Quadra FNX Mining Ltd.
Interim Consolidated Financial Statements
June 30, 2011
(Expressed in millions of U.S. dollars, except where indicated)
(Unaudited)

Quadra FNX Mining Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollars in Millions)
(Unaudited)

	Notes	June 30, 2011	December 31, 2010
ASSETS			
Current			
Cash and cash equivalents		1,028.3	318.8
Receivables		146.8	145.7
Inventory	*5*	246.5	214.2
Investment in Gold Wheaton	*6*	-	161.1
Derivative assets	*15*	2.2	3.0
Other current assets	*7*	121.0	84.4
Deferred income tax assets		0.3	-
Total Current Assets		1,545.1	927.2
Mineral properties, plant and equipment	*8*	1,639.8	1,512.7
Goodwill		140.6	140.6
Environmental trust and bond		72.2	72.0
Other non-current assets	*7*	28.6	32.2
Deferred income tax assets		78.5	68.4
Total Non-Current Assets		1,959.7	1,825.9
Total Assets		3,504.8	2,753.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	*10*	131.4	121.9
Provisions	*11*	9.0	12.0
Derivative liabilities	*15*	9.9	13.1
Current portion of deferred revenue	*13*	17.5	16.5
Other current liabilities	*12*	34.4	3.9
Deferred income tax liabilities		4.8	-
Total Current Liabilities		207.0	167.4
Senior Notes	*9*	487.8	-
Deferred revenue	*13*	173.8	181.4
Site closure and reclamation provision	*14*	68.8	68.5
Derivative liabilities	*15*	79.0	91.8
Deferred income tax liabilities		251.5	226.4
Total Non-Current Liabilities		1,060.9	568.1
Total Liabilities		1,267.9	735.5
Shareholders' Equity			
Share capital	*16(a)*	1,698.8	1,690.0
Stock options	*16(b)(i)*	33.5	32.4
Accumulated other comprehensive (loss) income		(0.2)	21.9
Retained earnings		504.8	273.3
Total Shareholders' Equity		2,236.9	2,017.6
Total Liabilities and Shareholders' Equity		3,504.8	2,753.1

Commitments (Note 23), Contingencies (Note 24)

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

Quadra FNX Mining Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollars in Millions)
(Unaudited)

	Notes	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
			(Note 25)		(Note 25)
Revenues	*17*	297.8	169.1	566.6	366.6
					-
Cost of sales		234.3	137.5	441.7	252.6
Income from operations		63.5	31.6	124.9	114.0
General and administrative	*18*	12.6	8.6	21.0	16.8
Foreign exchange gain		(0.3)	(1.9)	(2.5)	(1.8)
Loss (gain) on derivatives	*15*	1.1	(18.5)	(12.2)	(11.1)
Exploration and evaluation		3.0	-	3.0	-
Gain from disposal of Gold Wheaton shares	*6*	-	-	(133.9)	-
Finance income	*19*	(24.8)	(3.3)	(34.8)	(9.0)
Finance expense	*19*	0.6	2.3	1.8	4.7
Transaction costs for FNX merger		-	5.3	-	7.0
Earnings before income taxes and other items		71.3	39.1	282.5	107.4
Income tax expense	*20*	(7.5)	(3.9)	(51.0)	(17.2)
Share of earnings of equity investee		-	1.3	-	1.3
Earnings for the period		63.8	36.5	231.5	91.5
Other comprehensive income					
Unrealized gain (loss) on marketable securities, net of tax	*7*	0.8	(3.8)	6.6	2.6
Reversal of unrealized gain on marketable securities		(28.7)	-	(28.7)	-
Total comprehensive income		35.9	32.7	209.4	94.1
Earnings per share					
Basic		$ 0.33	$ 0.26	$ 1.21	$ 0.76
Diluted		$ 0.33	$ 0.21	$ 1.20	$ 0.75
Weighted average shares outstanding - basic		190.9	139.8	190.7	119.8
Weighted average shares outstanding - diluted		192.2	142.4	192.9	121.9

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

Quadra FNX Mining Ltd.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollars in Millions)
(Unaudited)

	Notes	Share capital	Stock options	Accu. other comp. income	Retained earnings	Total
Balances, December 31, 2010		**1,690.0**	**32.4**	**21.9**	**273.3**	**2,017.6**
Stock options exercised		7.2	-	-	-	7.2
Stock-based compensation		-	2.7	-	-	2.7
Transfer to share capital for stock options exercised		1.6	(1.6)	-	-	-
Reversal of realized gain on marketable securities		-	-	(28.7)	-	(28.7)
Unrealized gain on marketable securities, net of tax	*7*	-	-	6.6	-	6.6
Earnings for the period		-	-	-	231.5	231.5
Balances, June 30, 2011		**1,698.8**	**33.5**	**(0.2)**	**504.8**	**2,236.9**

	Notes	Share capital	Stock options	Accu. other comp. income	Retained earnings	Total
Balances, January 1, 2010		**715.3**	**23.3**	**9.9**	**229.1**	**977.6**
Stock options exercised		3.5	-	-	-	3.5
Shares issued for FNX merger, net of issue costs		952.1	-	-	-	952.1
Stock-based compensation		-	3.3	-	-	3.3
Transfer to share capital for stock options exercised		1.0	(1.0)	-	-	-
Stock options issued for FNX merger		-	6.7	-	-	6.7
Unrealized gain on marketable securities, net of tax		-	-	2.6	-	2.6
Earnings for the period		-	-	-	91.5	91.5
Balances, June 30, 2010		**1,671.9**	**32.3**	**12.5**	**320.6**	**2,037.3**

