MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SECOND QUARTER ENDED JUNE 30, 2011

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

	Three months ended June 30			Six months ended June 30		
	2011	2010	Change	2011	2010	Change
FINANCIAL HIGHLIGHTS						
Revenues	298	169	76%	567	367	55%
Income from mining operations	64	32	101%	125	114	10%
EBITDA [1]	109	62	76%	353	145	144%
EBITDA per share (basic)	0.57	0.44	29%	1.85	1.21	53%
Earnings for the period	64	37	75%	232	92	153%
Earnings per share (basic)	0.33	0.26	29%	1.21	0.76	60%
Cash	1,028	325	217%	1,028	325	217%
Working capital	1,338	637	110%	1,338	637	110%

(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.

SECOND QUARTER AND RECENT HIGHLIGHTS:

- Total revenues increased 76% to $298 million in the quarter compared to $169 million in the same quarter of 2010.
- Earnings increased 75% to $64 million compared to $37 million in the same quarter of 2010.
- EBITDA increased 79% to $109 million from $62 million in 2010.
- Total production for the quarter was 55 million pounds of copper and 27 thousand ounces of total precious metals (TPMs). Cash costs were $2.33 per pound of copper. Sales lagged production by 2 million pounds.
- The Company completed the private placement of $500 million aggregate principal amount of 7.75% senior notes and ended the quarter with $1.03 billion of cash.
- The Company entered into an agreement to form a Joint Venture ("JV") with Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation (collectively "Sumitomo") to develop the Sierra Gorda project in Chile. The Company will retain a 55% beneficial interest in the JV.
- The Company filed National Instrument 43-101 (NI 43-101) compliant Technical Reports in support of the Sierra Gorda Feasibility Study and the Inferred Mineral Resource for the Victoria project in Sudbury, Ontario.
- As a subsequent event, the Company received approval of the Environmental Impact Assessment ("EIA"), the master environmental permit, for Sierra Gorda.

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 August 9, 2011 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the quarter ended June 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 $63.8 million or $0.33 per share (basic) for the second quarter of 2011 (Q2 2011) compared to $36.5 million or $0.26 per share (basic) for the second quarter of 2010 (Q2 2010). For the first six months of 2011, earnings increased to $231.5 million compared to $91.5 million in the same period of 2010. The increased earnings in Q2 2011 were primarily driven by a $31.9 million increase in operating profit, due to higher average copper prices, and the inclusion of the Sudbury operations following the merger with FNX Mining Ltd. ("FNX") after May 20, 2010 partially offset by lower operating income at Robinson and Franke (see **"Review of Operations and Projects"**). The Company also realized an increased financing income of $24.8 million on its investments in Far West mainly offsetting a decreased income on derivatives of $19.6 million compared with 2010 (see "**General & administrative and other expenses**"). During Q2 2011, the Company sold 53 million pounds of copper at an average price of $4.06/lb and 28 thousand ounces of total precious metals ("TPMs") compared to 47 million pounds of copper in Q2 2010 at an average price of $2.78/lb and 21 thousand ounces of TPMs.

Revenues

	Three months ended June 30, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	22.3	5.4	6.1	10.3	6.4	2.3		52.8
(in millions of U.S. dollars)								
Copper	91.0	22.1	25.5	42.8	26.4	9.6	-	217.4
Nickel	-	-	-	17.9	2.8	4.3	-	25.0
Other by product (1)	15.0	-	-	5.0	3.1	4.5	-	27.6
Contract mining	-	-	-	-	-	-	27.8	27.8
Total	106.0	22.1	25.5	65.7	32.3	18.4	27.8	297.8

	Three months ended June 30, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	26.6	7.7	7.8	-	3.7	0.7	-	46.5
(in millions of U.S. dollars)								
Copper	68.1	24.1	25.4	-	10.2	1.9	-	129.7
Nickel	-	-	-	-	1.9	1.4	-	3.3
Other by product (1)	26.6	-	-	-	3.1	1.8	-	31.5
Contract mining	-	-	-	-	-	-	4.6	4.6
Total	94.7	24.1	25.4	-	15.2	5.1	4.6	169.1

	Six months ended June 30, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	40.5	9.5	13.0	18.5	11.8	3.4	-	96.7
(in millions of U.S. dollars)								
Copper	168.4	40.0	55.6	78.0	49.4	14.2	-	405.6
Nickel	-	-	-	38.4	6.0	6.7	-	51.1
Other by product [1]	33.1	-	-	7.7	8.5	10.3	-	59.6
Contract mining	-	-	-	-	-	-	50.3	50.3
Total	201.5	40.0	55.6	124.1	63.9	31.2	50.3	566.6

	Six months ended June 30, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	54.4	17.2	18.1	-	3.7	0.7	-	94.1
(in millions of U.S. dollars)								
Copper	173.2	54.9	58.9	-	10.2	1.9	-	299.1
Nickel	-	-	-	-	1.9	1.4	-	3.3
Other by product [1]	54.7	-	-	-	3.1	1.8	-	59.6
Contract mining	-	-	-	-	-	-	4.6	4.6
Total	227.9	54.9	58.9	-	15.2	5.1	4.6	366.6

[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 Q2 2011 were significantly higher than the same period of 2010 due to higher copper prices and high sales volumes with the addition of sales from the Sudbury operations partially offset by lower sales volumes at the Robinson, Carlota and Franke mines. Copper spot price at June 30, 2011 was $4.22/lb compared to $2.96 at June 30, 2010. The lower sales volumes at the Carlota and Franke mines were mainly a result of lower production (see **"Review operations and projects"**) while at Robinson the lower sales volumes were also a result of lower copper and gold grades in concentrate shipped, including concentrate from Q1 2011 shipped in Q2 2011, compared with grades shipped in Q2 2010.

Revenues in Q2 2011 at the Morrison deposit, McCreedy West and Podolsky included non-cash revenue of $3.1 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 June 30, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	106.0	22.1	25.5	65.7	32.3	18.4	27.8	297.8
Production costs	(74.4)	(16.4)	(27.6)	(23.2)	(16.9)	(10.9)	(23.5)	(192.9)
AD&D [1]	(7.1)	(3.9)	(4.1)	(9.1)	(8.5)	(2.6)	(0.9)	(36.2)
Royalties and mineral taxes	(4.1)	(1.1)	-	-	-	-	-	(5.2)
Operating expense	(85.6)	(21.4)	(31.7)	(32.3)	(25.4)	(13.5)	(24.4)	(234.3)
Operating income	20.4	0.7	(6.2)	33.4	6.9	4.9	3.4	63.5

	Three months ended June 30, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	94.7	24.1	25.4	-	15.2	5.1	4.6	169.1
Production costs	(59.9)	(13.4)	(20.3)	-	(10.1)	(5.9)	(4.0)	(113.6)
AD&D [1]	(6.3)	(2.7)	(4.7)	-	(2.8)	(1.1)	(0.6)	(18.2)
Royalties and mineral taxes	(4.5)	(1.2)	-	-	-	-	-	(5.7)
Operating expense	(70.7)	(17.3)	(25.0)	-	(12.9)	(7.0)	(4.6)	(137.5)
Operating income	24.0	6.8	0.4	-	2.3	(1.9)	0.0	31.6

