



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER ENDED JUNE 30, 2010

The following 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 11, 2010 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the three and six month periods ended June 30, 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 Canadian Generally Accepted Accounting Principles and all dollar amounts are expressed in thousands of United States dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

On May 20, 2010, Quadra Mining Ltd. completed a merger with FNX Mining Company Inc. (“FNX”) and the combined company was named Quadra FNX Mining Ltd. (see section below “**Merger of Quadra and FNX**”).

Quadra FNX is a mining company that owns and operates the Robinson copper mine (“Robinson” or “Robinson Mine”) near Ely, Nevada, which has been in production since 2004, the Carlota mine (“Carlota” or “Carlota Mine”), a heap leach SX/EW copper operation in Arizona, which commenced operations in 2008 and the Franke mine (“Franke” or “Franke Mine”), a heap leach SX/EW copper operation in northern Chile, which commenced operations in 2009. As a result of the merger with FNX in the second quarter of 2010, the Company now owns and operates the McCreedy West and Levack mines (together known as the “Levack Complex”) which include the Morrison deposit (formerly known as LFD) and the Podolsky mine (“Podolsky”) all located in Canada’s prolific Sudbury mining district. The Sudbury operations produce, develop and explore for copper, nickel, platinum, palladium and gold. The Company also owns the Sierra Gorda project (“Sierra Gorda”), an advanced copper-molybdenum project in northern Chile, and the Malmbjerg molybdenum project (“Malmbjerg”) in Greenland. The Company also owns a mining services business DMC Mining Services (or “DMC”) that provides services in contract mining, mine shaft sinking, lateral mine development, mine construction and raise boring. Quadra FNX’s strategic plan is based on growing to a production rate in excess of 500 million pounds of copper per year from diverse operations and with a pipeline of development projects for long term sustainability and growth. The immediate focus is on integration of the two companies and optimisation of the various projects and operations that are ramping up.

SECOND QUARTER HIGHLIGHTS:

- In the second quarter of 2010, the Company completed a merger with FNX and issued 88.9 million common shares to former FNX shareholders (see “**Merger of Quadra and FNX**”). The financial results of FNX have been consolidated commencing from May 21, 2010.
- For the second quarter of 2010, the Company recorded earnings of \$21.8 million or \$0.16 per share (basic) compared to a loss of \$7.3 million or \$0.08 per share (basic) in the second quarter of 2009.
- Second quarter adjusted earnings* were \$20.6 million or \$0.15 per share (basic) after making adjustments to exclude the gain on derivatives, gains and losses on marketable securities and investments, merger costs, and the tax effects of these items.
- Total revenues were \$169.1 million for the second quarter of 2010 compared to \$100.1 million for the second quarter of 2009.

- Total production from Quadra FNX operations over the three months ended June 30, 2010 was 54.8 million pounds of copper, 15,200 ounces of gold in concentrate from Robinson and 21,670 ounces of payable total precious metals (TPMs) from the Sudbury operations.
- The cash cost per pound of copper* for the Company's five operating mines over the three month period ended June 30, 2010 was \$1.95 per pound.
- Cash flow from operating activities (before working capital changes)* was \$43.4 million or \$0.31 per share (basic) compared to \$24.4 million or \$0.26 per share (basic) for the second quarter of 2009.
- The Company's US operations continued their excellent safety performance with a Total Incident Rate ("TIR") of 0.90, compared to TIR of 2.59 for US surface metal mines. Employees and contractors at the Sudbury operations experienced a TIR of 10.45, compared to a TIR of 3.46 for all Ontario mines. Employees of DMC Mining Services experienced a TIR of 1.90 compared to a TIR of 2.98 for all Ontario mine contractors. Employees and contractors at Franke experienced a TIR of 3.09.
- The Company continued to advance the development of the Morrison deposit in Sudbury, which remains on track to reach commercial production in the third quarter of 2010.
- As a result of the continuing exploration success at the Victoria property in Sudbury, drilling continued during the quarter.
- The Company's memorandum of understanding ("MOU") with State Grid International Development Limited ("SGID") expired in June 2010 and the parties were not able to conclude a definitive agreement for the formation of a joint venture.
- Work is progressing on the Sierra Gorda feasibility study and the Company is in discussions with potential partners with the objective of putting in place the financing for the project.
- On April 30 and May 4, 2010, the Company received positive legal rulings on two of the outstanding lawsuits related to the Sierra Gorda project (see "**Contingencies**").
- The Company ended the second quarter of 2010 with \$325 million of cash on hand.

* See "**Non-GAAP Financial Measures**" below for additional information.

MERGER OF QUADRA AND FNX

On May 20, 2010, Quadra and FNX completed a merger of the two companies. The merger was structured as a court-approved plan of arrangement (the "Transaction") under the Business Corporations Act (Ontario) pursuant to which Quadra has acquired all of the issued and outstanding common shares of FNX. Under the terms of the Transaction, former shareholders of FNX received 0.87 common shares of Quadra and \$0.0001 for each common share of FNX. Outstanding options and warrants to acquire FNX shares were converted into options and warrants to acquire Quadra shares, adjusted in accordance with the same exchange ratio. A total of 88.9 million common shares were issued to former FNX shareholders, and options and warrants to acquire 2.9 million and 6.5 million common shares, respectively were issued on conversion of FNX options and warrants.

Upon completion of the merger, existing Quadra and FNX shareholders owned approximately 52% and 48% of the combined company, respectively, on a fully diluted basis. The acquisition is accounted for as a business combination, and Quadra is considered to be the acquirer for accounting purposes. The total purchase consideration for accounting purposes is \$980.2 million, based on the fair value of the issued common shares and other consideration as of May 20, 2010, the closing date of the merger. FNX's assets and liabilities have been re-measured at their individual fair values at the closing date of the merger and FNX's financial results have been consolidated commencing from May 21, 2010.

FINANCIAL PERFORMANCE

Earnings

The Company recorded earnings of \$21.8 million or \$0.16 per share (basic) for the three months ended June 30, 2010, compared to a loss of \$7.3 million or \$0.08 per share (basic) in the same quarter of 2009. The increased earnings in the second quarter of 2010 were primarily a result of higher average copper prices in the current year, and the increased earnings contribution from the Carlota and Franke Mine, as well as the profits from the Sudbury operations following the merger with FNX. Second quarter of 2010 earnings were also impacted by a \$3.6 million

accounting gain on derivatives, a \$6.0 million unrealized loss on marketable securities, an \$8.8 million gain on the Gold Wheaton note receivable and \$5.3 million of transaction costs associated with the FNX merger.

In the second quarter of 2010, the Company sold a total of 46.5 million pounds of copper at an average realized price of \$2.79/lb compared to 31.7 million pounds at an average realized price of \$2.35/lb in the second quarter of 2009.

Earnings for the first six months of 2010 were \$77.4 million or \$0.65 per share (basic) compared to \$19.3 million or \$0.24 per share (basic) for the same period in 2009. The increase in earnings in 2010 is primarily due to higher copper prices in the current year, the earnings contribution from Carlota and from the Franke Mine which commenced operations in the second half of 2009, and lower derivative losses in the current year.

Operating Income

Operating income for the three and six months ended June 30, 2010 and 2009 was as follows:

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Robinson	23,902	24,757	85,071	66,760
Carlota	6,714	(631)	17,863	3,610
Franke	362	-	9,818	-
Levack Complex	(1,796)	-	(1,796)	-
Podolsky	2,335	-	2,335	-
DMC Mining Services ("DMC")	71	-	71	-
Operating income	<u>31,588</u>	<u>24,126</u>	<u>113,362</u>	<u>70,370</u>

Note: For accounting purposes, the financial results of the Levack Complex, Podolsky, and DMC have been consolidated commencing from May 21, 2010, the date immediately after the closing date of the merger of Quadra and FNX.

Operating income increased in the second quarter and the first six months of 2010 primarily due to higher average copper prices and increased revenues from the Carlota mine, and from the Franke mine which did not commence operations until the second half of 2009. The Company's Sudbury operations also had a positive impact on the second quarter of 2010 operating income. These factors were partially offset by higher onsite costs at Robinson and Carlota (see "Review of Operations and Projects").

Revenues

	Three months ended June 30, 2010						
	Robinson	Carlota	Franke	Levack Complex	Podolsky	DMC	Total
Copper sales (million lbs)	26.6	7.7	7.8	0.7	3.7	-	46.5
Average realized price per pound*	\$ 2.55	\$ 3.13	\$ 3.24	\$2.74	\$2.74	\$ -	\$ 2.78
Nickel sales (million lbs)	-	-	-	0.2	0.3	-	0.5
Gold sales (ozs)	19,797	-	-	546	789	-	21,132
Platinum sales (ozs)	-	-	-	1,134	2,020	-	3,154
Palladium sales (ozs)	-	-	-	1,930	1,917	-	3,847
Copper revenues	82,888	24,053	26,153	2,013	11,024	-	146,131
By product revenues	23,535	-	-	3,270	5,069	-	31,874
Contract mining revenues	-	-	-	-	-	4,610	4,610
Price adjustments	(11,725)	-	(753)	(146)	(847)	-	(13,471)
Total revenues	<u>94,698</u>	<u>24,053</u>	<u>25,400</u>	<u>5,137</u>	<u>15,246</u>	<u>4,610</u>	<u>169,144</u>

Note: For accounting purposes, the financial results of the Levack Complex, Podolsky, and DMC have been consolidated commencing from May 21, 2010, the date immediately after the closing date of the merger of Quadra and FNX.