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

Quadra FNX Mining Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollars in Millions)
(Unaudited)

	Notes	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
OPERATING ACTIVITIES					
Earnings for the period		63.8	36.5	231.5	91.5
Adjustment for:		-	-		
Stock-based compensation		1.1	1.8	2.7	3.3
Amortization, depletion and depreciation		36.4	18.2	68.3	30.2
Writedown of Carlota leach pad inventory	*5*	-	-	11.0	-
Gain from disposal of Gold Wheaton Share	*6*	-	-	(133.9)	-
Unrealized gain on derivatives		1.1	(18.5)	(12.2)	(11.1)
Amortization of deferred revenue		(3.1)	(1.6)	(6.6)	(1.6)
Transaction costs incurred in FNX merger		-	7.0	-	7.0
Share of earnings of equity investee		-	(1.3)	-	(1.3)
Foreign exchange gain		0.7	(3.6)	(3.2)	(3.6)
Income tax expense		7.5	3.9	51.0	17.2
Finance income	*19*	(24.8)	(3.3)	(34.8)	(9.0)
Finance expense		0.6	2.3	1.8	4.7
		83.3	41.4	175.6	127.3
Net changes in non-cash working capital	*22*	(10.0)	2.1	(64.9)	(22.2)
Interest received		0.3	0.2	0.6	0.2
Interest paid		-	(1.1)	-	(1.8)
Income taxes paid		(1.5)	(18.2)	(1.9)	(23.3)
Cash provided from operating activities		**72.1**	**24.4**	**109.4**	**80.2**
INVESTING ACTIVITIES					
Additions to mineral properties, plant and equipment		(110.3)	(46.3)	(186.4)	(69.3)
Cash acquired on merger with FNX		-	198.0	-	198.0
Increase in security deposits		0.3	(4.8)	(0.1)	(4.8)
Increase in restricted cash		(0.2)	-	(0.8)	-
Payment of excercising marketable security warrants		(14.9)	-	(14.9)	-
Increase in environmental bond and trust		-	0.9	-	(5.0)
Proceeds on sale of marketable securities		11.4	-	11.4	-
Proceeds from sale of Gold Wheaton shares	*6*	-	-	295.0	-
Payments for purchasing and settling derivatives		-	(9.0)	(3.0)	(23.4)
Cash (used in) provided from investing activities		**(113.7)**	**138.8**	**101.2**	**95.5**
FINANCING ACTIVITIES					
Proceeds from issue of common shares		5.4	2.0	7.2	3.3
Proceeds from issue of senior note net of issue costs		488.5	-	488.5	-
Drawdown on project debt facility, net of issue costs of $0.4		-	(0.1)	-	12.4
Issue costs related to project debt facility			-	-	(0.4)
Repayment of project debt facilities		-	-	-	(2.1)
Decrease in obligations under capital leases		-	(0.4)	-	(0.8)
Cash provided from financing activities		**493.9**	**1.5**	**495.7**	**12.4**
Effect of foreign exchange rate changes on cash and cash equivalents		**(0.7)**	**3.4**	**3.2**	**3.6**
Net increase in cash and cash equivalents during the period		**451.6**	**168.1**	**709.5**	**191.7**
Cash and cash equivalents, beginning of period		**576.7**	**156.8**	**318.8**	**133.2**
Cash and cash equivalents, end of period		**1,028.3**	**324.9**	**1,028.3**	**324.9**
Cash and cash equivalents comprise of:					
Cash deposits, bankers acceptances and term deposits		295.8	223.8	295.8	223.8
Government money market investments		732.5	101.1	732.5	101.1
		1,028.3	324.9	1,028.3	324.9

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Six months ended June 30, 2011
(Unaudited)

1. NATURE OF OPERATIONS

Quadra FNX Mining Ltd. ("Quadra FNX" or the "Group") was incorporated on May 15, 2002 under the British Columbia Company Act. The Group is in the business of developing and operating mines, with a focus on base metals, particularly copper. The Group has six operating mines: the Robinson mine in Nevada; the Levack mine, including the Morrison deposit, in Ontario; the Franke mine in Chile; the Carlota mine in Arizona; and the Podolsky and McCreedy West mines in Ontario. The Group also owns a development project in Chile ("Sierra Gorda") and an advanced exploration project ("Victoria") in Sudbury, Ontario.

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

2. BASIS OF PRESENTATION

a) Statement of compliance

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

An explanation of the impact of the transition from Canadian GAAP to IFRS on the Group's consolidated financial statements for the three and six months ended June 30, 2010 is provided in Note 25. An explanation of the impact on the statements of financial position as at January 1, 2010 and December 31, 2010 and the statement of comprehensive income for the year ended December 31, 2010 are disclosed in Note 23 in the interim consolidated financial statements for the three months ended March 31, 2011.

These interim consolidated financial statements were approved for issue by the Board of Directors on August 10, 2011.

b) Basis of measurement

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

c) Use of estimates and judgements

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

The accounting for the Gold Wheaton metal sales contract involves judgements in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements.

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

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

d) New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these consolidated financial statements. Two of these are expected to have a significant effect on the consolidated financial statements of the Group, including IFRS 9, *Financial Instruments* ("IFRS 9"), which becomes mandatory for the Group's 2013 consolidated financial statements, and could change the classification and measurement of financial assets. The extent of the impact of IFRS 9 has not been determined. The other new standard that could have a significant effect on the consolidated financial statements of the Group is IFRS 11, *Joint Arrangements*. This standard is effective for the Group's 2013 consolidated financial statements and could change the way the Group accounts for joint venture agreements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(US Dollars in Millions)

4. JOINT VENTURE

On May 16, 2011, Quadra FNX entered into a definitive agreement to form the Sierra Gorda Joint Venture ("Sierra Gorda JV") with Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation (collectively "Sumitomo") to develop the Sierra Gorda copper-molybdenum project in Chile. Quadra FNX will retain a 55% beneficial interest in the Sierra Gorda JV, but the joint venture will be operated as a jointly controlled entity.

