[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 September 30, 2011						
	Robinson	**Carlota** [(2)]	**Franke**	**Morrison**	**Podolsky**	**McCreedy West**	**Total**
Production costs of goods sold	**76.3**	**19.2**	**34.9**	**20.5**	**17.5**	**11.9**	**180.3**
Adjustment for change in inventory	**(4.3)**	**-**	**-**	**-**	**-**	**-**	**(4.3)**
Royalties	**3.9**	**1.3**	**-**	**-**	**-**	**-**	**5.2**
Total cash cost	**75.9**	**20.5**	**34.9**	**20.5**	**17.5**	**11.9**	**181.2**
By-product revenues	**(19.0)**	**-**	**-**	**(14.6)**	**(6.1)**	**(12.2)**	**(52.0)**
	56.9	**20.5**	**34.9**	**5.9**	**11.4**	**(0.3)**	**129.2**
Copper produced/sold (million lbs)	**26.7**	**6.6**	**10.5**	**10.1**	**6.0**	**0.9**	**60.8**
Cash cost per pound of copper (US$/lb) [(1)]	**$ 2.13**	**$ 3.12**	**$ 3.33**	**$ 0.59**	**$ 1.89**	**$ (0.38)**	**$ 2.13**

	Three months ended September 30, 2010						
	Robinson	**Carlota**	**Franke**	**Morrison** [(3)]	**Podolsky** [(3)]	**McCreedy West** [(3)]	**Total**
Production costs of goods sold	70.2	10.5	33.3	5.1	15.0	9.2	143.3
Adjustment for change in inventory	(4.9)	-	-	-	-	-	(4.9)
Royalties	3.5	1.1	-	-	-	-	4.6
Total cash cost	68.8	11.6	33.3	5.1	15.0	9.2	143.0
By-product revenues	(26.6)	-	-	(5.2)	(6.0)	(5.8)	(43.6)
	42.2	11.6	33.3	(0.1)	9.0	3.4	99.4
Copper produced/sold (million lbs)	25.4	6.6	12.8	2.3	5.4	1.2	53.7
Cash cost per pound of copper (US$/lb) [(1)]	$ 1.66	$ 1.74	$ 2.60	$ (0.04)	$ 1.67	$ 2.83	$ 1.85

	Nine months ended September 30, 2011						
	Robinson	**Carlota** [2]	**Franke**	**Morrion**	**Podolsky**	**McCreedy West**	**Total**
Production costs of goods sold	**205.4**	**48.3**	**87.1**	**63.7**	**51.4**	**34.1**	**490.0**
Adjustment for change in inventory	**2.1**	**-**	**-**	**-**	**-**	**-**	**2.1**
Royalties	**10.2**	**3.3**	**-**	**-**	**-**	**-**	**13.5**
Total cash cost	**217.7**	**51.6**	**87.1**	**63.7**	**51.4**	**34.1**	**505.6**
By-product revenues	**(52.1)**	**-**	**-**	**(58.3)**	**(19.6)**	**(26.1)**	**(156.2)**
	165.6	**51.6**	**87.1**	**5.4**	**31.8**	**8.0**	**349.4**
Copper produced/sold (million lbs)	**67.9**	**16.1**	**23.5**	**28.6**	**17.8**	**4.3**	**158.2**
Cash cost per pound of copper (US$/lb) [1]	**$ 2.44**	**$ 3.21**	**$ 3.70**	**$ 0.19**	**$ 1.78**	**$ 1.85**	**$ 2.21**

	Nine months ended September 30, 2010						
	Robinson	**Carlota**	**Franke**	**Morrison** [3]	**Podolsky** [3]	**McCreedy West** [3]	**Total**
Production costs of goods sold	189.5	39.0	74.1	5.8	25.1	14.4	348.0
Adjustment for change in inventory	(2.1)	-	-	-	-	-	(2.1)
Royalties	10.6	3.9	-	-	-	-	14.5
Total cash cost	198.1	42.9	74.1	5.8	25.1	14.4	360.4
By-product revenues	(82.9)	-	-	(6.0)	(10.2)	(7.7)	(106.8)
	115.2	42.9	74.1	(0.2)	14.9	6.7	253.6
Copper produced/sold (million lbs)	78.8	23.8	30.9	2.4	9.1	1.8	146.8
Cash cost per pound of copper (US$/lb) [1]	$ 1.46	$ 1.80	$ 2.40	$ (0.08)	$ 1.64	$ 3.73	$ 1.73

[12)] Robinson cash cost per pound of copper produced is based on payable copper
[21)] Carlota cash cost per pound of copper sold does not include the amount of inventory write down.
[(3)] For the period after May 20, 2010, the day after the merger with FNX.