	Six month ended June 30, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	201.5	40.0	55.6	124.1	63.9	31.2	50.3	566.6
Production costs	(128.9)	(29.1)	(52.3)	(43.3)	(34.0)	(22.1)	(41.7)	(351.4)
Inventory write down	-	(11.0)	-	-	-	-	-	(11.0)
AD&D [3]	(11.7)	(7.7)	(7.7)	(18.3)	(16.1)	(5.1)	(1.7)	(68.3)
Royalties and mineral taxes	(9.0)	(2.0)	-	-	-	-	-	(11.0)
Operating expenses	(149.6)	(49.8)	(60.0)	(61.6)	(50.1)	(27.2)	(43.4)	(441.7)
Operating income	51.9	(9.8)	(4.4)	62.5	13.8	4.0	6.9	124.9

	Six month ended June 30, 2010							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	227.9	54.9	58.9	-	15.2	5.1	4.6	366.6
Production costs	(119.3)	(28.5)	(40.8)	-	(10.1)	(5.9)	(4.0)	(208.6)
AD&D [3]	(11.9)	(5.5)	(8.2)	-	(2.8)	(1.1)	(0.6)	(30.1)
Royalties and mineral taxes	(11.1)	(2.8)	-	-	-	-	-	(13.9)
Operating expenses	(142.3)	(36.8)	(49.0)	-	(12.9)	(7.0)	(4.6)	(252.6)
Operating income	85.6	18.1	9.9	-	2.3	(1.9)	0.0	114.0

[1] Amortization, depletion and depreciation

Production costs in Q2 2011 were higher than the same period of 2010 due mainly to the contribution from the Morrison deposit, Podolsky and McCreedy West mines after the merger with FNX on May 20, 2010, and the higher operating costs related to transition items at Robinson and Franke and concentrate shipment timing at Robinson (see "**Review of Operations and Projects**"). Amortization, depletion and depreciation ("AD&D") were higher in Q2 2011 than Q2 2010, mainly due to additional AD&D expenses from the Sudbury operations after the merger.

Operating income increased in Q2 2011 compared to Q2 2010 primarily due to the inclusion of production from the Sudbury operations after the merger with FNX on May 20, 2011 and particularly from the Morrison deposit, which commenced commercial production in September 2010. The operating income was slightly offset by lower operating income from Carlota, Franke and Robinson which were impacted by lower production and higher operating costs (see **"Review of Operations and Projects"**).

General & administrative and other expenses

General and administrative expenses for Q2 2011 were $12.6 million compared to $8.6 million for Q2 2010. The general and administrative expenses in Q2 2011 reflect the Company's increased activity level and payroll as a result of the merger with FNX on May 20, 2010 and the extra activities with Sierra Gorda and Victoria.

In Q2 2011, the Company recognized a loss of $1.1 million on derivatives compared to a gain of $18.5 million in the same quarter of 2010. The gain in 2010 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"**). For the first six months of 2011, the Company recorded a gain on derivatives of $12.2 million compared to $11.1 million in the same period of 2010. The gain for both years was mainly due to the decrease in the fair value of the Company's issued and outstanding warrants.

Finance income in Q2 2011 of $24.8 million primarily resulted from the net gain on the Company's investment in Far West Mining recorded in the quarter (see **"Liquidity and Capital Resources"**).

REVIEW OF OPERATIONS AND PROJECTS

SAFETY AND ENVIRONMENTAL

Safety Performance

The Company's Total Recordable Injury Rate ("TRIR") for the quarter was 2.69. The TRIR for underground mines was 4.8 compared to a 5.9 for Ontario mines. The TRIR for open pit mines was 0.59 compared to a national average rate of 1.19 for U.S. surface mines.

Safety highlights included Zero Harm at the McCreedy West mine in Sudbury where no injuries requiring any form of medical attention at all occurred during the first half of 2011, and the underground mines as a group, reached two million employee hours without a Lost Time Injury in May 2011.

Environmental Performance

There were no significant environmental incidents in Q2 2011 at any of the Company's operations or development projects.

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 six months ended June 30, 2011 from the Company's operating mines is summarized as follows:

	Three months ended June 30, 2011	Six months ended June 30, 2011
Copper production (Mlbs)		
Robinson [2]	**21.2**	**41.2**
Carlota [3]	**6.2**	**10.4**
Franke [3]	**8.3**	**15.5**
Morrison deposit [4]	**10.3**	**18.5**
Podolsky [4]	**6.4**	**11.8**
McCreedy West [4]	**2.3**	**3.4**
	54.7	**100.8**
Nickel production (Mlbs)		
Morrison deposit [4]	**1.7**	**3.3**
Podolsky [4]	**0.3**	**0.5**
McCreedy West [4]	**0.4**	**0.6**
	2.4	**4.4**
TPM [1] (kozs)		
Robinson [2]	**7.1**	**12.6**
Morrison deposit [4]	**8.2**	**14.0**
Podolsky [4]	**5.9**	**12.5**
McCreedy West [4]	**6.4**	**13.6**
	27.6	**52.7**

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

U.S OPERATIONS

Robinson (Nevada)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Copper production payable (Mlbs)	**21.2**	22.7	**41.2**	53.4
Gold production payable (kozs)	**7.1**	14.7	**12.6**	40.8
Ore mined (Mt)	**3.1**	4.0	**6.3**	7.1
Waste mined (Mt)	**11.3**	12.1	**22.0**	21.9
Ore milled (Mt)	**3.2**	3.6	**6.6**	6.9
Copper grade (%)	**0.43**	0.40	**0.42**	0.64
Gold grade (g/t)	**0.17**	0.20	**0.17**	0.31
Copper recovery (%)	**73.0**	73.5	**71.3**	63.6
Gold recovery (%)	**44.2**	66.3	**36.9**	73.0
Cash cost per pound of copper produced ($/lb)	**$2.78**	$1.67	**$2.64**	$1.37
Capital expenditure	**$28.9**	$6.0	**$49.8**	$13.1
Production costs of goods sold	**$74.4**	$59.9	**$128.9**	$119.3
Operating income	**$20.4**	$24.0	**$51.9**	$85.6

Copper production in Q2 2011 was lower than in the same quarter of 2011 due to lower tonnage milled as a result of scheduled shutdowns, ore grinding characteristics and use of stockpiled ore while geotechnical issues were resolved in the pit. The latter also affected mill head grades..

Gold production in Q2 2011 was lower compared to Q2 2010 due to lower head grades and associated recoveries in the Ruth pit compared to the Veteran pit, resulting in a $12 million decline in by product revenues. The removal of "mud" (accumulated tailings and pit wall debris from earlier operations) from the bottom of the pit was completed in June, ahead of schedule.

Robinson production costs and capital expenditures

The Q2 2011 operating costs were $14 million higher than Q2 2010 mainly because of higher mine operating costs (largely fuel and tires), scheduled maintenance combined with an inventory change totaling approximately $4 million.

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 $2.78/lb in Q2 2011 compared to $1.67/lb in the same quarter of 2010. The increased unit cost in the current quarter is due primarily to a combination of higher production costs and lower by-product revenues.

Capital expenditures during the quarter primarily related to Ruth pit development work which included $6.0 million for the pit mud removal, $8.5 million for Liberty pit exploration, and $5.0 million for the Ruth secondary access ramp.

Robinson Outlook

The completion of the removal of mud from the bottom of the Ruth pit is expected to significantly increase operational flexibility and allow access to the higher grade ore at the bottom of the pit. Additionally, operating flexibility will be provided by the construction of a new secondary access ramp into the pit, scheduled for completion in the third quarter, and transfer of four trucks from the Carlota operation to Robinson. The new ramp will also allow mining out the north ramp, where additional higher grade ore is available. Overall, 2011 production at Robinson is still expected to be back-end weighted contributing between 105 and 120 million pounds of payable copper. Due to lower grades and recoveries in the first half of the year payable gold production is now expected to total approximately 25 to 30 thousand ounces, approximately 20 thousand ounces below previous expectations.