Upon anti-trust approval Sumitomo will provide effectively all funding subsequent to May 1, 2011 until approximately $724 has been funded by Sumitomo. Sumitomo will take the lead in efforts to arrange, and will guarantee, project financing for the Sierra Gorda JV targeted at $1 billion, with no recourse to Quadra FNX. In the event project financing is not satisfactorily arranged, then Sumitomo will provide a shareholder back-up loan for $800 to the Sierra Gorda JV, with no recourse to the Quadra FNX. Quadra FNX plans to provide its proportional share of the remaining funding requirements, estimated at $650, through cash on hand.

Under a bridge loan arrangement Quadra FNX may draw from Sumitomo $90 per month, up to a total of $360 commencing September 1, 2011. Quadra FNX gave notice of the first draw on the loan on August 5, 2011.The loan is repayable on the earlier of twelve months after termination, or December 31, 2012 if closing anti-trust approval is not received. The bridge loan would be secured against 45% of the shares of the Sierra Gorda JV and bears interest at LIBOR plus 1%.

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

5. INVENTORY

	June 30, 2011	December 31, 2010
Carlota leach pad inventory	116.8	112.9
Franke leach pad inventory	27.2	24.1
Copper concentrate	46.6	40.3
Copper cathode	21.8	8.0
Sudbury crushed ore inventory	2.1	1.6
Supplies	32.0	27.3
	246.5	214.2

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

6. INVESTMENT IN GOLD WHEATON

During the six months ended June 30, 2011, the Group sold all of its 56,464,126 common shares of Gold Wheaton to Franco-Nevada Corporation (“Franco-Nevada”) for total cash proceeds of $295.0 (C$293.6) or C$5.20 per share for a total pre-tax gain of $133.9.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Six months ended June 30, 2011
(Unaudited)

7. OTHER ASSETS

	June 30, 2011	December 31, 2010
Current		
Marketable securities	76.6	57.2
Prepaid expenses and advances to suppliers	30.9	27.2
Taxes recoverable	13.5	-
	121.0	84.4
Non-current		
Security deposits on equipment	2.6	18.1
Restricted cash	11.3	10.5
Value-added tax recoverable	12.4	-
Other	2.3	3.6
Total	28.6	32.2

The investments in marketable securities are as follows:

	June 30, 2011		December 31, 2010	
	Original Cost	Fair Value	Original Cost	Fair Value
Total Securities	69.2	76.6	19.7	57.2

In 2009 Quadra FNX acquired approximately 5 million shares and 5 million warrants in Far West Mining Ltd. ("Far West") for $10.1. On June 8, 2011 Quadra FNX exercised all its warrants for an additional cost of $14.9 bringing its holdings in Far West shares to approximately 10 million. On June 17, 2011 Capstone Mining Corp. ("Capstone") acquired all of the issued and outstanding common shares of Far West.

Quadra FNX tendered all its Far West shares for cash and shares in Capstone. This resulted in a realized gain of $24.7 for the three months ended June 30, 2011. At June 30, 2011 the Group held approximately 18 million shares of Capstone at a fair value of $68.6.

At June 30, 2011, the fair value of all the investments, based on their quoted market price, had increased to $76.6 resulting in an unrealized gain of $6.6 (net of tax of $3.7) which has been recorded in shareholders' equity as a component of other comprehensive income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
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(Unaudited)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Exploration and evaluation assets	Mineral property acquisition and development	Plant, buildings and equipment	Equipment under capital lease	Site closure and reclamation asset	Total
At December 31, 2010						
Cost	180.2	1,145.8	589.6	1.7	55.5	1,972.8
Accumulated depletion, depreciation and amortization	(0.8)	(71.0)	(103.0)	(1.6)	(35.5)	(211.9)
Accumulated impairment	(95.7)	(99.6)	(52.9)	-	-	(248.2)
Net book value	**83.7**	**975.2**	**433.7**	**0.1**	**20.0**	**1,512.7**
Period ended June 30, 2011						
Change in Cost						
Additions	8.4	118.2	68.0	(1.7)	-	192.9
Decrease in site closure and reclaimation asset	-	-	-	-	(0.5)	(0.5)
Subtotal	8.4	118.2	68.0	(1.7)	(0.5)	192.4
Change in Accumulative Amortization						
Reversal of accumulated depletion, depreciation and amortization on disposal	0.5	-	-	1.6	-	2.1
Depletion, depreciation and amortization charge	-	(42.6)	(24.2)	-	(0.6)	(67.4)
Subtotal	0.5	(42.6)	(24.2)	1.6	(0.6)	(65.3)
At June 30, 2011						
Cost	188.6	1,264.0	657.6	-	55.0	2,165.2
Accumulated depletion, depreciation and amortization	(0.3)	(113.6)	(127.2)	-	(36.1)	(277.2)
Accumulated impairment	(95.7)	(99.6)	(52.9)	-	-	(248.2)
Net book value	**92.6**	**1,050.8**	**477.5**	**-**	**18.9**	**1,639.8**

Interest capitalized in regards to the long term debt issued to finance the Sierra Gorda joint venture was $1.3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Six months ended June 30, 2011
(Unaudited)

9. SENIOR NOTES

	June 30, 2011	**December 31, 2010**
Senior notes	500.0	-
Senior note issue costs	(12.2)	-
	487.8	-

During June 2011, the Group issued $500 million aggregate principal amount of 7.75% senior unsecured notes ("Notes") due 2019 in a private placement which is carried at amortized cost. The fair market value of the notes at June 30, 2011 is $505.0 based on a trading price of 101.