	Three months ended June 30, 2009						
	Robinson	Carlota	Franke	Levack complex	Podolsky	DMC	Total
Copper sales (million lbs)	24.2	7.5	-	-	-	-	31.7
Average realized price per pound*	\$ 2.43	\$ 2.10	-	-	-	-	\$ 2.35
Gold sales (ozs)	23,152	-	-	-	-	-	23,152
Copper revenues	48,739	15,812	-	-	-	-	64,551
By product revenues	18,726	-	-	-	-	-	18,726
Price adjustments	16,776	-	-	-	-	-	16,776
Total revenues	84,241	15,812	-	-	-	-	100,053

	Six months ended June 30, 2010						
	Robinson	Carlota	Franke	Levack Complex	Podolsky	DMC	Total
Copper sales (million lbs)	54.4	17.2	18.1	0.7	3.7	-	94.1
Average realized price per pound*	\$ 3.15	\$ 3.20	\$ 3.25	\$2.74	\$ 2.74	\$ -	\$ 3.16
Nickel sales (million lbs)	-	-	-	0.2	0.3	-	0.5
Gold sales (ozs)	43,725	-	-	546	789	-	45,060
Platinum sales (ozs)	-	-	-	1,134	2,020	-	3,154
Palladium sales (ozs)	-	-	-	1,930	1,917	-	3,847
Copper revenues	175,150	54,894	59,578	2,013	11,024	-	302,659
By product revenues	51,553	-	-	3,270	5,069	-	59,892
Contract mining revenues	-	-	-	-	-	4,610	4,610
Price adjustments	1,103	-	(635)	(146)	(847)	-	(525)
Total revenues	227,806	54,894	58,943	5,137	15,246	4,610	366,636

Note: For accounting purposes, the financial results of the Levack Complex, Podolsky, and DMC have been consolidated commencing from May 21, 2010, the date immediately after the closing date of the merger of Quadra and FNX.

	Six months ended June 30, 2009						
	Robinson	Carlota	Franke	Levack complex	Podolsky	DMC	Total
Copper sales (million lbs)	58.7	13.4	-	-	-	-	72.1
Average realized price per pound*	\$ 2.27	\$ 1.85	-	-	-	-	\$ 2.19
Gold sales (ozs)	53,410	-	-	-	-	-	53,410
Copper revenues	100,482	24,852	-	-	-	-	125,334
By product revenues	46,722	-	-	-	-	-	46,722
Price adjustments	39,728	-	-	-	-	-	39,728
Total revenues	186,932	24,852	-	-	-	-	211,784

* Represents total revenues from sale of copper divided by pounds sold

Robinson revenues

At the Robinson Mine, revenues are generated by the sale of copper and gold in concentrates. Revenues are generally recognized at the time of delivery to a customer based on metal prices at that time, however, under Robinson's current sales contracts, which follow normal industry practice, final pricing for copper sold in concentrate is generally set at up to three months after the time of arrival of a shipment at the customer's port of delivery. As a result, Robinson's quarterly revenues include estimated prices for sales, based on forward copper

prices at quarter end, as well as pricing adjustments for sales that occurred in previous quarters, based on the actual price received and the price at quarter end for sales from previous quarters that were not settled in the quarter.

In the quarter ended June 30, 2010, revenues from concentrate sales at the Robinson Mine were higher than the second quarter of 2009 due to higher copper prices offset by negative price adjustments. In the second quarter of 2010, copper prices decreased from \$3.55/lb at March 31, 2010 to \$2.96/lb at June 30, 2010 resulting in negative pricing adjustments of \$7.4 million related to the first quarter of 2010 sales. In addition, the Company recorded a negative price adjustment of \$4.0 million related to the second quarter shipments from Robinson which were revalued using the copper price at June 30, 2010 of \$2.96/lb.

For the first six months of 2010, revenues from concentrate sales at the Robinson Mine were higher than the same period in 2009 due to significantly higher copper prices offset by lower sales volumes. During the six month period of 2009, the copper price continued to recover, resulting in significant positive price adjustments in the period.

At March 31, 2010, receivables included 29.4 million pounds of copper which has been provisionally valued at \$3.56 per pound. During the second quarter of 2010, these receivables were settled at an average final price of \$3.19/lb. In the second quarter of 2010, Robinson shipped approximately 24.8 million pounds of copper at an average provisional price of \$3.35/lb, of which 14.4 million pounds were settled during the quarter with an average final price of \$3.21/lb. At June 30, 2010, receivables include 10.4 million pounds of copper which has been provisionally valued at \$2.96/lb.

Carlota and Franke revenues

Revenues from the Carlota Mine and the Franke Mine are generated by the sale of copper cathodes. The pricing of copper cathode sales is generally set within one month from the time of shipment or one month after the time of shipment and therefore pricing adjustments in subsequent periods are minimal.

In the second quarter of 2010, revenues from cathode sales at the Carlota Mine were higher than the same quarter of 2009 due to higher average copper prices in the current quarter. In the first six months of 2010, revenues from cathode sales at the Carlota Mine were also higher than the same period of 2009 due to higher sales volumes and higher average copper prices in the current year. The increased sales volumes were a result of higher cathode production as the Carlota Mine continues to ramp up production.

In the second quarter of 2010, Franke recorded revenues of \$25.4 million from the sale of 7.8 million pounds of copper cathode. In the first six months of 2010, revenues from the Franke Mine were \$58.9 million from the sale of 18.1 million pounds of copper cathode. Franke did not have any production or sales in the first six months of 2009.

Levack Complex and Podolsky revenues

At the Levack Complex and Podolsky, revenues are generated by the sale of copper and nickel ores to Vale in Sudbury, Ontario for processing. The quantity of payable metal contained in the delivered ores is based on assay grades and, when final assays are not yet available at the end of a month, on estimated grades. Revenues are initially recognized using provisional prices at the time ore is delivered to and accepted by the third party processor. Final pricing of the metals in copper and nickel ores are generally set between three to six months after the delivery. As a result, the Levack Complex and Podolsky's quarterly revenues include estimated prices for sales, based on metal prices at quarter end, as well as pricing adjustments for sales that occurred in previous quarters, based on the actual price received and the price at quarter end for sales from previous quarters that were not settled in the quarter.

Between May 21 and June 30, 2010, the Levack Complex recorded revenues of \$5.1 million, including negative price adjustments of \$0.1 million related to prior quarter sales. Revenues generated by the Podolsky mine in the same period were \$15.2 million, including negative price adjustments of \$0.8 million related to prior quarter sales. Average realized copper prices were lower than the Company's other mines due to lower average copper prices in the second half of the quarter, when the results of these operations were consolidated. At June 30, 2010, receivables include 5.9 million pounds of copper sold from Levack Complex and Podolsky which have been provisionally valued at \$2.96 /lb.

Second quarter revenues at the Levack Complex and Podolsky also include non-cash revenue of \$1.6 million for the amortization of a deferred revenue liability. This liability relates to the Company's obligation to sell 50% of the gold, platinum and palladium contained in ore mined and shipped from certain deposits to Gold Wheaton Gold Corp. ("Gold Wheaton"). Pursuant to an agreement with Gold Wheaton dated July 15, 2008, the Company receives

a cash payment equal to the lower of \$400 per gold equivalent ounce (subject to a 1.0% annual inflationary adjustment commencing July 1, 2011) and the prevailing market price per ounce of gold, for each gold equivalent ounce sold to Gold Wheaton.

DMC revenues

DMC provides contract mining services in Canada, the United States and Mexico. Contract revenue is earned primarily based on unit of production and recognized at the time that service has been performed. Revenues from DMC totalled \$4.6 million for the second quarter since the merger closing date of May 20, 2010.

Operating expenses

	Three months ended June 30, 2010						
	Robinson	Carlota	Franke	Levack Complex	Podolsky	DMC	Total
Cost of sales	59,904	13,358	20,311	5,918	10,132	3,962	113,585
Amortization, depletion, depreciation and accretion	6,309	2,769	4,727	1,015	2,779	577	18,176
Royalties and mineral taxes	4,583	1,212	-	-	-	-	5,795
Operating expenses	<u>70,796</u>	<u>17,339</u>	<u>25,038</u>	<u>6,933</u>	<u>12,911</u>	<u>4,539</u>	<u>137,556</u>

Note: For accounting purposes, the financial results of the Levack Complex, Podolsky, and DMC have been consolidated commencing from May 21, 2010, the date immediately after the closing date of the merger of Quadra and FNX.

	Three months ended June 30, 2009						
	Robinson	Carlota	Franke	Levack Complex	Podolsky	DMC	Total
Cost of sales	49,133	14,157	-	-	-	-	63,290
Start-up inventory adjustment	-	-	-	-	-	-	-
Amortization, depletion, depreciation and accretion	6,546	1,409	-	-	-	-	7,955
Royalties and mineral taxes	3,805	877	-	-	-	-	4,682
Operating expenses	<u>59,484</u>	<u>16,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,927</u>

	Six months ended June 30, 2010						
	Robinson	Carlota	Franke	Levack Complex	Podolsky	DMC	Total
Cost of sales	119,237	28,548	40,795	5,918	10,132	3,962	208,592
Amortization, depletion, depreciation and accretion	12,401	5,718	8,329	1,015	2,779	577	30,819
Royalties and mineral taxes	11,097	2,766	-	-	-	-	13,863
Operating expenses	<u>142,735</u>	<u>37,032</u>	<u>49,124</u>	<u>6,933</u>	<u>12,911</u>	<u>4,539</u>	<u>253,274</u>

Note: For accounting purposes, the financial results of the Levack Complex, Podolsky, and DMC have been consolidated commencing from May 21, 2010, the date immediately after the closing date of the merger of Quadra and FNX.