A two part exploration program has commenced in the Liberty pit, focusing on the potential for easily accessible reserves and resources that will improve short term flexibility and on increasing the life of mine reserve.

Capital investment for the remainder of the year is now expected to total $33 million, including $11 million for the new secondary ramp, $7 million for dewatering, $5 million for exploration, mainly in the Liberty pit, $7 million for equipment and tailings impoundment, and $3 million for housing. In addition, bonding was increased by $5.6 million.

Carlota (Arizona)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Copper cathode production (Mlbs)	**6.2**	7.4	**10.4**	15.6
Ore mined (Mt)	**1.5**	1.6	**2.3**	2.6
Waste mined (Mt)	**4.4**	6.0	**9.7**	11.0
Ore placed (Mt)	**1.5**	1.6	**2.3**	2.6
Total copper grade (%)	**0.44**	0.39	**0.42**	0.37
Cash cost per pound of copper sold ($/lb)	**$3.24**	$1.89	**$3.27**	$1.82
Capital expenditure	**$0.5**	$6.7	**$4.9**	$12.0
Production costs of goods sold	**$16.4**	$13.4	**$29.1**	$28.5
Operating (loss) income	**$0.7**	$6.8	**-$9.8**	$18.1

Total tonnes mined in Q2 2011 were 22% lower than the same quarter of 2010 mainly due to a planned reduction in waste stripping. Copper production in Q2 2011 was lower than the same quarter of 2010 as a result of continuing slower leaching kinetics in the sulphide ore that was stacked in the second half of 2010.

During Q2 2011, the Company completed the transition from truck dumping to conveyor stacking. Initial results indicate that this change is having a positive impact on percolation rates in oxide ore, with rates increasing from 4 $l/hr/m^2$ to the planned rate of 6 $l/hr/m^2$ on a consistent basis. The Company also prepared a sulphide test pad ahead of next years' expected sulphide ore production. Preliminary sampling indicates that percolation in sulphide ores are also significantly improved.

Carlota production cost and capital expenditures

Production costs for Q2 2011 increased mainly due to increased fuel and acid prices, conveyor stacking costs and the increased cost of planned component replacements. As the Carlota mine is a heap leach operation ore stacked in one period effects 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 $1.89/lb to $2.82/lb mainly due to the decreased production.

Capital expenditures for Q2 2011 primarily related to the completion of the Phase 2 leach pad construction.

Carlota Outlook

Carlota will continue with conveyor stacking using a contractor until a full analysis of the impact of this change on the recoveries has been completed. A full assessment of recoveries will only be possible once leaching of the first conveyor stacked lifts is completed in Q3 2011. In the interim, the Company has decreased the mining rate in order to better align the operations cost structure with the current production base and four trucks were transferred from Carlota to the Robinson operation in July 2011. The Company also expects the medium term production benefits of conveyor stacking to offset the higher ore handling costs, and have an overall positive impact on the operation's overall cost structure.

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 $4 million, plus an additional $10 million for the environmental bond.

CHILE OPERATIONS

Franke

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Copper cathode production (Mlbs)	**8.3**	10.4	**15.5**	19.3
Ore mined (Mt)	**0.8**	1.0	**1.3**	2.0
Waste mined (Mt)	**0.7**	1.0	**1.2**	2.0
Ore placed (Mt)	**0.8**	0.8	**1.3**	1.6
Copper grade (%)	**0.82**	0.86	**0.79**	0.88
Cash cost per pound of copper sold ($/lb)	**$4.49**	$2.60	**$4.01**	$2.25
Capital expenditure	**$6.1**	$6.2	**$19.7**	$8.5
Production costs of goods sold	**$27.6**	$20.3	**$52.3**	$40.8
Operating loss/income	**-$6.2**	$0.4	**-$4.4**	$9.9

Copper cathode production for Q2 2011 was lower than the same quarter of 2010 due to lower mine volumes and the mining of lower grade stockpile ore during the transition to owner mining. Recovery optimization initiatives continued during the quarter and new techniques, including custom leach solution application rates and acid cures, were developed. These initiatives will be implemented going forward on an ore-type by ore-type basis.

The balance of the mining equipment required was delivered and all operating and maintenance crews were in place by the end of June. Prior to June, rental and leased equipment was partially utilized at the mine.

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 Q2 2011 were higher than Q2 2010 due to higher acid and power costs, as well as a result of the transition to owner mining and maintenance as both contractors and owner personnel were concurrently on site. The operation continues to run at below its design throughput rate until the replacement stacker is in place.

The Franke operation utilizes on-off leach pads, and at the end of each quarter the Company reconciles the copper recovered from leach pads that have completed their leach cycle where the spent ore has been removed. Each quarter an adjustment is made and charged, or credited, through production costs. In Q2 2011 an $11 million increase in cost of sales was made related to the low grade stockpile ore which was placed on the pads in the Q4 2010 and Q1 2011. As a result, an adjustment has been made to inventory. This change is not expected to have a material impact on inventory values going forward .

Capital expenditures at Franke of $6 million in the second quarter primarily related to the purchase of mining equipment in the transition to full owner mining.

Franke Operations Outlook

The transition to owner mining and maintenance was substantially completed during Q2 2011 and the workforce was expanded to include additional mine operations and maintenance personnel. Stockpiles of ore were adequate to operate the processing plant and mine volumes have since increased as planned. The existing ore stacker continues to operate at a rate of 85-90% of its nameplate stacking capacity, and the delivery of new stacking equipment remains scheduled for the fourth quarter of 2011.

As noted above, recovery optimization initiatives for individual ore types have continued and include adjustments to the lift height, crush size, and solution application rates. Additional leach pad space is currently in design and under consideration. Copper production is expected to ramp up in the fourth quarter, benefiting from the transition to

owner mining, improving recoveries and additional stacking capacity. 2011 copper cathode production is expected to be in the lower end of the previously guided range of 35 to 45 million pounds.

Capital costs for the remainder of 2011 are expected to total $7 million. Major capital expenditures in the second half of 2011 include additional dust control on the processing equipment, and the construction of additional leach pads.

Infill drilling of the nearby China deposit has been completed and engineering evaluations have begun with a view to adding China to the mine plan.

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 June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Copper ore sold (kt) [1]	**52.2**	20.0	**102.2**	32.7
Copper grade (%)	**10.1**	9.1	**-**	7.8
Nickel ore sold (kt) [1]	**6.0**	4.4	**10.3**	10.0
Nickel grade (%)	**3.5**	2.5	**-**	3.0
Copper sold - payable (Mlbs)	**10.3**	3.3	**18.5**	4.9
Nickel sold - payable (Mlbs)	**1.7**	0.9	**3.3**	1.8
Gold sold - payable (kozs)	**1.2**	0.3	**2.4**	0.3
Platinum sold - payable (kozs)	**2.3**	0.5	**3.6**	0.7
Palladium sold - payable (kozs)	**4.7**	1.1	**8.0**	1.7
Cash cost per pound of copper sold ($/lb) [2]	**$0.23**	-	**-$0.02**	-
Capital expenditure [2]	**$8.5**	-	**$14.6**	-
Production costs of goods sold [2]	**$23.2**	-	**$43.3**	-
Operating income [2]	**$33.4**	-	**$62.5**	-

[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 no results were recorded for Q2 2010, comparison here is made against Q1 2011.