These Notes contain certain covenants that limit the Group'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 Quadra FNX 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.

Quadra FNX 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 Group may redeem the Notes in whole or in part at 100.0% of their principal amount, plus accrued interest. and 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.

Quadra FNX 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 Group 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 June 30, 2011 no mandatory principal repayments are required in the next five years.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2011	**December 31, 2010**
Accounts payable	44.4	41.6
Accrued payroll, benefits and withholding tax	10.1	10.6
Accrued liabilities	74.1	66.7
Accrued royalties	1.4	3.0
Accrued interest	1.4	-
	131.4	121.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
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(Unaudited)

11. PROVISIONS

	June 30, 2011	December 31, 2010
Tax provision	6.0	6.0
Other	3.0	6.0
	9.0	12.0

12. OTHER CURRENT LIABILITIES

	June 30, 2011	December 31, 2010
Taxes payable	34.0	3.3
Obligations under capital lease - current portion	-	0.1
Other	0.4	0.5
	34.4	3.9

13. DEFERRED REVENUE

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

Balance - December 31, 2010	197.9
Recognized into revenue	(6.6)
Balance - June 30, 2011	191.3
Current	(17.5)
Non-current	173.8

14. SITE CLOSURE AND RECLAMATION PROVISION

Balance at December 31, 2010	68.5
Decrease in provision due to change in discount rate	(0.5)
Reclamation work done to reduce liability	(0.3)
Accretion	1.1
Balance at June 30, 2011	68.8

Discount rates used in the estimation of the provision at June 30, 2011 were 3.2% for the US operations, 3.9% for Chile operations and 3.1% for Canadian operations (for December 31, 2010 the discount rates used were 3.3%, 4.1% and 3.3% respectively).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Six months ended June 30, 2011
(Unaudited)

15. DERIVATIVE INSTRUMENTS

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

	June 30, 2011	**December 31, 2010**
Long-term supply contracts (a)	(59.9)	(62.5)
Fuel contracts (b)	2.0	2.5
Copper put options (c)	0.2	0.5
Warrants (d)	(29.0)	(42.4)
	(86.7)	(101.9)

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

	June 30, 2011	**December 31, 2010**
Derivative assets - current	2.2	3.0
Derivative liabilities - current	(9.9)	(13.1)
Derivative liabilities - non-current	(79.0)	(91.8)
	(86.7)	(101.9)

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

	Three months ended June 30, 2011	**Three months ended June 30, 2010**	**Six months ended June 30, 2011**	**Six months ended June 30, 2010**
Long-term supply contracts (a)	(2.3)	1.5	(2.5)	0.9
Fuel contracts (b)	2.8	2.2	0.5	2.0
Copper put options (c)	0.6	0.5	3.2	3.7
Warrants	-	(14.9)	(13.4)	(14.5)
Interest rate cap	-	-	-	0.2
Copper collars (d)	-	(7.8)	-	(3.4)
	1.1	(18.5)	(12.2)	(11.1)

(a) Long-term supply contracts

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

These copper price escalation clauses create embedded derivatives in the acid and water supply contracts. As of June 30, 2011, the fair value of the embedded derivative liabilities was determined to be $59.9 based on the following significant assumptions:

- Copper price of $4.23/lb to $2.50/lb for 2011 to 2022.
- Discount rate: 12.2%

(b) Fuel Contracts

The Group has entered into NYMEX heating oil futures contracts and collar contracts in order to manage the price risk associated with diesel fuel. During the six months ended June 30, 2011, the Group settled 5.4 million gallons of NYMEX heating oil contracts resulting in a cash receipt of $3.6 to the Group, which has been recorded in cost of sales in the Consolidated Statements of Comprehensive Income.

At June 30, 2011, the Group had 2.7 million gallons of NYMEX heating oil futures contracts outstanding with an average strike price of $2.24/gallon. The expiry dates of these NYMEX heating oil futures contracts are between July and December 2011. The diesel price risk management program was discontinued in November 2010 and in the first six months of 2011 the Group has not entered in any NYMEX heating oil futures contracts.

(c) Copper Put Options

The Group's risk management strategy includes a floor price protection program for a portion of its anticipated copper sales. During the six months ended June 30, 2011, the Group purchased additional copper put options for 106 million pounds of copper at an average strike price of $2.70/lb at a cost of $3.0. A total of 80 million pounds of copper put options expired unexercised during the six months ended June 30, 2011.

At June 30, 2011, the Group had 121 million pounds of copper puts outstanding with an average strike price of $2.70/lb. The expiry dates of these put options are between July and December 2011.

(US Dollars in Millions)

(d) Warrants

The Group's warrants are accounted for as a derivative financial liability. Although the exercise price of the warrants is fixed in Canadian dollars, the functional currency of the Group is the US dollar. Accordingly, the foreign exchange effect results in the warrants being classified as a derivative financial liability as the Group will receive a variable amount of cash in US dollars. At June 30, 2011, the warrants assumed in connection with the FNX merger were valued using the quoted market price at June 30, 2011 of C$3.15 as these warrants are publically traded. Lender warrants were valued using the Black Scholes pricing model using the following assumptions: share price C$14.32; expected life 0.67, volatility 61%, discount rate 1.67%.