	Six months ended							Total
	June 30, 2009							
	Robinson	Carlota	Franke	Levack Complex	Podolsky	DMC		
Cost of sales	102,201	23,224	-	-	-	-	125,425	
Start-up inventory (reversal) adjustment	-	(5,305)	-	-	-	-	(5,305)	
Amortization, depletion, depreciation and accretion	11,248	2,036	-	-	-	-	13,284	
Royalties and mineral taxes	6,723	1,287	-	-	-	-	8,010	
Operating expenses	120,172	21,242	-	-	-	-	141,414	

Robinson

Cost of sales at Robinson were higher in the second quarter of 2010 as a result of the higher concentrate sales volumes in the current quarter. Cost of sales in the second quarter of 2009 was impacted by an accounting adjustment to capitalize \$1.2 million of stripping costs at Robinson related to the new Ruth pit area. No stripping costs were capitalized in the second quarter of 2010. Cost of sales for the first six months of 2010 were higher than the same period of 2009 due to higher concentrate sales volumes and higher onsite costs (see **“Review of Operations and Projects”**).

Amortization, depletion, depreciation and accretion were slightly higher in the three and six month periods ended June 30, 2010 than the same periods of 2009, mainly due to the amortization of stripping costs that were capitalized during 2009.

Royalties and mineral taxes in the second quarter and for the first six months of 2010 were higher than the same periods of 2009, mainly due to the higher copper prices in the current year.

Carlota

Cost of sales at Carlota was slightly lower in the second quarter of 2010 than the same quarter of 2009. Higher cost of sales in the second quarter of 2009 was a result of the reversal of start-up inventory adjustment during the first quarter of 2009. Cost of sales for the first six months of 2010 was higher than the same period of 2009 due mainly to higher sales volume. Operating expenses in the first six months of 2009 also included a reversal of a start-up inventory adjustment of \$5.3 million due to the increase in copper prices and the resulting increase in the net realizable value of the inventory.

Amortization, depletion, depreciation and accretion were higher in the three and six month periods ended June 30, 2010 mainly due to the higher sales volumes in the current year.

Royalties and mineral taxes for the three and six month periods ended June 30, 2010 were higher than the same periods of 2009 mainly due the higher sales volumes and higher copper prices in the current year.

Franke

The Franke Mine recorded cost of sales of \$20.3 million and amortization, depletion and depreciation of \$4.7 million in the second quarter of 2010. Franke was still in the construction phase in the second quarter of 2009, and therefore did not have any production or cost of sales in the comparative period.

Levack Complex, Podolsky and DMC

The cost of sales and amortization, depletion, depreciation and accretion reported for the Levack Complex, Podolsky and DMC reflect the expenses incurred between May 21, 2010 (the date immediately following the closing date of the merger with FNX) and June 30, 2010.

General & administrative and other expenses

General and administrative expenses for the second quarter of 2010 were \$6.8 million compared to \$4.1 million for the same quarter of 2009. For the first six months of 2010, general and administrative expense were \$13.4 million compared to \$7.6 million for the same period of 2009. The increased general and administrative expenses reflect the Company's increased activity level and payroll costs in the current year, as well as costs associated with the non-binding MOU that was agreed with SGID during the first quarter of 2010. Stock-based compensation expenses for the three and six months ended June 30, 2010 were \$1.8 million and \$3.4 million respectively, which was generally in line with the prior year.

The Company recognized gains on derivatives of \$3.6 million for the second quarter of 2010. These derivative gains primarily relate to a reduction in the liabilities associated with the Franke copper collars. All of the Franke copper collar contracts had been settled by June 30, 2010. For the first six months of 2010, the Company recognized a loss of \$3.5 million on derivatives primarily due to the decrease in fair value of the copper put options. The loss on derivatives for the second quarter and the first six months of 2009 of \$17.1 million and \$26.0 million respectively related to a decline in value of copper put and collars.

Foreign exchange gains of \$2.0 million and \$1.9 million respectively were recognized in the three and six month periods ended June 30, 2010, and relate to the translation of working capital denominated in Canadian dollars. The Company expensed transaction costs for the merger with FNX of \$5.3 million and \$7.0 million for the three and six month period ended June 30, 2010, respectively.

In the second quarter of 2010, the Company recorded net interest and other income of \$2.1 million compared to net interest and other expense of \$8.6 million in same quarter of 2009. The income in the current quarter was a result of the unrealized gain from the increase in fair value of Gold Wheaton note receivable.

The Company recorded an income tax expense of \$4.9 million in the second quarter of 2010, compared to a recovery of \$0.2 million in the same quarter of 2009. For the six month period of 2010, the Company recorded an income tax expense of \$18.2 million compared to \$6.0 million in the same period of 2009. The tax expense for the first six months of 2010 has been recorded based on an estimated annual effective tax rate of 20% (2009 – 24%). The decrease in effective tax rate in 2010 is mainly due to the utilization of U.S. Alternative Minimum Tax credits which were earned in prior years and the operation of the Franke Mine in Chile which has a lower statutory tax rate. Tax expense in the first six months of 2010 also included a \$0.3 million future income tax recovery related to the gain on marketable securities which has been recorded in other comprehensive income.

REVIEW OF OPERATIONS AND PROJECTS

*****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 three and six months ended June 30, 2010 and 2009 from the Company's operating mines is summarized as follows:

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Copper production (Million lbs)				
Robinson Mine	23.7	22.9	55.7	59.6
Carlota Mine	7.4	6.8	15.6	13.4
Franke Mine	10.4	-	19.3	-
Levack Complex	1.4	2.4	3.0	2.8
Morrison deposit**	3.3	-	4.6	-
Podolsky Mine	8.6	5.4	11.8	14.8
	<u>54.8</u>	<u>37.5</u>	<u>110.0</u>	<u>90.6</u>
Nickel production (Million lbs)				
Levack Complex	0.4	1.2	0.9	1.6
Morrison deposit**	0.7	-	1.3	-
Podolsky Mine	0.6	0.3	0.9	1.1
	<u>1.7</u>	<u>1.5</u>	<u>3.1</u>	<u>2.7</u>
TPM* (ozs)				
Robinson Mine	15,200	18,031	42,046	52,680
Levack Complex	8,485	8,781	16,463	12,273
Morrison deposit**	1,691	-	2,275	-
Podolsky Mine	11,494	7,751	16,774	11,674
	<u>36,870</u>	<u>34,563</u>	<u>77,558</u>	<u>76,627</u>

*Total precious metal, including gold, platinum and palladium

** Pre-production ore

ROBINSON MINE (NEVADA)

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Copper in concentrate production (Million lbs)	23.7	22.9	55.7	59.6
Gold in concentrate production (ozs)	15,200	18,031	42,046	52,680
Waste mined (Tonnes 000's)	12,130	11,606	21,889	19,985
Ore mined (Tonnes 000's)	3,965	3,775	7,092	7,268
Ore milled (Tonnes 000's)	3,630	3,164	6,932	6,571
Copper grade (%)	0.40	0.58	0.64	0.62
Gold grade (g/t)	0.20	0.25	0.31	0.34
Copper recovery	73.5%	56.3%	63.6%	66.6%
Gold recovery	66.3%	70.4%	73.0%	73.6%
Onsite costs	\$ 54,067	\$ 51,821	\$ 106,041	\$ 96,699
Offsite costs	\$ 10,538	\$ 10,076	\$ 23,142	\$ 22,867
Total onsite and offsite costs	\$ 64,605	\$ 61,897	\$ 129,183	\$ 119,566
Cash cost per pound of copper produced	\$ 1.60	\$ 1.59	\$ 1.31	\$ 1.10
Capital expenditure	\$ 6,028	\$ 3,852	\$ 13,157	\$ 6,988

There has been extensive mining at Robinson for over 100 years and the operation periodically deals with historical workings. Work commenced by BHP Billiton and added to by Quadra FNX has endeavoured to define the size and location of these historical workings as part of the resource estimate process. The evaluation of these workings is based on a combination of historical records and definition drilling. During the second quarter, previously identified underground areas were encountered that are significantly larger than expected. They are historical block caves where ore was removed and surrounding lower grade material caved to fill in any voids. These underground workings impacted production in the second quarter of 2010 and head grades of both copper and gold were lower than planned during the quarter.

Total ore and waste mined in the second quarter of 2010 were higher than in 2009 as anticipated in the 2010 mine plan. Copper production in the second quarter of 2010 was higher than in 2009 due to higher copper recoveries. Copper recoveries in 2010 benefited from the additional flotation capacity that was installed in the fourth quarter of 2009 and from new contractual terms with concentrate customers that give Robinson more flexibility with respect to concentrate grade. Copper recoveries in the second quarter of 2009 were lower than normal as access to hypogene ore was restricted due to regulatory concerns with the stability of the north pit wall in the Veteran pit, which have since been resolved.

Gold production in the second quarter of 2010 was lower due to lower head grades in the Ruth pit area, and the lower grades in turn led to lower gold recoveries as expected.

Robinson Operating and Capital Costs

Operating costs are comprised of onsite and offsite costs (see “**Non-GAAP Financial Measures**”). Onsite costs include all stripping costs and are primarily driven by the volume of waste and ore moved, payroll costs, supplies and equipment maintenance costs and royalties. Onsite costs in the second quarter of 2010 were \$2.2 million higher than the same quarter of 2009, primarily due to increased royalty costs of \$1.0 million caused by higher metal prices and increased mobile equipment maintenance of \$1.0 million due to scheduled engine replacements. Onsite costs for the first six months of 2010 were \$9.3 million higher than the same period of 2009 primarily due to increased diesel costs of \$2.6 million caused by increased consumption, increased royalties of \$2.7 million due to an elevated copper price and \$3.1 million in truck replacement parts.

Offsite costs are primarily driven by smelting and refining charges, the volume of concentrate transported, and rail and ocean freight rates. Offsite costs in the second quarter and the first six months of 2010 were generally in line with the same periods of 2009.