Total payable copper sold in Q2 2011 was 26% higher than in Q1 2011, with nickel production increasing 6% and TPMs increasing by 40%. The Company continued the use of selective mining methods at higher production rates with narrow vein areas yielding higher grades, and the rock mass continuing to remain very competent. The backfill plant that was commissioned in the first quarter was ramped up to match the mining rate.

During Q2 2011 the Company developed 314 meters of access ramp towards the Levack # 2 Shaft so that at the quarter end, the ramp was 42% complete. Once completed, this ramp will be used to rehabilitate the #2 Shaft and will ultimately be the main haulage drift for future mining, and provide additional ventilation capacity to the Morrison deposit.

Morrison production costs and capital expenditures

Production costs for Q2 2011 were $3 million higher than in Q1 2011 mainly from the increased usage of hydraulic backfill, but with the increased copper production and TPMs the operating profit increased from $29 million to $33 million.

The cash cost per pound of payable copper increased from negative $0.33/lb in Q1 2011 to $0.23/lb in Q2 2011. This increase is mainly the result of lower nickel by product credits due to lower nickel prices in Q2 2011 and higher volumes of hydraulic backfill

Capital spending of $8.5 million in Q2 2011 was mainly for development work and equipment purchases.

Morrison deposit outlook

The improved production results achieved in Q2 2011 are expected to continue through the year. As a result, the Company now expects 2011 payable copper production from Morrison to be in the high end of the previously stated 30 to 40 million pounds guidance range. In addition, TPM production is expected to increase by approximately 5 thousand ounces to approximately 25 to 30 thousand ounces and payable nickel production is expected to total 6 million pounds.

The ramp from the 3900 Level of the Morrison deposit to the #2 Shaft is expected to reach the 3600 Level in November, after which shaft rehabilitation will commence. The scope of the shaft rehabilitation work remains uncertain and the current estimated date for completion is now mid 2012. The production rate from Morrison is therefore expected to remain at current levels until the rehabilitation efforts are completed.

In 2011, onsite and offsite costs at Morrison are expected to be in the $80 to $85 million range, increasing from the previously expected range of $70 to $80 million. The increase in cost expectations is associated with higher mine tonnage volumes and additional backfill costs. As a result of the change in the shaft rehabilitation program, 2011 capital expenditures expectations are now expected to total $40 million, $10 million below the amount previously announced. As a result capital costs for the remainder of 2011 are expected to total $25 million.

Podolsky

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Copper ore sold (kt) [1]	**91.0**	128.9	**190.3**	200.2
Copper grade (%)	**3.6**	3.7	**3.4**	3.3
Copper sold - payable (Mlbs)	**6.4**	8.6	**11.8**	11.8
Nickel sold - payable (Mlbs)	**0.3**	0.6	**0.5**	0.9
Gold sold - payable (kozs)	**1.0**	1.9	**2.0**	2.8
Platinum sold - payable (kozs)	**2.3**	4.9	**5.0**	7.1
Palladium sold - payable (kozs)	**2.7**	4.7	**5.6**	6.8
Cash cost per pound of copper sold ($/lb) [2]	**$1.67**	$1.58	**$1.74**	$1.58
Capital expenditure [2]	**$3.8**	$1.2	**$7.8**	$1.2
Production costs of goods sold [2]	**$16.9**	$10.1	**$34.0**	$10.1
Operating income [2]	**$6.9**	$2.3	**$13.8**	$2.3

[1] Converted to metric tonnes from short tons
[2] 2010 data represents the period after May 20, 2010, the day of the merger with FNX, which is not comparable to the current quarter.

In Q2 2011, Podolsky continued its consistent performance contributing 6.4 million pounds of payable copper, 6.0 thousand ounces of payable TPMs and 0.3 million pounds of payable nickel. Underground development, backfill, ore production and diamond drilling, in support of metal production, were on or better than expectations.

Podolsky production costs and capital expenditures

The cash cost per payable pound of copper in Q2 2011 was $0.13/lb lower than that of Q1 2011 primarily due to increase copper production in the current quarter resulting in higher operating income. Capital expenditures in Q2 2011 totalled $3.8 million and related to development work, and diamond drilling.

Podolsky outlook

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

McCreedy West

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Copper ore sold (kt) [1]	**78.0**	67.50	**152.9**	134.8
Copper grade (%)	**1.6**	1.1	**1.3**	1.1
Copper sold - payable (Mlbs)	**2.3**	1.4	**3.4**	3.0
Nickel sold - payable (Mlbs)	**0.4**	0.4	**0.6**	0.9
Gold sold - payable (kozs)	**0.9**	1.25	**1.5**	2.4
Platinum sold - payable (kozs)	**2.4**	2.63	**5.2**	5.1
Palladium sold - payable (kozs)	**3.1**	4.60	**6.9**	9.0
Cash cost per pound of copper sold ($/lb) [2]	**$1.39**	$4.34	**$2.41**	$4.34
Capital expenditure [2]	**$3.8**	$1.5	**$7.5**	$1.5
Production costs of goods sold	**$10.9**	$5.9	**$22.1**	$5.9
Operating Income (loss) [2]	**$4.9**	-$1.9	**$4.0**	-$1.9

(1) Converted to metric tonnes from short tons
(2) 2010 dollar data represents the period after May 20, 2010, the day of the merger with FNX, which is not comparable to the current quarter.

During Q2 2011, ore production from the PM zone and the 700 Complex footwall ore bodies exceeded the same period in 2010 due to higher productivity. Copper production in Q2 2011 significantly exceeded that in Q2 2010 primarily as a result of increased grade mined but also due to increased ore mined. During the quarter the Company reached an agreement with Vale, whereby Vale waived its right to the high-magnesium oxide (MgO) nickel ores from McCreedy West for a period of three years. The Company has subsequently entered into negotiations for the sale of this ore to another party.

McCreedy West production costs and capital expenditures

Production and processing costs for McCreedy West in Q2 2011 were above plan due to a combination of higher tonnage and better copper grades during Q2 2011. As a result, cash cost per payable pound of copper reduced to $1.39/lb in Q2 2011 from $4.55/lb in Q1 2011.

Capital costs are for development and the replacement underground haulage trucks.

McCreedy West outlook

Following the waiver by Vale of its right to the MgO nickel ores, the Company has entered into negotiations for the sale of this ore to another party. Mining of contact nickel ores recommenced during Q2 2011 in order to provide a 40,000 - 50,000 tonne bulk test sample which will be used to establish definitive payability terms. A definitive decision on the re-start of contact nickel capacity remains dependent on these terms.

In 2011 payable copper production expectations remain in the 5 to 6 million pound range, while annual nickel production volumes remains dependent on the contact nickel re-start. In 2011, onsite and offsite costs at McCreedy West are expected to be in line with 2010. Capital expenditures are primarily related to mobile equipment, mine infrastructure and development work. The pilot plant for electromagnetic/optical sorting ("Ore Sorter project") has been commissioned on the McCreedy West site and an evaluation programme has commenced.

PROJECTS UNDER DEVELOPMENT

Sierra Gorda Project

In the first half of 2011 the Company expended $72.8 million on the project, including security deposit and progress payments for mining equipment. During Q2 2011, the Company announced the results of a positive feasibility study (the "Feasibility Study") which confirms a robust, large-scale, low cost mine. Based on the Feasibility Study results, Board of Directors approved proceeding.