The following warrants were outstanding and exercisable at June 30, 2011:

	Number outstanding	Exercise price C$	Expiry date
Lender warrants	1,297,767	9.24	March 1, 2012
Warrants issued in connection with FNX merger	6,502,162	14.94	September 9, 2012
Exercisable at June 30, 2011	7,799,929	13.99	

16. SHARE CAPITAL

(a) Common Shares

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

Balance at December 31, 2010	190,415	1,690.0
Capital stock issued:		
Stock options exercised	797	7.2
Transfer from contributed surplus:		
Stock options exercised	-	1.6
Balance at June 30, 2011	191,212	1,698.8

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(b) Stock Options and Share-Based Payments

(i) Stock Options

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

	Options outstanding			Options exercisable	
Exercise price per share	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price C$	Number exercisable	Weighted-average exercise price C$
$3.45 - $7.76	1,763,052	2.67	6.40	1,475,952	6.52
$7.77 - $11.91	669,834	1.29	10.21	619,833	10.22
$11.92 - $15.35	3,189,479	3.30	13.18	1,275,400	13.32
$15.36 - $20.86	786,626	1.53	19.03	775,682	19.07
$20.87 - $24.60	1,140,680	1.72	24.45	1,140,680	24.45
$24.61 - $43.14	824,730	1.62	31.89	824,730	31.89
	8,374,401	2.46	15.44	6,112,277	16.68

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

	Options	Weighted-average exercise price (C$)
Outstanding at December 31, 2010	8,783,891	15.16
Granted	772,449	13.16
Forfeited	(343,606)	18.44
Exercised	(798,473)	8.86
Expired	(39,860)	13.18
Outstanding at June 30, 2011	8,374,401	15.44

During the six months ended June 30, 2011, 772,449 stock options were granted to employees. The total fair value of the stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model and is amortized over their vesting periods. The stock-based compensation expense for the six months ended June 30, 2011 was $2.7 (June 30, 2010 - $1.6), $0.1 of which was capitalized to inventory (June 30, 2010 - $0.1). The fair value of the stock options granted in 2011 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions: expected volatility 71%, risk-free interest rate 2%, expected life 3.1 years, and dividend yield nil.

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

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(ii) Restricted Stock Units ("RSU") and Performance Share Units ("PSU")

During the six months ended June 30, 2011 and 2010, the Group granted 222,035 RSU's. RSU's are settled with a cash payment at the time of maturity. The settlement amount for newly granted RSU's is equivalent to the volume-weighted average stock price of the Group's common shares in the 60 days before settlement. At June 30, 2011 there were 447,149 RSU's outstanding with vesting dates from July 2011 to June 2014.

At June 30, 2011, the Group had 103,724 PSU's outstanding. The PSU's are settled with a cash payment at the time of maturity. The PSU's vest if certain market conditions are met. The settlement amount for each vested PSU is equivalent to the volume-weighted average stock price of the Group's common shares in the 60 days before settlement.

For accounting purposes, RSU's and PSU's are valued at their fair market value and accrued over the vesting period. For the six months ended June 30, 2011, the RSU expense was $0.9 (June 30, 2010 - $0.6) $0.1 of which was capitalized to inventory (June 30, 2010 - $0.1).

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17. SEGMENTED INFORMATION

The Group's reportable operating segments are individual mine operations and development projects, being Robinson, Carlota, Franke, Sudbury Operations, DMC, other mineral properties and Corporate. The corporate segment is responsible for the evaluation and acquisition of new mineral properties and corporate administration.

For the three month period ended June 30, 2011

	Robinson (USA) [a]	Carlota (USA)	Franke (Chile)	Sudbury Operations (Cda) [a]	DMC	Other mineral properties	Corporate	Total
Copper revenues	91.0	22.1	25.5	78.8	-	-	-	217.4
Nickel revenues	-	-	-	25.0	-	-	-	25.0
Other by-product revenues	15.0	-	-	12.6	-	-	-	27.6
Contract mining revenues	-	-	-	-	27.8	-	-	27.8
Revenues	**106.0**	**22.1**	**25.5**	**116.4**	**27.8**	**-**	**-**	**297.8**
Production costs of goods sold	74.4	16.4	27.6	51.0	23.5	-	-	192.9
Amortization, depletion, and depreciation	7.1	3.9	4.1	20.2	0.9	-	-	36.2
Royalties and mineral taxes	4.1	1.1	-	-	-	-	-	5.2
Income (loss) from operations	**20.4**	**0.7**	**(6.2)**	**45.2**	**3.4**	**-**	**-**	**63.5**
General and administrative expense	-	-	-	-	-	-	12.6	12.6
Foreign exchange gain	-	-	-	-	-	-	(0.3)	(0.3)
Loss (gain) on derivatives	-	-	-	-	-	-	1.1	1.1
Exploration and valuation	-	-	-	-	-	-	3.0	3.0
Finance income	-	-	-	-	-	-	(24.8)	(24.8)
Finance expense	-	-	-	-	-	-	0.6	0.6
Segment earnings (loss) before tax	**20.4**	**0.7**	**(6.2)**	**45.2**	**3.4**	**-**	**7.8**	**71.3**
Capital expenditures	28.9	0.5	6.1	16.1	2.7	53.2	2.9	110.4
Segment assets as at June 30, 2011	436.9	311.6	334.5	1,301.6	60.7	418.3	641.2	3,504.8

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For the three month period ended June 30, 2010