The cash cost per pound of copper produced was \$1.60 in the second quarter of 2010 as compared to \$1.59 in same quarter of 2009. The cash cost per pound of copper produced for the first six months of 2010 was \$1.31 compared to \$1.10 in the same period of 2009. The increased unit cost in the first six months of 2010 is due to lower copper production and higher onsite costs. The cash cost per pound of copper produced is a non-GAAP term and consists of onsite costs (including all stripping costs), and offsite costs, less by-product revenue, divided by the pounds of copper produced in the period (see “**Non-GAAP Financial Measures**”).

Capital expenditures at Robinson in the second quarter of 2010 were primarily related to Ruth Pit development, and to exploration and Ruth pit metallurgical definition drilling.

Robinson Outlook

Due to the impact of underground workings, the Company now expects that 2010 production will be 115-125 million pounds of copper compared to the original guidance of 135 million pounds. The 2010 gold production will be in the range of 75,000 ounces, as the decrease in gold head grade is expected to be partially offset by improved recovery. The Company had recognised for a while that additional confirmatory drilling in some areas at the bottom of the Ruth pit would be necessary to confirm the status of other historical underground mining, but this did not include the affected area. Mining of these latter historical areas was planned based on documentation to hand, but not carried out. Dewatering of the Ruth pit has progressed well and the accumulated mud and slide rock is currently being removed from the bottom of the pit. Although this process is expected to take until the end of next year to complete, the Company expects to be able to safely begin the above confirmatory drilling in the next quarter and complete this program by the end of this year.

In 2010, mining will continue in both the Veteran Pit and Ruth Pit areas. The metallurgical drill programme results have been used to create a new recovery model within the block model, as opposed to the historical model originally developed by BHP in the nineties. The complex nature of the Robinson ore body will continue to cause metal production variations from quarter to quarter indefinitely.

Onsite costs are expected to increase in 2010 over 2009 primarily as a result of expected increases in tonnage mined and milled as well as an increase in future royalty expenses due to anticipated higher copper prices. Capital costs for the remainder of 2010 are expected to be approximately \$20 million primarily on Ruth Pit development and exploration.

CARLOTA MINE (ARIZONA)

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Copper cathode production (Million lbs)	7.4	6.8	15.6	13.4
Waste mined (Tonnes 000's)	5,965	4,997	10,988	9,515
Ore mined (Tonnes 000's)	1,615	1,325	2,604	3,056
Ore placed (Tonnes 000's)	1,615	1,325	2,604	3,057
Copper grade (%)	0.24	0.29	0.22	0.27
Onsite costs	\$ 24,799	\$ 18,809	\$ 50,880	\$ 36,841
Cash cost per pound of copper produced	\$ 3.34	\$ 2.77	\$ 3.26	\$ 2.75
Capital expenditure	\$ 6,707	\$ 7,706	\$ 11,906	\$ 10,542

Total tonnes mined in the second quarter of 2010 at Carlota were higher than the same quarter of 2009 due to the increase of the haulage fleet by two trucks in the second half of 2010. The storm event in early 2010 impacted the accessibility of ore in the Cactus pit thereby redirecting mine plan focus on moving waste. Copper production in the second quarter of 2010 was higher than the same quarter of 2009 as a result of leaching higher grade ore placed in the fourth quarter of 2009.

Carlota Operating and Capital Costs

Carlota's onsite operating costs are mainly driven by the volume of waste and ore moved, payroll costs, supplies, process reagents, fuel, electricity, equipment maintenance costs, and royalties. Onsite costs in the second quarter of 2010 were \$6.0 million higher than the same quarter of 2009 due primarily to mine equipment leases of \$0.8 million, diesel fuel of \$1.5 million, ferric sulphate of \$1.7 million and outside services of \$0.8 million of which the latter was directly related to remediation activities following the storm event. Onsite costs in the first six months of 2010 were \$14.0 million higher than the same period of 2009, primarily due to a \$2.9 million increase in maintenance repairs to the min equipment, a \$1.1 million increase in mine equipment leases, a \$1.5 million increase in diesel fuel, a \$3.1 million increase in ferric sulphate, a \$1.9 million increase in outside services which was directly related to remediation activities following the storm event and a \$1.2 million increase in royalty expenses due to increased copper prices and sales volumes.

Capital expenditures at the Carlota Mine in the second quarter of 2010 were primarily related to construction of the Leach Pad Phase 2 and Pinto Creek Diversion Channel.

Carlota Outlook

The Company has evaluated the impact of the storm event that occurred in January, and the subsequent unusually wet winter and spring weather, which resulted in water levels well above normal for Arizona, and concluded that it will not be possible to recover the production losses that resulted from these events. On June 19, 2010 the Company announced that it now expects to produce approximately 35 million pounds of cathode at Carlota in 2010, as a result of the following:

- The impact of storm water and greater than normal rainfall on the grade of the pregnant-leach-solution ("PLS").
- A reduction in the volume and grade of material placed on the pad resulting from being unable to access the Cactus pit due to the amount of water in the pit.

As a result of the recently improved weather conditions at Carlota, PLS grades are expected to return to normal levels. Mine access to the Cactus pit was regained at the end of March and as mining progresses, it is expected that ore grades and volumes will improve in the second half of the year. The Company expects a higher production rate in the second half of the year as a result of improving ore grades and volumes.

Since the rain event, the percolation rate has fallen back to the levels encountered in 2009, (5 l/hr/m²). While this rate has been used for 2010 budgeting and guidance purposes, it represents a 20% lower rate than envisioned in the feasibility study. The existence of fines was initially considered a localized phenomenon but there is increasing evidence that the fines content of a significant proportion of the ore is higher than anticipated by the study, implying a continuing lower percolation rate. Studies are ongoing to establish whether the higher fines levels relate to specific rock and ore types, which would allow blending, or whether additional processing measures are required.

Onsite costs in 2010 are expected to be higher than the prior year due to additional costs to recover from the early 2010 rain events, increased costs for equipment leases, maintenance activities, diesel fuel and reagents. Capital expenditures for 2010 are expected to be \$26 million, primarily related to the planned leach pad expansion and updated reclamation bonding.

FRANKE MINE (CHILE)

	Three months ended June 30, 2010	Six months ended June 30, 2010
Copper cathode production (Million lbs)	10.4	19.3
Waste mined (Tonnes 000's)	990	2,077
Ore mined (Tonnes 000's)	942	1,986
Ore placed (Tonnes 000's)	799	1,560
Copper grade (%)	0.86	0.88
Onsite and offsite costs	\$ 25,583	\$ 46,759
Cash cost per pound of copper produced	\$ 2.46	\$ 2.42
Capital expenditure	\$ 6,159	\$ 8,517

A total of 10.4 million pounds of copper cathode was produced at Franke during the second quarter of 2010. There was no production from Franke in the first six months of 2009, as the mine did not commence operations until July 2009.

Production at the Franke Mine was impacted by leach recovery and equipment performance issues during the quarter. A number of process changes have been put in place to resolve the issues, including reducing heap height, increasing leach solution application rates and acid cure additions for recovery, and additional stacking equipment ordered to improve plant utilization, the current equipment being inadequate for the duty. The transformer damaged by power surges resulting from the earthquake has been repaired and was back in service late in the second quarter.

Franke Operating and Capital Costs

Franke's operating costs are mainly driven by the volume of waste and ore moved by the mining contractor, acid costs, payroll costs, fuel, electricity and equipment maintenance costs. Onsite costs in the second quarter of 2010 were in line with the Company's expectations and forecast for copper placed on the leach pads. Capital expenditures at the Franke Mine in the second quarter of 2010 were primarily related to the construction of stockpile covers to control dust emissions, leach pad construction, and acid tank construction.

Franke Outlook

On June 19, 2010, the Company announced that Franke's 2010 copper production is expected to be about 45 million pounds (approximately 15 million pounds below the original annual guidance). The reasons for this decrease in guidance are:

- The ore to leach pad stacker system throughput was previously estimated at ~10,500tpd, but is now expected to continue to perform at 8,500tpd until December - a shortfall of 20%.
- Leach recoveries were lower than expected as a result of sub-optimal leach parameters.

The Company ordered the replacement stacking equipment with greater throughput capacity. With the benefits of this new equipment, the volume of material placed on the leach pads is expected to be at or above feasibility levels by the first half of 2011. Commissioning of this equipment is scheduled for December 2010.

As previously disclosed, the Company has been adjusting the leach operating parameters, including reducing the lift height in the heap leach pad, increasing solution application rates and blending to control the carbonate content. Based on current pad performance using the changed operating parameters, recoveries are expected to improve but there will not be resolution until the first pads running under the revised parameters complete their leach cycle and can be sampled and analyzed in the third quarter. Additional pad area to offset the impact of the lower lift height is under construction.

Franke's acid supply has been substantially contracted in advance for 2010 with half of the required quantity contracted for at a price dependent on copper price and the remainder at a fixed price. Capital expenditures for 2010 are expected to be approximately \$20 million, primarily related to the planned leach pad expansion and acid tank construction.

LEVACK COMPLEX (SUDBURY, CANADA)

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Copper ore sold (Tonnes) ⁽¹⁾	67,510	89,249	134,760	96,760
Copper grade (%)	1.1	1.3	1.1	1.3
Nickel ore sold (Tonnes) ⁽¹⁾	4,368	26,867	9,972	30,872
Nickel grade (%)	2.5	2.0	3.0	2.0
Copper sold - payable (Million lbs)	1.4	2.4	3.0	2.8
Nickel sold - payable (Million lbs)	0.4	1.2	0.9	1.6
Gold sold - payable (ozs)	1,257	1,280	2,358	1,709
Platinum sold - payable (ozs)	2,627	2,979	5,106	4,187
Palladium sold - payable (ozs)	4,601	4,522	8,999	6,377
Total onsite and offsite costs	\$ 10,434	\$ 14,821	\$ 20,223	17,391
Cash cost per pound of copper sold	\$ 2.26	0.86	\$ 0.92	0.27
Capital expenditure	\$ 1,831	\$ 1,209	\$ 3,997	\$ 1,721

(1) Converted to metric tonnes from short tons

Note: The above table excludes pre-production ore from the Morrison deposit. Production and operating statistics in the above table are reported for all historical periods, including the period prior to the merger of Quadra and FNX on May 20, 2010.