Highlights from the Feasibility Study include:

- Initial throughput rate 110,000 tonnes per day ("tpd"), with expansion after three years to 190,000 tpd
- Production from current sulphide reserves averaging 483 million pounds of copper, 25 million pounds of molybdenum and 64 thousand ounces of gold per annum over a 20 year mine life. Molybdenum production is estimated at 54 million pounds per annum during the first three years of operation
- Expected life of mine cash cost of $1.15 per pound of Cu, with $0.56 per pound of Cu in the first five years (net of by-product credits)[1]
- 20 year mine life based on current sulphide resources, with upside potential to process an additional 237 million tonnes of oxide resources

[1] *Assuming $2.50 Cu. $12/lb Mo and $1,000/oz Au*

The Company also entered into a definitive agreement to form a JointVenture ("JV") with Sumitomo to develop the project. Quadra FNX will retain a 55% beneficial interest in the JV. Highlights of the JV agreement include:

- Quadra FNX and Sumitomo to form 55%/45% JV to develop the Sierra Gorda project in Chile, closing subject only to normal anti-trust approval, applied for in July 2011
- Sumitomo to contribute the next $724 million of JV equity after closing
- Sumitomo will also arrange a minimum $1.0 billion project financing non-recourse to Quadra FNX or, if not available, to provide to the project $800 million loan non-recourse to Quadra FNX
- The Company is to provide its proportional share of the remaining JV funding requirements estimated at approximately $650 million through cash on hand and its proceeds from the issuance of debt. During June 2011, the Company issued, through private placement, $500 million aggregate principal amount of 7.75% senior unsecured notes ("Notes") due 2019. The proceeds from the Notes will be partially used to fund the Company's share of Sierra Gorda funding.

The NI 43-101compliant Technical Report dated June 8, 2011 in support of the May 16, 2011 Sierra Gorda Feasibility Study was filed on SEDAR during the quarter.. The Sierra Gorda NI 43-101Technical Report was prepared by Pincock, Allen & Holt ("PAH") under the direction of Leonel López, C.P.G., a Qualified Person for the purposes of National Instrument 43-101. The Sierra Gorda resource was estimated by Mine Development Associates under the direction of Steven Ristorcelli, C.P.G, a Qualified Person for the purposes of NI 43-101.

During Q2 2011, Fluor Corporation was awarded the Engineering, Procurement and Construction Management contract for the process facilities. Orders were placed for major and long lead time process equipment with no major price or delivery deviations from the Feasibility Study.

The Sierra Gorda project is subject to several lawsuits that have been filed in Chilean courts against the Company's wholly-owned Chilean subsidiary (see section below "**Contingencies**").

Sierra Gorda Outlook

The Estudio de Impacto Ambiental (EIA – or Environmental Impact Assessment) was approved by the regulatory authorities on July 6, 2011.

The Company is continuing to advance all aspects of project development as called for by the schedule, including detailed engineering, key equipment selection, ordering and manufacturing, hiring of key operating staff, negotiations of Build-Own-Operate contracts and site predevelopment. Over the next quarter the Company will commence with ground work activities including the construction of a 6,000 person camp and related facilities. The delivery of mining equipment ordered in 2010 is on schedule to allow commencement of pre-stripping in 2012.

The total capital cost for Sierra Gorda is predicted to be $2,877 million including contingency but excluding working capital. The JV partners are using $3.0 billion for overall cash purposes. The project is expected to start production and become cashflow positive in 2014.

Capital commitments and capital expenditure by year over the construction period based on the JV budget is scheduled as:

	Expenditure
2011 (balance of year)	$253 million
2012	$1,448 million
2013	$1,001 million
2014	$80 million

Assuming the JV obtains anti-trust approval, and the project develops in accordance with budget, the Company shall be required to advance approximately $650 million of the amount that includes estimated working capital and interest over the construction period.

Victoria Project

During Q2 2011, the Company filed the NI 43-101compliant Technical Report dated June 3, 2011 in support of the April 19, 2011 Inferred Mineral Resource announcement for the Victoria Project on SEDAR. The Victoria 43-101 Technical Report was prepared under the direction of Catharine Farrow Ph.D., P. Geo., Chief Technology Officer, and John Everest, M.Sc., P.Geo., Manager - Sudbury Exploration for Quadra FNX, the designated Qualified Persons pursuant to NI 43-101.

The Company has initiated an engineering study for the Victoria advanced exploration project which is targeted to be completed by the end of the year. The study considers sinking two concurrent shafts, one for production, and a second for ventilation, secondary egress, and lateral development which will be used to establish definition diamond drill platforms and facilitate the extraction of bulk sample(s) for metallurgical/commercial testwork. Concurrent with this, the Company has continued First Nation and other stakeholder consultation, and the preparation and submission of required permits.

Victoria Project Outlook

Exploration focus at the Victoria property has transitioned to step-out drilling of Zone 4 and the exploration for satellite orebodies that could impact the size of future production infrastructure. This exploration approach will continue for the remainder of 2011.

The ongoing engineering study 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 with Vale, who has the right and obligation to buy the production 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 shaft sinking.

DMC MINING SERVICES

DMC Mining Services continued to report no medical aid or lost time accidents to the end of the first half of the year. Work volume continues to grow in Canada and the United States with the total contract work to be completed now exceeding $470 million.

DMC Engineers are working diligently on the shaft for BHP Billiton's Jansen Project in Saskatchewan where ground freezing will commence in August. Revenue for the quarter was $27.8 million and for the first half of the year was $50.3 million. Operating income for the quarter was $3.4 million and $6.9 million for the period to the end of June 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 of 240 million pounds +/- 10% plus approximately 100 thousand ounces of payable TPMs, approximately 15 thousand ounces lower than previous expectations, 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. The table below outlines a guidance range for each of the operations.

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

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2011, the Company had cash and cash equivalents of $1,028 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 $76.6 million. During the first six 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 the second quarter the Company generated $72.1 million in operating cash flow. The Company generated cash flow from operating activities of $109.4 million for the first six months of 2011 compared to $80.2 million for the same period of 2010. The increase in operating cash flow is largely driven by the higher copper prices.

At June 30, 2011, the Company had working capital of $1,338.1 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 June 30, 2011, accounts receivable and revenues include approximately 31.2 million pounds of copper that has been provisionally valued at $4.22/lb. The final pricing for these provisionally priced sales is expected to occur between July and November 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 third quarter of 2011.

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 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.

Capital spending in the first six months of 2011 was $186 million for operations and projects, which included $22 million of capitalized Ruth pit mud removal costs.

During the first six months of 2011, the Company purchased additional copper put options under the price protection program at a cost of $3.0 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 precious metals and to a lesser extent nickel. Future changes in the price of copper will also impact the final settlement price of provisionally priced sales. The Company has purchased copper put options to protect a minimum floor price for a portion of its future copper production (see "**Financial Instruments**"). The JV is budgeted to spend $253 million in the second half of 2011 to progress the Sierra Gorda project with the funding structure laid out in the JV agreement (see "**Sierra Gorda Project**"). [In addition, the Company expects to spend approximately $185 million on capital expenditures and $16 million on environmental bond at its six operating mines. At current metal prices, the Company expects that it will be able to fund the 2011 capital requirements for all of its mines and projects from existing cash on hand and internally generated funds.