	Robinson (USA)	**Carlota (USA)**	**Franke (Chile)**	**Sudbury Operations (Cda)**	**DMC**	**Other mineral properties**	**Corporate**	Total
Copper revenues	68.1	24.1	25.4	12.1	-	-	-	129.7
Nickel revenues	-	-	-	3.3	-	-	-	3.3
Other by-product revenues	26.6	-	-	4.9	-	-	-	31.5
Contract mining revenues	-	-	-	-	4.6	-	-	4.6
Revenues	**94.7**	**24.1**	**25.4**	**20.3**	**4.6**	**-**	**-**	**169.1**
Production costs of goods sold	59.9	13.4	20.3	16.0	4.0	-	-	113.6
Amortization, depletion, and depreciation	6.3	2.7	4.7	3.9	0.6	-	-	18.2
Royalties and mineral taxes	4.5	1.2	-	-	-	-	-	5.7
Segment operating income	**24.0**	**6.8**	**0.4**	**0.4**	**-**	**-**	**-**	**31.6**
General and administrative expense	-	-	-	-	-	-	8.6	8.6
Foreign exchange loss	-	-	-	-	-	-	(1.9)	(1.9)
Loss (gain) on derivatives	-	-	-	-	-	-	(18.5)	(18.5)
Finance income	-	-	-	-	-	-	(3.3)	(3.3)
Finance expense	-	-	-	-	-	-	2.3	2.3
Transaction costs for FNX merger	-	-	-	-	-	-	5.3	5.3
Segment earnings before incomes taxes	**24.0**	**6.8**	**0.4**	**0.4**	**-**	**-**	**7.5**	**39.1**

Capital expenditures	6.0	6.7	6.2	2.7	-	21.3	0.2	43.1
Segment assets as at June 30, 2010	395.5	400.4	301.2	385.8	35.1	1,123.3	191.3	2,832.6

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For the six month period ended June 30, 2011

	Robinson (USA)	Carlota (USA)	Franke (Chile)	Sudbury Operations (Cda)	DMC	Other mineral properties	Corporate	Total
Copper revenues	168.4	40.0	55.6	141.6	-	-	-	405.6
Nickel revenues	-	-	-	51.1	-	-	-	51.1
Other by-product revenues	33.1	-	-	26.5	-	-	-	59.6
Contract mining revenues	-	-	-	-	50.3	-	-	50.3
Revenues	**201.5**	**40.0**	**55.6**	**219.2**	**50.3**	**-**	**-**	**566.6**
Production costs of goods sold	128.9	29.1	52.3	99.4	41.7	-	-	351.4
Inventory write down	-	11.0	-	-	-	-	-	11.0
Amortization, depletion, and depreciation	11.5	7.7	7.7	39.5	1.7	0.1	0.1	68.3
Royalties and mineral taxes	9.0	2.0	-	-	-	-	-	11.0
Income (loss) from operations	**52.1**	**(9.8)**	**(4.4)**	**80.3**	**6.9**	**(0.1)**	**(0.1)**	**124.9**
General and administrative expense	-	-	-	-	-	-	21.0	21.0
Foreign exchange loss	-	-	-	-	-	-	(2.5)	(2.5)
Loss (gain) on derivatives	-	-	-	-	-	-	(12.2)	(12.2)
Exploration and valuation	-	-	-	-	-	-	3.0	3.0
Gain from disposal of Gold Wheaton shares	-	-	-	-	-	-	(133.9)	(133.9)
Finance income	-	-	-	-	-	-	(34.8)	(34.8)
Finance expense	-	-	-	-	-	-	1.8	1.8
Segment earnings (loss) before tax	**52.1**	**(9.8)**	**(4.4)**	**80.3**	**6.9**	**(0.1)**	**157.5**	**282.5**
Capital expenditures	49.8	4.9	19.7	29.9	3.1	81.6	3.0	192.0
Segment assets as at June 30, 2011	436.9	311.6	334.5	1,301.6	60.7	418.3	641.2	3,504.8

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For the six month period ended June 30, 2010

	Robinson (USA)	Carlota (USA)	Franke (Chile)	Sudbury Operations (Cda)	DMC	Other mineral properties	Corporate	Total
Copper revenues	173.2	54.9	58.9	12.1	-	-	-	299.1
Nickel revenues	-	-	-	3.3	-	-	-	3.3
Other by-product revenues	54.7	-	-	4.9	-	-	-	59.6
Contract mining revenues	-	-	-	-	4.6	-	-	4.6
Revenues	**227.9**	**54.9**	**58.9**	**20.3**	**4.6**	**-**	**-**	**366.6**
Production costs of goods sold	119.3	28.5	40.8	16.0	4.0	-	-	208.6
Amortization, depletion, and depreciation	11.9	5.5	8.2	3.9	0.6	-	-	30.1
Royalties and mineral taxes	11.1	2.8	-	-	-	-	-	13.9
Segment operating income	**85.6**	**18.1**	**9.9**	**0.4**	**-**	**-**	**-**	**114.0**
General and administrative expense	-	-	-	-	-	-	16.8	16.8
Foreign exchange loss	-	-	-	-	-	-	(1.8)	(1.8)
Loss (gain) on derivatives	-	-	-	-	-	-	(11.1)	(11.1)
Finance income	-	-	-	-	-	-	(9.0)	(9.0)
Finance expense	-	-	-	-	-	-	4.7	4.7
Transaction costs for FNX merger	-	-	-	-	-	-	7.0	7.0
Segment earnings before incomes taxes	**85.6**	**18.1**	**9.9**	**0.4**	**-**	**-**	**(6.6)**	**107.4**
Capital expenditures	13.1	12.0	8.5	2.7	-	36.2	0.8	73.3
Segment assets as at June 30, 2010	395.5	400.4	301.2	385.8	35.1	1,123.3	191.3	2,832.6

(a) Revenues at Robinson and Sudbury Operations are from concentrate and ore sales and are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as revenue adjustments as they occur until the price is finalized. At June 30, 2011, 31.2 million pounds of copper have been provisionally valued at an average price of $4.22 per pound. The final pricing for these provisionally priced sales is expected to occur between July and September 2011 for Robinson, and July and November 2011 for all provisionally priced metal for the Sudbury Operations.