Levack Complex is comprised of two adjacent mining operations, the McCreedy West Mine and the Levack Mine, which includes the Morrison deposit.

Excluding the impact of the Morrison deposit, copper sales in the second quarter and first six months of 2010 was lower than what was achieved in the same period of 2009 as a result of access limitations imposed by Morrison deposit development and pre-production. As no primary nickel production took place in the current year, nickel production in the first half of 2010 was lower than 2009.

Levack Complex Operating and Capital Costs

Levack operating costs were lower in the second quarter of 2010 compared to the same quarter of 2009 due to the reduced tonnage mined in the current quarter. The operating costs were higher for the first half of 2010 than the comparable period in 2009 due to the increased tonnage in the first half of 2010.

Capital costs for the second quarter and the first half of 2010 are higher than the previous year as capital spending was curtailed in late 2008 and 2009 to reflect market conditions.

MORRISON DEPOSIT (SUDBURY, CANADA)

	Three months ended June 30, 2010	Six months ended June 30, 2010
Copper ore sold (Tonnes)	20,044	32,743
Copper grade (%)	9.1	7.8
Copper sold - payable (Million lbs)	3.3	4.6
Nickel sold - payable (Million lbs)	0.7	1.3
Gold sold - payable (ozs)	309	328
Platinum sold - payable (ozs)	447	578
Palladium sold - payable (ozs)	935	1,369

* *Pre-production ore*

The Morrison deposit is a high grade deposit in the lower part of the Levack Mine. In the second quarter of 2010, pre-production revenues were generated and recorded as a credit to the development cost of the Morrison deposit.

Morrison Outlook

Development continues at Morrison and the Company continues to expect commercial production to be achieved during the third quarter of 2010.

As the Company has gained additional information about the characteristics of the deposit, it has been determined that it will be operationally and commercially beneficial to mine parts of Morrison in a more selective manner. Narrow cut and fill mining methods are currently being tested, as well as narrow blasthole stoping methods and it is anticipated that both of these methods may be used in the mining of the narrow portions of the deposit. Overall, these more selective mining techniques are allowing production of the expected amount of metal from a smaller quantity of tonnes. The Morrison deposit remains on track to meet its 2010 production objectives.

The planned ramp and access to the #2 Shaft at the 3600 Level has been delayed due to poor conditions at the shaft bottom and ore haulage to 2600 Level is expected to continue into 2011. The truck fleet and ventilation systems are being upgraded to allow the Company to continue to haul to the 2600 Level at a higher rate. The Company does not expect this delay to impact near term production.

For the first six months of 2010, \$23.1 million has been spent on the development of the Morrison deposit. The Company expects 2010 capital spending to total approximately \$45 million.

PODOLSKY (SUDBURY, CANADA)

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Copper ore sold (Tonnes) ⁽¹⁾	128,867	58,087	200,211	141,865
Copper grade (%)	3.7	4.5	3.3	5.6
Copper sold - payable (Million lbs)	8.6	5.4	11.8	14.8
Nickel sold - payable (Million lbs)	0.6	0.3	0.9	1.1
Gold sold - payable (ozs)	1,936	1,915	2,844	1,823
Platinum sold - payable (ozs)	4,907	2,947	7,113	4,518
Palladium sold - payable (ozs)	4,651	2,889	6,817	5,333
Total onsite and offsite costs	\$ 19,517	\$ 9,625	\$ 31,579	\$ 29,759
Cash cost per pound of copper sold	\$ 1.07	\$ 0.55	\$ 1.24	\$ 0.92
Capital expenditure	\$ 3,757	\$ 2,923	\$ 6,580	\$ 2,738

⁽¹⁾ *Converted into metric tonnes from original short tons*

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

The significant amount of pre-development work completed at Podolsky has allowed the operation to achieve considerably higher throughput and metal production versus the same quarter last year. As anticipated, copper production for the first half of 2010 was lower than 2009 due to lower mine grades.

Podolsky Operating and Capital Costs

Podolsky's total operating costs were higher in the second quarter of 2010 primarily due to the increase in production tonnage which resulted in additional waste development, backfill costs and higher maintenance costs versus the same quarter of 2009.

Capital expenditures were higher in the second quarter and first six months of 2010 than the comparable periods of 2009 due to increased pre-production development and diamond drilling.

Podolsky Outlook

An updated geological model and strict grade control efforts combined to improve grade versus the first quarter while the significant amount of development work completed during the quarter has improved operational flexibility allowing the operation to remain at current throughput levels for the remainder of the year. Capital expenditures at Podolsky continue as planned, while operating costs are now expected to be approximately 10% higher, due mainly to higher throughput volumes. The Company continues to expect Podolsky to meet its 2010 metal sales objective of 27 million pounds of copper.

SUDBURY EXPLORATION PROPERTIES

As at June 30, 2010, the Company held a 100% interest in the Podolsky Nickel Ramp (located on the Podolsky property), Kirkwood and Victoria mineral properties. The Falconbridge Footwall, Foy Offset, and Other Properties are located in the Sudbury mining district of Ontario. The Falconbridge Footwall and Foy Offset properties are pursuant to a joint venture agreement (the "Falconbridge Joint Venture") with Xstrata Nickel. As at June 30, 2010, the Company and Xstrata Nickel held an 80% and 20% interest (2009 – 79% and 21%), respectively, in the Falconbridge Joint Venture, with \$0.4 million spent on the Falconbridge Footwall to the end of June 30, 2010. However, Xstrata Nickel has declined to participate in the 2010 work program. The Company is the operator of the Falconbridge Joint Venture. FNX holds between a 30% and 100% interest in the mineral exploration properties included in the Other Properties.

Throughout the second quarter of 2010, the Victoria property continued to be the primary focus for the Sudbury exploration team. At the end of the quarter six diamond drill rigs were focused on the Victoria Ni-Cu-PGE sulphide mineralization below 3,000 feet depth. To date four different sulphide-mineralized zones have been intersected to a depth of approximately 6,050 feet within the west end of Ethel Lake segment of the Worthington Offset. All boreholes are subject to BH-UTEM4 surveys to further delineate the sulphide-mineralized system. A news release dated May 10, 2010, summarized significant intersections from zones 2 and 4. This included 1,367 feet (down-dip) of 1.3% Cu, 0.6% Ni and 2.2 g/t Pt+Pd+Au intersected in diamond drill hole FNX1190. At the end of the second quarter, 82,509 feet of drilling had been completed at Victoria as a result of the continued success of the project.

All of the Company's mineral exploration properties are at the exploration stage and there can be no assurance that commercially viable mineral deposits or reserves exist therein.

SIERRA GORDA (CHILE)

In late 2009, the Company approved a budget of approximately \$40 million for 2010 to advance the Sierra Gorda project. During the second quarter of 2010, the Company incurred costs of \$31.7 million on the project. The principal activities were infill and condemnation drilling, metallurgical and process test work and the execution of the engineering study (approximately 40% complete) required to support a development decision and project financing. The engineering and preparation of the Financing Study was awarded to SNC-Lavalin Inc.. Their work

is being supported by a number of other consultants and by Quadra FNX management. The Environmental Impact Study (“EIS”) has been prepared by Golder Associates and was submitted to the regulatory authorities of Chile on May 31, 2010.

The objective of the infill drilling program is to increase the amount of measured and indicated resources to the confidence level required for pre-feasibility and feasibility studies while the condemnation drilling will ensure facility and infrastructure placements outside the zones of potential economic mineralization. During the first quarter, nine diamond drill rigs were committed to the project and approximately 40,000 meters of core drilling has been completed since the start of the program. This drilling has provided samples for metallurgical and advanced engineering test work. Results from these programs are being used to optimize the process flow sheet and for trade-off studies that are being incorporated into the study. Project designs and economics in the Scoping Study were based on mining and processing Sierra Gorda sulphide mineralization only; the significant measured and indicated oxide resources were assumed to be waste. Oxide column test work and associated engineering are in progress to evaluate the merits of this significant resource.

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**”).

On June 15, 2010, MOU entered into with SGID expired. The parties were not able to conclude a definitive agreement for the formation of a joint venture (the “Strategic JV”) prior to expiry of the MOU. As a result, the Company is no longer under an obligation to deal exclusively with SGID. The private placement of subscription receipts which closed on March 26, 2010 was unwound; the proceeds from the financing and the Company shares, which had been held in escrow pending formation of the Strategic JV, were returned to SGID and the Company, respectively.

Sierra Gorda Outlook

The Financing Study is scheduled to be completed in December 2010. Resource drilling will be cut off around mid-year to allow final resource modeling and mine planning to be completed. Trade-off studies to optimize plant designs are continuing and engineering design activities are ramping up to meet the schedule. A historical review of other projects in Chile shows that the permitting process, currently considered to be on the critical path, has taken anywhere from 9 to 15 months to complete. The earliest date for the commencement of development is the third quarter of 2011, with commencement of production in 2014. To ensure maximum optionality the delivery situation for key equipment is being assessed with a view to placing orders as required for key mobile and other equipment in advance of completing the study. An order has already been placed for two electric shovels and two drills with a total cost of \$52 million. A non refundable deposit of \$4.1 million has been paid on this equipment. The Company is continuing the process of seeking a partner to assist in project funding.