Commitments and contractual obligations

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
Reclamation liabilities	$ 0.8	$ 0.8	$ 0.8	$ 0.8	$ 0.8	$ 73.9	$ 77.9
Franke Mine supply contracts	8.0	15.8	15.3	12.7	10.4	51.1	113.3
Robinson Mine power supply contract	4.6	9.2	-	-	-	-	13.8
Sierra Gorda project equipment and contracts	304.5	-	-	-	-	-	304.5
Minimum lease payments (capital and operating)	7.8	9.2	6.4	2.9	0.7	-	27.1
Total	$ 325.7	$ 35.0	$ 22.5	$ 16.4	$ 11.9	$ 125.0	$ 536.6

Reclamation liabilities

The Company has estimated total future reclamation costs of $77.9 million (undiscounted), which primarily relate to the closure of the Robinson, Carlota and Franke mines and the Sudbury operations. The accounting carrying value of this liability is $68.8 million at June 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 $72.2 million as at June 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.

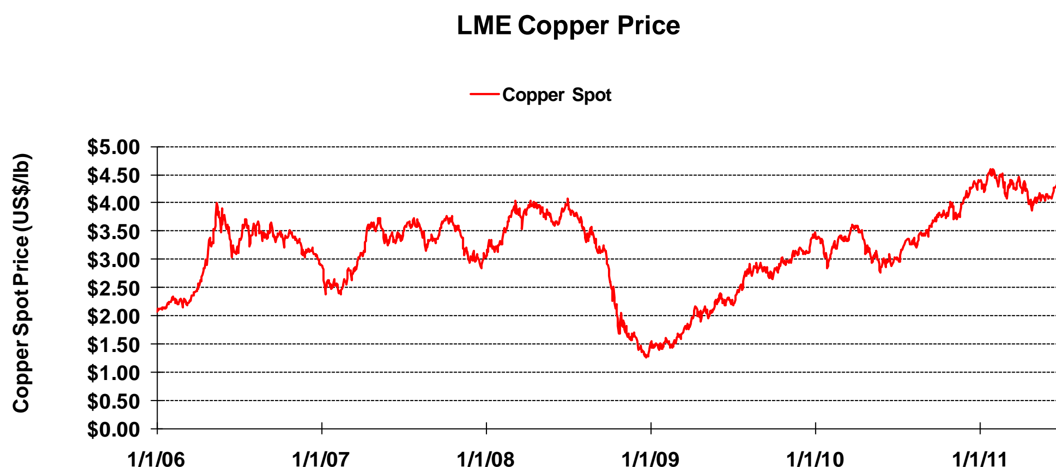
Sierra Gorda project equipment and contracts

As of June 30, 2011, the Company has made contract commitments at Sierra Gorda project of $87.5. In addition, purchase orders for mining equipment (including shovels, drills and trucks) and infrastructure of $217.0 have been made.

MARKET TRENDS AND FUNDAMENTALS

Copper prices averaged $4.15/lb in the second quarter, 5% lower than first quarter average of $4.37/lb mainly due to macroeconomic concerns surrounding the Eurozone and USA fiscal situations and concerns over monetary tightening in China dampening demand. Looking forward, the Company believes that copper market fundamentals will remain strong; supported by continued mine supply underperformance due to falling ore grades, strikes, aging large mines, project delays and difficulty in funding large high cost technically challenging projects. In the short term, from a demand perspective, the Company recognizes that sustained high oil and food prices pose increased inflationary threats in both emerging market countries and Organization for Economic Cooperation and Development (“OECD”) countries. In the long term, continued urbanization of emerging market countries such as China and continued gradual growth in OECD economies will provide a positive back drop for copper demand.

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



At June 30, 2011, the closing spot price was $4.22/lb. At July 29, 2011, the closing spot price was $4.41/lb. The reference price of copper metal is determined by trading on the LME, where the price is set in U.S. dollars at the end of each business day.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

Copper price	**Impact on the after tax earnings (excluding derivatives)**
+ $0.20/lb	26.7
- $0.20/lb	(26.7)

The Company has a floor price protection program in place for a portion of its anticipated copper sales from April to December 2011. During the first six months of 2011, the Company purchased additional copper put options for 106 million pounds of copper at an average strike price of $2.70/lb at a cost of $3.0 million. A total of 80 million pounds of copper put options expired unexercised.

At June 30, 2011, the Company 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.

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

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

Copper price	Cash flows from copper put options
$1.50/lb	145.2
$2.00/lb	84.7
$2.50/lb	24.2
$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 Q2 2011, the Company settled 2.7 million gallons of NYMEX heating oil contracts resulting in a cash receipt of $2.1 million to the Company, which has been recorded in cost of sales on the statement of earnings.

At June 30, 2011, the Company 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. As a result of a review of risks to the Company the diesel price protection program was curtailed as of December 2010 and the existing contracts will be allowed to run out.

CONTINGENCIES

(a) The Company was originally served with four lawsuits that were filed in Chilean Courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada ("MQCL"). These lawsuits seek to invalidate certain of the option agreements under which the Company acquired mining tenements that comprise a significant part of the Sierra Gorda project. MQCL is aware that the same plaintiffs are attempting to initiate additional lawsuits seeking to declare null and void the option agreements relating to the mineral properties that are already the subject of the first case. Based on advice of Chilean counsel, Quadra FNX believes that the option agreements are valid and that the lawsuits are without merit.

The plaintiffs in the lawsuits are or were shareholders in the "sociedades legales mineras" ("SLM") or legal mining companies that owned certain of the mining tenements that were optioned to the Company in 2004. The Company believes it fully complied with the terms of all option agreements and the plaintiffs accepted all option payments until April 2008. In 2009 the company has settled one case for an immaterial sum and 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 favour of MQCL.

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

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

Interim processing terms (i.e. treatment and refining charges) and interim payable metals terms have been established by the processor for the 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.

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

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

TRANSACTIONS WITH RELATED PARTIES

One of the directors of the Company is a partner of an affiliate of Blake, Cassels & Graydon LLP. During the six month period of 2011, the Company incurred legal fees of $0.8 million with that entity (June 30, 2010: $0.8 million), all of which were at normal business terms.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Mineral Properties

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

The carrying value of mineral properties is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized for a mineral property if its carrying value exceeds the higher of total discounted cash flows expected from its use and disposal ("value in use") or fair value less costs to sell. Discounted cash flows for mineral properties are estimated based on a number of assumptions including management's view of long-term commodity prices, proven and probable reserves, estimated value beyond proven and probable reserves, and estimates of future operating, capital, reclamation costs and discount rate. Based on management's view of future metal prices and cost assumptions, the carrying value of the Company's mineral properties was not impaired at June 30, 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 June 30, 2011. At June 30, 2011 the Company had additional available U.S. Alternative Minimum Tax Credits of $5.7 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 191,211,627 common shares issued and outstanding at June 30, 2011. As of August 9, 2011, the Company had 191,358,503 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 June 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 June 30, 2010 and December 31, 2010 for comparative purposes:

	January 1, 2010	June 30, 2010	December 31, 2010
Equity under Canadian GAAP	**1,005.4**	**2,072.3**	**2,195.0**
Site closure and reclamation provisions	(19.1)	(20.5)	(23.5)
Impairment of long-lived assets	-	-	(152.5)
Financial instruments	(11.0)	(17.8)	(42.3)
Deferred income taxes	2.3	3.3	40.9
Total IFRS adjustments to equity	(27.8)	(35.0)	(177.4)
Equity under IFRS	977.6	2,037.3	2,017.6

In transition to IFRS, the Company recorded an increase in earnings of approximately $14.9 million and $14.1 million for the three months ended June 30, 2010 and six months ended June 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 six months ended June 30, 2010 and the year ended December 31, 2010 under IFRS:

	Three month period ended June 30, 2010	Six month period ended June 30, 2010	Year ended December 31, 2010
Earnings under Canadian GAAP	**21.6**	**77.4**	**172.5**
Site closure and reclamation provisions	(1.1)	(1.5)	(4.3)
Impairment of long-lived assets	-	-	(152.5)
Financial instruments	15.0	14.6	(10.1)
Deferred income taxes	1.0	1.0	38.6
Total IFRS adjustments to earnings	14.9	14.1	(128.3)
Earnings under IFRS	36.5	91.5	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	**2011**	**2010**				**2009 ****	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenues *								
Robinson								
Robinson	106	95	132	130	95	133	136	74
Carlota	22	18	30	22	24	31	19	17
Franke	26	30	41	41	25	34	21	-
Podolsky	32	32	48	28	15	-	-	-
Levack Complex (1)	84	71	63	26	5	-	-	-
DMC	28	23	18	12	5	-	-	-
Revenues - Total	**298**	**269**	**332**	**259**	**169**	**197**	**176**	**91**
Operating income	63.5	61.4	112.0	66.6	31.5	82.4	63.4	31.6
Earnings (loss) before income taxes	71.3	211.2	(79.1)	28.9	39.1	68.3	45.6	21.2
Earnings (loss)	63.8	167.7	(67.0)	19.6	36.5	55.0	46.5	14.7
Basic earnings (loss) per share	$0.33	$0.88	-$0.35	$0.10	$0.26	$0.55	$0.47	$0.16
Diluted earnings (loss) per share	$0.33	$0.85	-$0.35	$0.10	$0.21	$0.54	$0.46	$0.15

(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	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Robinson								
Cu produced payable (Mlbs)	21.2	19.9	25.4	25.4	22.7	30.7	28.2	32.2
Ore milled (Mt)	3.2	3.4	3.5	3.3	3.6	3.3	3,630.0	3.6
Au production payable (kozs)	7.1	5.5	14.9	14.5	14.7	26.0	24.4	20.5
Cu grade (%)	0.43	0.41	0.46	0.49	0.40	0.59	0.59	0.75
Au grade (g/t)	0.17	0.18	0.26	0.25	0.20	0.31	0.31	0.26
Cu recovery (%)	73.0	69.5	75.4	75.3	73.5	72.2	65.9	57.4
Au recovery (%)	44.2	30.4	53.3	58.2	66.3	78.1	73.1	71.4
Cu sales (Mlbs)	22.3	18.2	24.7	28.5	26.6	27.8	31.7	21.1
Average final settlement price ($/lb)	$4.13	$4.39	$3.79	$3.19	$3.19	$3.37	$3.02	$2.42
Cash cost per pound of payable copper produced ($/lb)	$2.78	$2.49	$1.89	$1.66	$1.67	$1.14	$1.53	$1.11
Carlota								
Cu production (Mlbs)	6.2	4.2	6.6	7.3	7.4	8.2	8.0	6.6
Ore placed (Mt)	1.5	0.8	1.5	2.3	1.6	1.0	1.6	1.4
Total Cu grade (%)	0.44	0.39	0.7	0.77	0.39	0.35	0.61	0.45
Cu sales (Mlbs)	5.4	4.1	7.7	6.6	7.7	9.5	6.4	6.5
Average realized price ($/lb)	$4.06	$4.37	$3.88	$3.29	$3.13	$3.25	$3.01	$2.63
Cash cost per pound of copper sold ($/lb)	$3.24	$3.37	$1.84	$1.74	$1.89	$1.76	$1.61	$1.88
Franke								
Cu production (Mlbs)	8.3	7.2	7.8	10.1	10.4	8.9	9.4	4.1
Ore placed (Mt)	0.8	0.5	0.7	0.9	0.8	0.8	0.8	0.5
Total Cu grade (%)	0.82	0.75	0.86	0.77	0.86	0.91	0.85	0.80
Cu sales (Mlbs)	6.1	6.9	10.3	12.8	7.8	10.3	6.9	-
Average realized price ($/lb)	$4.15	$4.38	$3.97	$3.23	$3.24	$3.25	$3.03	-
Cash cost per pound of copper sold ($/lb)	$4.49	$3.57	$2.60	$2.60	$2.60	$1.99	$2.07	-
Morrison								
Cu ore sold (kt) [(1)]	52.2	50.0	39.7	29.3	20.0	12.7	3.1	-
Cu grade (%)	10.1	8.4	9.5	11.2	9.1	5.8	8.2	-
Payable Cu sold (Mlbs)	10.3	8.2	7.1	6.3	3.5	1.6	0.7	-
Payable Ni sold (Mlbs)	1.7	1.6	1.5	1.2	0.9	0.9	0.3	-
Payable TPM sold (kozs) [(2)]	8.2	5.8	4.1	3.0	1.9	0.9	0.8	-
Average realized price ($/lb)	$4.14	$4.27	$4.37	$3.67	$2.89	$3.49	$3.17	-
Cash cost per pound of copper sold ($/lb)	$0.23	-$0.33	-$0.34	-$0.04	-$2.70	-$7.39	$0.36	-
Podolsky								
Cu ore sold (kt) [(1)]	91.0	99.2	118.0	97.2	128.9	71.3	167.5	6.2
Cu grade (%)	3.6	3.1	3.7	3.2	3.7	2.6	4.2	3.5
Payable Cu sold (Mlbs)	6.4	5.4	8.1	5.4	8.6	3.2	13.0	0.4
Payable Ni sold (Mlbs)	0.3	0.2	0.4	0.3	0.6	0.3	0.8	0.03
Payable TPM sold (kozs) [(2)]	5.9	6.6	10.6	5.4	11.5	5.3	15.1	0.9
Average realized price ($/lb)	$4.14	$4.28	$4.36	$3.82	$2.88	$3.63	$3.17	$3.32
Cash cost per pound of copper sold ($/lb)	$1.67	$1.80	$0.74	$1.67	$1.07	$1.69	$1.16	$1.17
McCreedy West								
Cu ore sold (kt) [(1)]	78.0	74.9	76.1	72.6	67.5	67.3	154.5	2.3
Cu grade (%)	1.6	1.0	0.8	0.8	1.1	1.1	1.1	0.8
Payable Cu sold (Mlbs)	2.3	1.1	1.1	1.2	1.2	1.3	3.3	0.03
Payable Ni sold (Mlbs)	0.4	0.2	0.2	0.2	0.2	0.2	0.6	0.01
Payable TPM sold (kozs) [(2)]	6.4	7.2	8.3	8.1	8.3	7.7	18.8	0.1
Average realized price ($/lb)	$4.12	$4.27	$4.46	$3.69	$2.84	$3.25	$3.17	$30.92
Cash cost per pound of copper sold ($/lb)	$1.39	$4.55	$1.55	$2.83	$3.15	$1.23	$1.77	-$5.46

(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 June 30, 2011						
	Robinson	**Carlota** (2)	**Franke**	**Morrison**	**Podolsky**	**McCreedy West**	**Total**
Production costs of goods sold	**74.4**	**16.4**	**27.6**	**23.2**	**16.9**	**10.9**	**169.4**
Adjustment for change in inventory	**(3.4)**	**-**	**-**	**-**	**-**	**-**	**(3.4)**
Royalties	**3.2**	**1.1**	**-**	**-**	**-**	**-**	**4.3**
Total cash cost	**74.2**	**17.5**	**27.6**	**23.2**	**16.9**	**10.9**	**170.3**
By-product revenues	**(15.1)**	**-**	**-**	**(20.8)**	**(6.2)**	**(7.7)**	**(49.8)**
	59.1	**17.5**	**27.6**	**2.4**	**10.7**	**3.2**	**120.5**
Copper produced/sold (million lbs)	**21.2**	**5.4**	**6.1**	**10.3**	**6.4**	**2.3**	**51.8**
Cash cost per pound of copper (US$/lb) (1)	**$ 2.78**	**$ 3.24**	**$ 4.49**	**$ 0.23**	**$ 1.67**	**$ 1.39**	**$ 2.33**