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18. GENERAL AND ADMINISTRATIVE

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Employee expenses	7.6	5.3	14.7	10.0
Office and communication costs	3.3	2.2	6.9	3.2
Legal and professional services	2.2	0.9	2.7	3.1
Insurance expenses and property taxes	0.2	0.2	0.4	0.3
Other	(0.7)	-	(3.7)	0.2
	12.6	8.6	21.0	16.8

19. FINANCE INCOME AND EXPENSE

Finance income for the six months ended June 30, 2011 of $34.8 (June 30, 2010 - $9.0) is almost entirely related to the investment in Far West securities. Finance expense is mainly comprised of accretion related to the site closure and reclamation provision.

20. INCOME TAXES

For the six month period ended June 30, 2011, the Group recognized a current income tax expense of $35.9 and a deferred income tax expense of $15.1 (for the six months ended June 30, 2010 $13.4 and $3.8 respectively). The income tax expense for the six months ended June 30, 2011 has been recorded based on a forecasted effective income tax rate of 18% for 2011 (2010: 22%). The forecast of the annual effective income tax rate includes assumptions regarding metal prices, mine production and costs. The effective income tax rate on the capital gain on the sale of Gold Wheaton shares was 8%.

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

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

21. RELATED PARTY TRANSACTIONS AND BALANCES

One of the directors of the Group is a partner of an affiliate of the Group’s primary legal counsel. During the six months ended June 30, 2011, the Group incurred legal fees of $0.8 (June 30, 2010 - $0.8), all of which were at normal business terms.

As a result of the merger with FNX, Gold Wheaton became a significantly influenced investee and thus became a related party. Due to the sale of the Group’s Gold Wheaton common shares to Franco Nevada and the subsequent purchase of Gold Wheaton by Franco Nevada (Note 6), Gold Wheaton is no longer a related party at June 30, 2011.

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22. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Decrease (increase) in receivables	0.5	27.5	(1.1)	12.0
Increase in inventory	(12.2)	(13.3)	(43.2)	(25.4)
Increase in restricted cash	-	(3.8)	-	(1.9)
Increase in other current assets	(5.2)	(1.8)	(17.4)	(3.3)
Increase (decrease) in accounts payable and accrued liabilities	9.7	(6.4)	3.0	0.1
Decrease in provisions	-	-	(3.0)	-
Increase (decrease) in other current liabilities	(2.8)	(0.1)	(3.2)	(3.7)
	(10.0)	2.1	(64.9)	(22.2)
Non-cash investing and financing activities:				
Mineral properties, plant and equipment purchases in accruals	(0.3)	2.8	(5.6)	(4.4)

23. COMMITMENTS

As of June 30, 2011, the Group has made contract commitments at Sierra Gorda of $87.5. In addition, purchase orders for mining equipment and infrastructure of $217.0 have been made. At Franke we entered into additional commitments of $2.3 in relation to mine improvement work.

24. CONTINGENCIES

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

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

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

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

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

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

(c) In the normal course of business DMC enters into agreements that contain indemnification commitments and may contain features that meet the expanded definition of guarantees. The terms of these indemnification agreements will vary based on the contract and typically do not provide for a limit on the maximum potential liability. The Group has not made any payments under such indemnifications and no amounts have been accrued in the consolidated financial statements with respect to these indemnification commitments.

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

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

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

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

- Not to apply IFRS 3, *Business* Combinations and restate business combinations that occurred prior to the Transition Date.
- Not to apply the recognition and measurement requirements of IFRS 2, *Share-based Payments* to equity instruments granted after November 7, 2002 and vested prior to Transition Date.
- To apply the simplified method of calculating the net book value of the site closure and reclamation provision recognized in mineral property, plant and equipment. As such, the Group has re-measured the provision for asset retirement obligations as at the Transition Date under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose using best estimates of the historical discount rates, and re-calculated the accumulated depreciation under IFRS up to the Transition Date.

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

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Consolidated Reconciliations from Canadian GAAP to IFRS		**At June 30, 2010**			
Statement of Financial Position	Note	**Cdn GAAP**	**Effect of Transition to IFRS**	**Reclass**	**IFRS**
ASSETS					
Current					
Cash and cash equivalents		324.9	-	-	324.9
Restricted cash		7.2	-	-	7.2
Receivables		100.7	-	-	100.7
Inventory		224.9	-	-	224.9
Investment in Gold Wheaton		123.0	-	-	123.0
Derivative assets		1.3	-	-	1.3
Other current assets		51.2	-	-	51.2
Total Current Assets		833.2	-	-	833.2
Mineral properties, plant and equipment	*(i)*	1,868.8	29.2	-	1,898.0
Environmental trust and bond		70.8	-	-	70.8
Derivative assets		0.1	-	-	0.1
Other non-current assets		9.4	-	-	9.4
Deferred income tax assets	*(iii)*	17.8	3.3	-	21.1
Total Non-Current Assets		1,966.9	32.5	-	1,999.4
Total Assets		2,800.1	32.5	-	2,832.6
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		120.3	-	(5.0)	115.3
Franke debt facility		45.6	-	-	45.6
Provisions		-	-	11.0	11.0
Derivative liabilities		8.2	-	-	8.2
Current portion of deferred revenue		15.7	-	-	15.7
Other current liabilities		6.2	-	(6.0)	0.2
Deferred income tax liabilities		7.3	-	(7.3)	-
Total Current Liabilities		203.3	-	(7.3)	196.0
Deferred revenue		208.9	-	-	208.9
Site closure and reclamation provision	*(i)*	53.7	49.8	-	103.5
Derivative liabilities	*(ii)*	27.4	(22.0)	39.7	45.1
Other non-current liabilities		2.5	-	-	2.5
Deferred income tax liabilities		232.0	-	7.3	239.3
Total Non-Current Liabilities		524.5	27.8	47.0	599.3
Total Liabilities		727.8	27.8	39.7	795.3
Shareholders' Equity					
Share capital		1,671.9	-	-	1,671.9
Stock options		72.0	-	(39.7)	32.3
Accumulated other comprehensive income		12.5	-	-	12.5
Retained earnings		315.9	4.7	-	320.6
Total Shareholders' Equity		2,072.3	4.7	(39.7)	2,037.3
Total Liabilities and Shareholders' Equity		2,800.1	32.5	-	2,832.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Six months ended June 30, 2011
(Unaudited)