	Three months ended September 30, 2011			Three months ended September 30, 2010		
	Robinson	**Carlota**	**Franke**	**Robinson**	**Carlota**	**Franke**
Production costs of goods sold	**76.3**	**19.2**	**34.9**	70.2	10.5	33.3
Adjustment for change in inventory	**(4.3)**	**(1.1)**	**0.8**	(4.8)	9.8	(8.4)
Royalties	**3.9**	**1.3**	**-**	3.5	1.1	-
Total onsite and offsite costs	**75.9**	**19.4**	**35.7**	68.9	21.4	24.9

	Nine months ended September 30, 2011			Nine months ended September 30, 2010		
	Robinson	**Carlota**	**Franke**	**Robinson**	**Carlota**	**Franke**
Production costs of goods sold	**205.4**	**48.3**	**87.1**	189.5	39.0	74.1
Adjustment for change in inventory	**2.1**	**18.5**	**13.3**	(2.0)	29.4	(1.4)
Royalties	**10.2**	**3.3**	**-**	10.6	3.9	-
Total onsite and offsite costs	**217.7**	**70.1**	**100.4**	198.1	72.3	72.7

Note: onsite and offsite costs at Morrison, Podolsky and McCreedy West equal to production costs of goods sold 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, inventory write down (reversal), impairment of non-current assets, 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:

	Three months ended Sep 30, 2011	**Three months ended Sep 30, 2010**
(All amounts in millions of United States dollars except per share amounts)		
Net earnings - IFRS	**142.8**	19.5
Adjusting items:		
(Gain) loss on derivatives	**(33.2)**	25.5
Gain on marketable securities	**-**	(7.4)
Transaction costs for FNX merger	**-**	0.2
Accounting gains from investment in Gold Wheaton	**-**	1.3
Dilution gain from the formation of Sierra Gorda JV	**(292.5)**	-
Inventory write down	**76.0**	-
Impairment of non-current assets	**162.0**	-
Tax impact of the above items	**(3.2)**	(4.5)
	(90.9)	15.1
Net earnings - Adjusted	**51.9**	34.6
Weighted-average number of shares outstanding -basic	**191.4**	189.0
Earnings per share - adjusted	**$0.27**	$0.18

	Nine months ended Sep 30, 2011	**Nine months ended Sep 30, 2010**
(All amounts in millions of United States dollars except per share amounts)		
Net earnings - IFRS	**374.3**	111.0
Adjusting items:		
(Gain) loss on derivatives	**(45.4)**	14.4
Gain on marketable securities	**(34.2)**	(7.4)
Transaction costs for FNX merger	**-**	7.2
Accounting gains from investment in Gold Wheaton	**(133.9)**	(8.8)
Dilution gain from the formation of Sierra Gorda JV	**(292.5)**	-
Inventory write down	**87.0**	-
Impairment of non-current assets	**162.0**	-
Tax impact of the above items	**29.3**	(1.9)
	(227.7)	3.5
Net earnings - Adjusted	**146.6**	114.5
Weighted-average number of shares outstanding -basic	**190.9**	143.1
Earnings per share - adjusted	**$0.77**	$0.80

November 9, 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;
- Actual capital costs, operating costs and expenditures, production schedules and economic returns from the Company's mining projects;
- The need to attract and retain qualified personnel;
- Dewatering at the Robinson Mine in 2012 and beyond;
- The successful development of the Sierra Gorda Project, a large joint venture project with significant capital expenditure, permitting and infrastructure requirements;
- Inherent risks associated with joint ventures;
- The ongoing litigation and potential future litigation at the Sierra Gorda Project
- Production estimates which may be materially different from actual mining performance and mineral recoveries;
- Underground mining at the Levack Mine including reserves replacement, and risks associated with the transition to the use of the Craig shaft and other facilities;
- 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 and China deposits at the Franke Mine;
- The Vale offtake agreement, including the risk of potential adjustment to final payable metal and processing cost terms;
- The Vale buy back right, including Vale's right to acquire an interest in the Victoria Project;
- Potential challenges to title to the properties;
- The dependence on transportation facilities and infrastructure;
- Labour relations;
- The potential need for a temporary shutdown of any of our operations, such as related to unplanned maintenance or extreme climatic conditions;
- The actual costs of reclamation;
- The impact of the availability and cost of key operating supplies and services;
- Increased energy prices;
- The acquisition and integration 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;
- Taxation;
- 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.