MALMBJERG MOLYBDENUM PROJECT (GREENLAND)

In May 2009, the Company received the exploitation license for the project. While there have been no significant expenditures at Malmbjerg during 2010, the Company has continued to advance environmental baseline studies and commitments associated with the Environmental Statement Impact Analysis. Additional development activities at Malmbjerg have been suspended. Quadra FNX is continuing the search for a partner or partners to advance the project through to production.

DMC MINING SERVICES

DMC had revenues of \$4.6 million, for the period from May 21, 2010 to June 30, 2010. The second quarter of 2010 saw a slight drop in the divisions revenues as contracts that had come to an end in the first quarter of the year have yet to be replaced. Contract work during the quarter, and in hand, is centered mostly with clients who mine gold or potash. The division’s engineering department continues to be busy advancing several trade off- studies and design projects, for long-term and new clients, which may lead to construction projects later this year.

Safety performance remains a strong focus and is expected to be good through year end.

DMC is currently in an advanced stage of negotiation, with a major mining company, for a multi year shaft sinking and construction contract. This project, along with other significant projects DMC is tendering, is expected to enable the division to rebuild its revenue base as the year progresses.

MANAGEMENT CHANGES

Jack Miller, Chief Operating Officer, has announced his intention to retire effective September 2010.

LIQUIDITY AND CAPITAL RESOURCES

In connection with the merger with FNX, the Company increased cash and cash equivalents by \$205 million. The Company generated cash flow from operating activities of \$83.8 million for the six month period ended June 30, 2010 compared to \$13.9 million in the same period of 2009. The increase in operating cash flow is largely driven by the increased copper price, as well as higher sales volumes due to the operation of the Franke Mine.

Capital spending in the first six months of 2010 was \$69.3 million for operations and projects. An additional \$5.0 million was paid to increase environmental bonding at the Robinson Mine.

During the first six months of 2010 the Company settled 19.8 million pounds of Franke copper collars and paid \$18.6 million to the counter parties. This completes the collar program for the Franke project. In addition, the Company purchased additional copper put options under the price protection program at a cost of \$4.8 million.

In the first quarter of 2010, the Franke project finance facility was increased by \$12.5 million and during the second quarter the Company repaid \$2.1 million as prescribed by the terms of the facility.

During the first six months of 2010, the Company entered into new operating lease agreements for loading equipment for deployment at Carlota with a value of \$15 million.

At June 30, 2010, the Company had cash and cash equivalents of \$325 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 \$39.8 million. In addition, at June 30, 2010 the Company owns 25.2% of the outstanding common shares of Gold Wheaton and the market value of these shares was \$83.5 million at June 30, 2010. The Company also holds a C\$50 million note receivable due from Gold Wheaton, with a fair value of \$47.5 million at June 30, 2010. On July 16, 2010 the note was settled through the issuance of additional Gold Wheaton shares and the Company now holds a 34.5% equity interest in Gold Wheaton.

At June 30, 2010, the Company had working capital of \$507 million as compared to \$217 million at December 31, 2009. The increase in working capital during the first six months of 2010 is primarily the result of the merger with FNX combined with operating cash flow net of capital expenditures. At June 30, 2010, accounts receivable and revenues include approximately 18.7 million pounds of copper that has been provisionally valued at \$2.96/lb. The final pricing for these provisionally priced sales is expected to occur between July 2010 and September 2010. 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 future periods of 2010. On August 11, 2010 the copper price was \$3.27/lb.

Liquidity Outlook

The Company's future profitability and cash position is highly dependent on the price of copper and gold and to a lesser extent nickel and platinum. Future changes in the price of copper will also impact the final settlement price of provisionally priced sales. The Company has purchased copper put options to protect a minimum floor price for a portion of its future copper production (see "**Financial Instruments**").

The Company is planning to spend \$47 million in 2010 to complete the Sierra Gorda Financing Study and may incur other expenses at Sierra Gorda including land, water rights, equipment deposits, litigation expenses and mineral claim acquisitions. In addition, the Company expects to spend \$21 million on Sudbury exploration properties and \$45 million on the development of Morrison deposit and has capital requirements at each of the five operating mines. The Franke project loan facility has scheduled principal repayments of \$6.9 million in 2010 and additional semi-annual payments are required in an amount equal to 67% of Excess Cashflow from the Franke Mine, as

defined in the agreement. Based on the current copper price and the projected Excess Cash Flow from the Franke Mine, it is expected that the Company will repay the balance of the facility in the next 12 months.

At current metal prices, the Company expects that it will be able to fund the 2010 capital requirements for all of its mines and projects, including the Sierra Gorda Financing Study, from existing cash on hand and internally generated funds.

Based on the results of the Sierra Gorda scoping study, development of this project will require a total capital cost in the range of \$1.7 billion and total costs in the range of \$2.0 billion. The Company has been in discussions with potential partners with the objective of putting in place the financing for the project.

Commitments and contractual obligations

(\$000's)	Payment Due By Period						Total
	Less than	1-2	2-3	3-4	4-5	After	
	1 year	years	years	years	years	5 years	
Project debt facility	47,875	-	-	-	-	-	47,875
Reclamation liabilities	389	279	1,197	3,164	7,551	97,372	109,952
Franke Mine contracts	12,947	24,977	24,711	21,807	19,575	92,793	196,810
Robinson Mine power supply contract	4,577	9,166	9,179	-	-	-	22,922
Minimum lease payments (capital and operating)	12,705	14,194	8,121	6,248	2,613	712	44,593
Total	78,493	48,616	43,208	31,219	29,739	190,877	422,152

Project debt facility

On May 14, 2009, Quadra signed an agreement with a syndicate of lenders in which the lenders provided a \$37.5 million secured project debt facility to a wholly-owned Chilean subsidiary of the Company. In January 2010, the Company drew down an additional \$12.5 million in connection with an increase in the project debt facility from \$37.5 million to \$50.0 million and in April 2010 made a scheduled principal payment of \$2.1 million.

Reclamation liabilities

The Company has estimated total future reclamation costs of \$110.0 million (undiscounted), which primarily relate to the closure of the Robinson, Carlota, Franke Mines and Sudbury operations. The Company has estimated the fair value of this liability to be \$53.7 million at June 30, 2010 based on the estimated discounted future payments. To secure a portion of the closure costs related to the Robinson and Carlota Mines, the Company has posted environmental bonds and held cash in a reclamation trust totalling \$70.8 million as at June 30, 2010. The Company revises the reclamation plan and cost estimate for the Robinson Mine annually as required by US Bureau of Land Management and adjusts the amount of the bond accordingly. The reclamation plan and cost estimate for the Carlota Mine 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 the Franke Mine. A closure plan for the Podolsky mine has been submitted to the Ontario Government resulting in a bonding requirement of \$4.0 million. Closure plans for the McCreedy and Levack operations are governed by arrangements between the Ontario Government and Vale and between Vale and the Company. Under the latter agreement, the Company has placed \$2.5 million in trust with Vale.

Franke Mine contracts

The Company has a long-term supply contract for sulphuric acid for use in the copper extraction process at the Franke Mine. 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.

The Franke Mine 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 the Franke Mine.

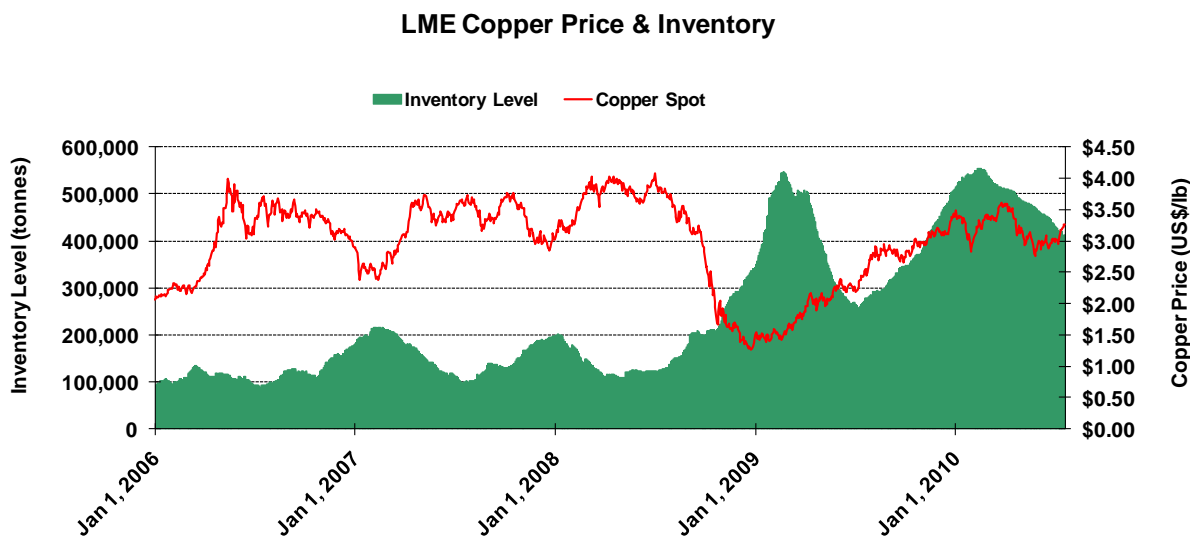
Robinson Mine power supply contract

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

MARKET TRENDS AND FUNDAMENTALS

Between 2006 and mid 2008, the growing demand for copper, particularly in China, coupled with an inability of the copper industry to increase supply due to a lack of immediate development projects, together with a weakening U.S. dollar led to a substantial increase in the copper price. The subsequent global credit and consumer confidence crises and the resulting global economic downturn led to a collapse in the price of copper, which reached a low of \$1.26/lb in December 2008, before recovering to \$2.96/lb at the end of June 30, 2010. The sharp rebound in the price of copper was due to a significant tightening in the global supply of copper scrap and continued strong Chinese demand. The Company believes that, copper fundamentals will remain robust as continued growth in Chinese copper demand coupled with increased rest-of-world copper demand arising from the recovery in the global economy, will drive global copper demand ahead of the growth in both scrap and primary mine supply.