	Note	Three months ended June 30, 2010			
		Cdn GAAP	Effect of Transition to IFRS	Reclass	IFRS
Revenues		169.1	-	-	169.1
Cost of sales		113.6	-	23.9	137.5
Amortization, depletion and depreciation	*(i)*	17.4	0.8	(18.2)	-
Accretion of asset retirement obligations	*(i)*	0.8	0.3	(1.1)	-
Royalties and mineral taxes		5.7	-	(5.7)	-
Income from operations		31.6	(1.1)	1.1	31.6
General and administrative		6.9	-	1.7	8.6
Stock-based compensation		1.7	-	(1.7)	-
Foreign exchange loss (gain)		(1.9)	-	-	(1.9)
(Gain) loss on derivatives	*(ii)*	(3.5)	(15.0)	-	(18.5)
Net interest and other income		(2.1)	-	2.1	-
Finance income		-	-	(3.3)	(3.3)
Finance expense		-	-	2.3	2.3
Transaction costs for FNX merger		5.3	-	-	5.3
Earnings before income taxes and other items		25.2	13.9	-	39.1
Income tax expense	*(iii)*	(4.9)	1.0	-	(3.9)
Share of earnings of equity investee		1.3	-	-	1.3
Earnings for the period		21.6	14.9	-	36.5
Other comprehensive income					
Unrealized gain on marketable securities, net of tax		(3.8)	-	-	(3.8)
Comprehensive income		17.8	14.9	-	32.7
Earnings per share					
Basic		0.15			0.26
Diluted		0.15			0.21
Weighted average shares outstanding - Basic		139.8			139.8
Weighted average shares outstanding - Diluted		141.5			142.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Six months ended June 30, 2011
(Unaudited)

Consolidated Reconciliations from Cdn GAAP to IFRS
Statement of Comprehensive Income

	Note	Six months ended June 30, 2010			
		Cdn GAAP	**Effect of Transition to IFRS**	**Reclass**	**IFRS**
Revenues		366.6	-	-	366.6
Cost of sales		208.6	-	44.0	252.6
Amortization, depletion and depreciation	*(i)*	28.8	1.4	(30.2)	-
Accretion of asset retirement obligations	*(i)*	2.0	0.1	(2.1)	-
Royalties and mineral taxes		13.8	-	(13.8)	-
Income from operations		113.4	(1.5)	2.1	114.0
General and administrative		13.5	-	3.3	16.8
Stock-based compensation		3.3	-	(3.3)	-
Foreign exchange loss (gain)		(1.8)	-	-	(1.8)
(Gain) loss on derivatives	*(ii)*	3.5	(14.6)	-	(11.1)
Net interest and other income		(6.4)	-	6.4	-
Finance income		-	-	(9.0)	(9.0)
Finance expense		-	-	4.7	4.7
Transaction costs for FNX merger		7.0	-	-	7.0
Earnings before income taxes and other items		94.3	13.1	-	107.4
Income tax expense	*(iii)*	(18.2)	1.0	-	(17.2)
Share of earnings of equity investee		1.3	-	-	1.3
Earnings for the period		77.4	14.1	-	91.5
Other comprehensive income					
Unrealized gain on marketable securities, net of tax		2.6	-	-	2.6
Comprehensive income		80.0	14.1	-	94.1
Earnings per share					
Basic		0.65			0.76
Diluted		0.64			0.75
Weighted average shares outstanding - Basic		119.8			119.8
Weighted average shares outstanding - Diluted		121.7			121.9

(US Dollars in Millions)

Notes to reconciliations from Canadian GAAP to IFRS

(i) Adjustment for site closure and reclamation provision

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

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

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

	As at June 30, 2010					
	Estimated reclamation	Estimated closure	Discount	Site Closure Provision		
Mineral property	cost	date	rate	IFRS	Cdn GAAP	Difference
Robinson mine	84.8	2031	3.7%	78.9	39.9	39.0
Carlota mine	10.4	2021	3.0%	9.0	4.8	4.2
Franke mine	8.6	2020	3.1%	9.8	6.2	3.6
Sudbury operations	6.5	2020	3.3%	5.0	2.0	3.0
Other mineral properties	0.8		Nil	0.8	0.8	-
				103.5	53.7	49.8

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

(ii) Account for warrants as derivative liability

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Six months ended June 30, 2011
(Unaudited)

(iii) Income tax

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

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

a) Impact on Share-Based Payments

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