	Three months ended June 30, 2010						
	Robinson	**Carlota**	**Franke**	**Morrison** (3)	**Podolsky** (3)	**McCreedy West** (3)	**Total**
Production costs of goods sold	59.9	13.4	20.3	-	10.1	5.9	109.6
Adjustment for change in inventory	1.2	-	-	-	-	-	1.2
Royalties	3.5	1.2	-	-	-	-	4.7
Total cash cost	64.6	14.6	20.3	-	10.1	5.9	115.5
By-product revenues	(26.8)	-	-	-	(4.2)	(2.9)	(33.9)
	37.8	14.6	20.3	-	5.9	3.0	81.6
Copper produced/sold (million lbs)	22.7	7.7	7.8	-	3.7	0.7	42.6
Cash cost per pound of copper (US$/lb) (1)	$ 1.67	$ 1.89	$ 2.60	$ -	$ 1.58	$ 4.34	$ 1.92

	Six months ended June 30, 2011						
	Robinson	**Carlota** [2]	**Franke**	**Morrion**	**Podolsky**	**McCreedy West**	**Total**
Production costs of goods sold	**128.9**	**29.1**	**52.3**	**43.3**	**34.0**	**22.1**	**309.7**
Adjustment for change in inventory	**6.7**	**-**	**-**	**-**	**-**	**-**	**6.7**
Royalties	**6.2**	**2.0**	**-**	**-**	**-**	**-**	**8.2**
Total cash cost	**141.8**	**31.1**	**52.3**	**43.3**	**34.0**	**22.1**	**324.6**
By-product revenues	**(33.1)**	**-**	**-**	**(43.7)**	**(13.5)**	**(13.9)**	**(104.2)**
	108.7	**31.1**	**52.3**	**(0.4)**	**20.5**	**8.2**	**220.4**
Copper produced/sold (million lbs)	**41.2**	**9.5**	**13.0**	**18.5**	**11.8**	**3.4**	**97.4**
Cash cost per pound of copper (US$/lb) [1]	**$ 2.64**	**$ 3.27**	**$ 4.01**	**$ (0.02)**	**$ 1.74**	**$ 2.41**	**$ 2.26**

	Six months ended June 30, 2010						
	Robinson	**Carlota**	**Franke**	**Morrison** [3]	**Podolsky** [3]	**McCreedy West** [3]	**Total**
Production costs of goods sold	119.3	28.5	40.8	-	10.1	5.9	204.6
Adjustment for change in inventory	2.8	-	-	-	-	-	2.8
Royalties	7.1	2.8	-	-	-	-	9.9
Total cash cost	129.3	31.3	40.8	-	10.1	5.9	217.3
By-product revenues	(56.3)	-	-	-	(4.2)	(2.9)	(63.4)
	73.0	31.3	40.8	-	5.9	3.0	154.0
Copper produced/sold (million lbs)	53.4	17.2	18.1	-	3.7	0.7	93.1
Cash cost per pound of copper (US$/lb) [1]	$ 1.37	$ 1.82	$ 2.25	$ -	$ 1.58	$ 4.34	$ 1.65

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 June 30, 2011			Three months ended June 30, 2010		
	Robinson	**Carlota**	**Franke**	**Robinson**	**Carlota**	**Franke**
Production costs of goods sold	**74.4**	**16.4**	**27.6**	59.9	13.4	20.3
Adjustment for change in inventory	**(3.4)**	**6.9**	**5.9**	1.2	10.2	5.3
Royalties	**3.2**	**1.1**	**-**	3.5	1.2	-
Total onsite and offsite costs	**74.2**	**24.4**	**33.5**	64.6	24.8	25.6

	Six months ended June 30, 2011			Six months ended June 30, 2010		
	Robinson	**Carlota**	**Franke**	**Robinson**	**Carlota**	**Franke**
Production costs of goods sold	**128.9**	**29.1**	**52.3**	119.3	28.5	40.8
Adjustment for change in inventory	**6.7**	**19.6**	**12.4**	2.8	19.6	6.0
Royalties	**6.2**	**2.0**	**-**	7.1	2.8	-
Total onsite and offsite costs	**141.8**	**50.7**	**64.7**	129.2	50.9	46.8

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), merger costs, and adjustments of prior year taxes. Management believes that these measures provide investors with ability to better evaluate underlying performance. The following table provides a reconciliation of earnings to adjusted earnings for the periods presented:

(All amounts in millions of United States dollars except per share amounts)	**Three months ended June 30, 2011**	Three months ended June 30, 2010
Net earnings - IFRS	**63.8**	36.5
Adjusting items:		
Loss (gain) on derivatives	**1.1**	(18.5)
(Gain) loss on marketable securities	**(24.6)**	5.7
Transaction costs for FNX merger	**-**	5.3
Accounting gains from investment in Gold Wheaton	**-**	(10.1)
Tax impact of the above items	**2.5**	4.0
	(21.0)	(13.6)
Net earnings - Adjusted	**42.8**	22.9
Weighted-average number of shares outstanding -basic	**190.9**	139.8
Earnings per share - adjusted	**$ 0.22**	$ 0.16

(All amounts in millions of United States dollars except per share amounts)	**Six months ended June 30, 2011**	Six months ended June 30, 2010
Net earnings - IFRS	**231.5**	91.5
Adjusting items:		
Gain on derivatives	**(12.2)**	(11.1)
Gain on marketable securities	**(34.2)**	-
Transaction costs for FNX merger	**-**	7.0
Accounting gains from investment in Gold Wheaton	**(133.9)**	(10.1)
Inventory write down at Carlota	**11.0**	-
Tax impact of the above items	**32.5**	2.6
	(136.8)	(11.6)
Net earnings - Adjusted	**94.7**	79.9
Weighted-average number of shares outstanding -basic	**190.7**	119.8
Earnings per share - adjusted	**$ 0.50**	$ 0.67

August 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;
- 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 project with significant capital expenditure, permitting and infrastructure requirements;
- Regulatory approvals of the Sierra Gorda joint venture;
- Inherent risks associated with joint ventures;
- The ongoing litigation and potential future litigation at the Sierra Gorda Project;
- Actual capital costs, operating costs and expenditures, production schedules and economic returns from the Company's mining projects;
- Production estimates which may be materially different from actual mineral recoveries;
- Underground mining at the Levack Mine including reserves replacement and delay in shaft rehabilitation;
- Geotechnical issues at all properties; specifically pit slope stability at open pit operations and structural issues at the underground mines;
- The mineralogy and block model assumptions at all mines and projects;
- The leaching rate and recoveries achievable at the Carlota Mine due to the high content of fines within the ore and other processing factors;
- The leaching rate and recoveries at the Franke Mine;
- Transition to owner mining at the Franke Mine;
- Updated equipment for the Franke Mine may be not be available;
- 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;
- A temporary shutdown of any of our operations;
- The actual costs of reclamation;
- The impact of the availability and cost of key operating supplies and services;
- Increased energy prices;
- The issuance of $500 million unsecured notes;
- 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;
- The shareholder rights plan;
- Taxation;
- Dividends;
- Political and country risk;
- Conflicts of interest;
- Fluctuations in foreign currency exchange rates; and
- Global financial conditions.

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