The following graph shows the inventory level, as published by the London Metal Exchange (“LME”), of copper and the spot price of copper from 2006 to July 30, 2010.



At June 30, 2010, the closing spot price was \$2.96/lb. At July 30, 2010, the closing spot price was \$3.26/lb. The reference price of copper metal is determined by trading on the LME, where the price is set in U.S. dollars at the end of each business day.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

The following table summarizes the impact of the changes in copper price on the Company's after tax earnings for the remainder of 2010, 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	25,163
- \$0.20/lb	(25,163)

The Company has a floor price protection program for a portion of its anticipated copper sales from the Robinson and Carlota Mine through December 2010. During the first six months of 2010, a total of 87 million pounds of copper put options expired unexercised. In addition, the Company purchased additional copper put options for 85 million pounds of copper at a cost of \$4.8 million. At June 30, 2010, the Company had 62 million pounds of copper puts outstanding with an average strike price of \$2.22/lb (December 31, 2009 – 64 million pounds). The expiry dates of these put options are between July and December 2010.

Under the terms of the Franke project loan facility, the Company was required to enter into a copper price protection program in order to establish a minimum floor price for a portion of anticipated copper sales from the Franke Mine. During the six months ended June 30, 2010, the Company settled all of the remaining 19.8 million pounds of copper collar contracts with cash payments of \$18.6 million. At June 30, 2010, 15 million lbs of Franke put options remain outstanding with a strike price of \$1.79/lb. The expiry dates of these put options are between July and December 2010.

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

The following table summarizes the impact of different copper prices on the Company's cash flows from copper put options in the remainder of 2010:

Copper price	Cash flows from copper put options
\$1.50/lb	51,546
\$2.00/lb	13,662
\$2.50/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. In the first six months of 2010, the Company settled 5.5 million gallons of NYMEX heating oil contracts. These settlements resulted in cash payments to the Company of \$0.4 million in the first half of 2010, which have been recorded in cost of sales on the statement of earnings. During the first six months of 2010, the Company had entered into a total of 5.4 million gallons of NYMEX heating oil futures at no cost.

At June 30, 2010, the Company had 10.8 million gallons of NYMEX heating oil futures contracts outstanding with an average strike price of \$2.22/gallon (December 31, 2009 – 10.9 million gallons). The expiry dates of these NYMEX heating oil futures contracts are between July 2010 and June 2011.

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 three of the option agreements under which the Company acquired mining tenements that comprise of a significant part of the Sierra Gorda project. Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the lawsuits are without merit. The four original lawsuits are:
- 1) The first case was served on August 13, 2007. The plaintiff of this case is Mrs. Maral Kazazian. On May 4, 2010, the court ruled in favor of MQCL and awarded the Company costs. The plaintiffs have lodged two remedies against this decision at the same time: (i) a restricted appeal to the Supreme Court and (ii) an appeal. The Company has been advised by Chilean counsel that both remedies are without merit.
 - 2) The second case was served on April 2, 2008. On June 4, 2010, the Court of Appeals accepted the Company's position that the courts were not the appropriate jurisdiction for resolving the dispute and declared that the complete procedure is null and void and must be resolved by an arbitrator. The plaintiffs have lodged a restricted appeal to the Supreme Court against this decision. The Company has been advised by Chilean counsel that this appeal is without merit.
 - 3) The third case was served on June 20, 2008. MQCL settled this case in the second quarter of 2009 for less than \$0.5 million.
 - 4) The fourth case was served on July 10, 2008. Plaintiffs of this case are Mrs Maral Kazazian, Mrs. Zaroug Kazazian and Mr. Pakrad Kazazian. The Court referred this matter to arbitration and the Company applied for a declaration from the arbitrator that the option agreement is perfectly valid. On April 30, 2010 the arbitrator found that MQCL had fully complied with all its contractual obligations and that the option agreement at issue in this case is valid. The decision by the arbitrator cannot be appealed but the plaintiffs have filed an objection to the arbitration competence through a restricted appeal to the Supreme Court. The Company has been advised by Chilean counsel that this objection is without merit.
 - 5) On May 11, 2010, Zaroug Kazazian (sister of the plaintiff in the first case) launched a new lawsuit which is very similar to the first case. Additionally the plaintiff asked for an injunction over the tenements. The court denied this request. The plaintiff has appealed the court's decision. The Company has been advised by Chilean counsel that the case itself is poorly worded and without merit and further advised that the appeal is 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 the first two lawsuits and the most recent lawsuit, the plaintiffs are requesting that the option agreements be declared null and void. The plaintiffs in these cases are claiming that the SLMs were not authorized to sell the mining tenements under the option agreements.

Although the Company believes, based on advice from Chilean counsel, that the remaining 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.

In the unlikely event that MQCL loses any of the lawsuits, based on advice from Chilean counsel the precise legal situation is unclear in that:

- The SLMs were dissolved automatically under Chilean law when the mining tenements that are the subject of the lawsuits were sold to the Company. These SLMs would somehow have to be recreated. Based on advice from Chilean counsel, there is no Chilean precedent for this.
- Before the title to the mining tenements that are the subject of the lawsuits are transferred back to the SLMs, Quadra FNX should be entitled to be reimbursed all amounts paid to the plaintiffs and other shareholders under the option agreements.

- The mining tenements that are the subject of the lawsuits comprise an important part of the Company's current plan for the development of the Sierra Gorda project. Given Quadra FNX's other landholdings in the area, the Company believes that it would be very difficult for the plaintiffs in the lawsuits to be able to economically exploit the mining tenements that are the subject of the lawsuits.

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. However, none of the Company or any of its subsidiaries has of the date hereof been served with any additional legal actions.

- (b) The payable metals the processor is required to pay for ore shipped and sold by FNX are determined based on the metal which the processor is able to recover from the various ore deposits. This will vary depending on the particular metallurgical composition of each ore deposit as determined by metallurgical testing of the various ore deposits. There are several different final payable metals terms with Vale Inco for the various ore deposits at the Levack Complex to reflect the differences in the metallurgical composition of the ore deposits.

Interim processing costs terms and interim payable metals terms, based on preliminary metallurgical testing, have been established by Vale Inco for the Levack and Podolsky mines. Metallurgical testing has not proceeded as anticipated. Once final payable metals and processing costs terms are determined, it is expected that they may be applied to ore shipped from Levack in prior periods. The Company cannot, at this time, determine the amount, if any, of such adjustment. Depending on the outcome of the final payable metals and costs terms there may be a material increase or decrease in payable metals and/or processing costs to be recorded.

On April 16, 2009, Vale announced that its processing facilities would suspend operations beyond the normal May maintenance period until July 27, 2009 and, therefore, would not be accepting the Company's ore for processing after May 2009. In addition, much of Vale's labour force in Sudbury is unionized and their collective agreement ended on May 31, 2009. The union's strike action against Vale commenced effective July 13, 2009, and ended July 8, 2010 with ratification of a new collective agreement by members..

- (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 months ended June 30, 2010 the Company incurred legal fees of \$0.8 million with that entity (six months ended June 30, 2009: \$414), all of which were at normal business terms.

On the merger with FNX, Gold Wheaton became a significantly influenced investee and thus became a related party. All transactions conducted with Gold Wheaton are at the exchange amount. Sales to Gold Wheaton for the period ended June 30, 2010 totaled \$4.4 million, and accounts receivable at June 30, 2010 from Gold Wheaton was \$12.6 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Mineral Properties

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

The carrying value of mineral properties is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized for a mineral property if its carrying value exceeds the total undiscounted cash flows expected from its use and disposal. Undiscounted 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, and reclamation costs. 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, 2010.

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.

Asset Retirement Obligations, Reclamation and Mine Closure

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. In 2009 and in previous years the Company has revised its estimate of the timing and amount of closure costs at its mines, which resulted in adjustments to the liability recorded in the Company's financial statements. The estimate of the total liability for future site restoration costs is subject to change based on cost inflation, amendments to laws and regulations and may also change as new information concerning the Company's operations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

Future Income Tax Assets

Management believes that uncertainty exists regarding the realization of certain future tax assets and therefore a valuation allowance has been recorded as of June 30, 2010. At June 30, 2010 the Company had additional available U.S. Alternative Minimum Tax Credits of \$11.4 million, which have not been recognized due to the uncertainty of realization. The Company also has not recognized the benefit of the tax basis of Carlota and Franke in excess of the acquisition price, and certain non-capital losses. However, the Company has recognized a net current future 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 future tax assets which have been recognized.

OUTSTANDING SHARE DATA

The Company had 188,847,934 common shares issued and outstanding common shares at June 30, 2010. As of August 11, 2010 the Company had 188,854,894 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.

On May 20, 2010, the Company completed a merger with FNX. As a result, FNX is a business that the Company has acquired not more than 365 days before the last day of the period covered by the interim filings. Management believes that the internal controls and procedures of FNX have a material effect on its financial reporting internal controls. The Company is reviewing FNX's processes and controls and will be expanding its internal control over financial reporting scope to include FNX over the next fiscal year. The Company will exclude FNX from its disclosure controls and procedures and internal controls over financial reporting assessments for the year ended December 31, 2010, as permitted by NI 52-109 and applicable rules relating to business acquisitions.

Other than as described above, there have been no changes in internal control over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Canadian publicly listed companies will be required to prepare financial statements in accordance with IFRS for interim and annual periods beginning on or after January 1, 2011. Quadra’s reporting under IFRS will commence in the first quarter of 2011.

The Company has appointed a project manager to lead the conversion to IFRS. The project manager is working with other members of the finance group to execute the implementation plan. The project planning is substantially completed and included an initial diagnostic review of significant IFRS differences that was completed by the Company’s external auditors. Based on the work done so far, the Company does not expect that the conversion to IFRS will have a significant impact on its accounting processes and internal controls (including information technology systems). The Company will be updating its disclosure controls and procedures to ensure they are appropriate for reporting under IFRS. In addition, the Company does not expect the conversion to IFRS to have a significant impact on its risk management or other business activities.

Significant accounting impacts of conversion to IFRS

The Company has not yet completed its assessment of all accounting policy differences that may arise on conversion to IFRS. The following is a summary of the key accounting policy differences that have been identified to date. The Company has not yet quantified the impact of these differences on its consolidated financial statements

Property, Plant & Equipment – IFRS requires that the Company identify the different components of its fixed assets and record amortization based on the useful lives of each component. The Company has reviewed the depreciation of its existing property, plant & equipment and does not expect any material differences between IFRS and the Company’s current depreciation policies.

In addition, based on the current IFRS guidance, the Company does not expect its current accounting policies for stripping costs and exploration costs to be impacted by the conversion to IFRS.

Business Combinations – IFRS 1 “*First time adoption of International Financial Reporting Standards*” provides an exemption that allows companies transitioning to IFRS not to restate business combinations entered into prior to the date of transition. The Company plans to use this exemption and will not be restating the accounting for any of its previous acquisitions.

Asset Retirement Obligations – IFRS will require the Company to re-measure its asset retirement obligations on a quarterly basis using a current discount rate, which may result in some variability in both the carrying value of the liability and the income statement. The Company plans to use an IFRS 1 exemption and will not to comply with IFRIC 1 “*Changes in Existing Decommissioning, Restoration and Similar Liabilities*” for changes in such liabilities that occurred before the date of transition.

Impairment - International Accounting Standard (IAS) 36, “*Impairment of Assets*”, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. IFRS also has the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

A number of other differences between Canadian GAAP and IFRS have been identified, but not yet assessed by the Company, including the accounting for income taxes, financial instruments and disclosure requirements. These differences may have a material impact on the Company’s financial statements. In addition, the Company has not yet assessed the impact of IFRS differences that may arise as a result of the merger with FNX. A more detailed review of the impact of IFRS on the Company’s consolidated financial statements is in progress and will be completed during 2010.

SUMMARY OF QUARTERLY RESULTS

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

SUMMARY OF QUARTERLY RESULTS								
\$000's	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Statement of Operations								
Revenues - initial provisional price	106,423	120,282	122,131	66,849	67,465	79,739	80,796	184,719
Revenues - price adjustments	(11,725)	12,828	14,001	6,822	16,776	22,952	(84,560)	(64,398)
Revenues - Robinson concentrate*	94,698	133,110	136,132	73,671	84,241	102,691	(3,764)	120,321
Revenues - Carlota cathode	24,053	30,842	19,171	17,070	15,812	9,040	-	-
Revenues - Franke cathode	25,400	33,542	20,820	-	-	-	-	-
Revenues - Podolsky*	15,246	-	-	-	-	-	-	-
Revenues - Levack complex*	5,137	-	-	-	-	-	-	-
Revenues - DMC mining services	4,610	-	-	-	-	-	-	-
Revenues - total	169,144	197,494	176,123	90,741	100,053	111,731	(3,764)	120,321
Operating income (loss)	31,588	81,774	63,357	31,567	24,126	46,244	(93,422)	34,320
Earnings (loss) before income taxes	25,342	68,975	45,646	21,196	(7,515)	32,823	(159,278)	33,626
Earnings (loss)	21,754	55,647	46,454	14,701	(7,328)	26,655	(126,080)	20,772
Basic earnings (loss) per share	\$ 0.16	\$ 0.56	\$ 0.47	\$ 0.16	\$ (0.08)	\$ 0.40	\$ (1.94)	\$ 0.32
Diluted earnings (loss) per share	\$ 0.15	\$ 0.55	\$ 0.46	\$ 0.15	\$ (0.08)	\$ 0.40	\$ (1.94)	\$ 0.31
Financial Position								
Cash and cash equivalents	324,888	156,811	133,208	85,485	124,515	111,014	107,797	266,384
Total Assets	2,800,115	1,334,449	1,247,025	1,157,034	1,104,403	875,423	851,967	1,057,458
Total Liabilities	727,816	264,233	241,665	211,632	186,538	103,030	120,435	179,198
Shareholders' equity	2,072,299	1,070,216	1,005,360	945,402	917,865	772,393	731,532	878,260
Production Statistics - Robinson mine								
Copper in concentrate production (million lbs)	23.7	32.0	29.3	33.6	22.9	36.7	34.5	38.6
Copper sales (million lbs)*	26.6	27.8	31.7	21.1	24.2	34.5	29.2	40.4
Average final settlement price per pound	\$ 3.19	\$ 3.37	\$ 3.02	\$ 2.42	\$ 2.14	\$ 1.56	\$ 1.83	\$ 3.44
Gold production (ozs)	15,200	26,846	25,148	21,142	18,031	34,649	26,913	30,629
Copper grade (%)	0.40	0.59	0.59	0.75	0.58	0.65	0.68	0.64
Gold grade (g/t)	0.20	0.31	0.31	0.26	0.25	0.42	0.44	0.42
Copper recovery	73.5%	72.2%	65.9%	57.4%	56.3%	75.4%	68.1%	78.7%
Gold recovery	66.3%	78.1%	73.1%	71.4%	70.4%	75.4%	52.2%	65.8%
Onsite costs	54,067	51,974	60,241	49,394	51,821	44,878	59,659	61,102
Offsite costs	10,538	12,604	12,637	11,079	10,076	12,791	13,089	16,409
Production Statistics - Carlota mine								
Copper production (million lbs)	7.4	8.2	8.0	6.6	6.8	6.6	0.8	-
Copper grade (%)	0.24	0.20	0.37	0.35	0.29	0.30	0.23	-
Copper sales (million lbs)	7.7	9.5	6.4	6.5	7.5	5.9	-	-
Average realized price per pound	\$ 3.13	\$ 3.25	\$ 3.01	\$ 2.63	\$ 2.10	\$ 1.53	-	-
Onsite costs	24,799	26,081	20,048	17,806	18,809	18,032	21,765	-
Production Statistics - Franke mine								
Copper production (million lbs)	10.4	8.9	9.4	4.1	-	-	-	-
Copper grade (%)	0.86	0.91	0.85	-	-	-	-	-
Copper sales (million lbs)	7.8	10.3	6.9	-	-	-	-	-
Average realized price per pound	\$ 3.24	\$ 3.25	\$ 3.03	-	-	-	-	-
Onsite costs	25,583	22,216	22,867	17,410	-	-	-	-
Production Statistics - Levack Complex ⁽¹⁾								
Copper ore sold (tonnes) ⁽²⁾	67,510	67,250	154,476	2,257	89,249	7,511	77,737	95,576
Copper grade (%)	1.1	1.1	1.1	0.8	1.3	1.4	1.3	1.0
Copper sold - payable (million lbs)	1.4	1.6	3.5	0.03	2.4	0.4	2.4	2.6
Average realized price per pound	\$2.84	\$ 3.63	\$ 3.17	\$ 30.92	\$ 2.37	\$ 2.82	\$ 0.63	\$ 2.96
Nickel sold - payable (million lbs)	0.4	0.5	0.8	0.01	1.2	0.4	2.4	2.6
TPM sold - payable (ozs) ⁽³⁾	8,485	7,978	19,010	73	8,781	3,492	8,599	8,584
Total onsite and offsite costs	10,434	9,791	20,681	724	14,821	2,571	29,414	31,070
Production Statistics - Podolsky								
Copper ore sold (tonnes) ⁽²⁾	128,867	71,344	167,513	6,182	58,087	83,778	74,405	74,585
Copper grade (%)	3.7	2.6	4.2	3.5	4.5	6.0	6.8	5.6
Copper sold - payable (million lbs)	8.6	3.2	13.0	0.4	5.4	9.4	9.1	6.9
Average realized price per pound	\$2.88	\$ 3.63	\$ 3.17	\$ 3.32	\$ 2.58	\$ 1.73	\$ 0.67	\$ 2.95
Nickel sold - payable (million lbs)	0.6	0.3	0.8	0.03	0.3	0.8	0.6	0.5
TPM sold - payable (ozs) ⁽³⁾	11,494	5,280	15,140	924	7,751	3,923	8,202	7,795
Total onsite and offsite costs	19,517	12,062	29,264	1,322	9,625	15,839	16,770	15,285

- (1) Excluding Morrison deposit pre-production ore*
- (2) Converted into metric tonne from original short ton*
- (3) Total precious metal, including gold, platinum and palladium*
- (4) 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*

* Revenues from sales of Robinson's concentrate are recognized at the time of delivery which is generally upon loading of a ship at the port of Vancouver, Washington. Due to the timing of shipments, the amount of product sold in a quarter may differ from quarterly production volumes at the Robinson Mine in Ely, Nevada. Revenues are initially recognized based on metal prices at the time of shipment; however, final pricing is not determined until a future period. Price adjustments are recorded at each quarter-end prior to final settlement. Copper sales volumes are reported based on the volume of pounds actually paid for by the customer (payable pounds). Payable pounds are generally 3-5% lower than the metal volume actually delivered, and the amount of the deduction varies depending on concentrate grade. Revenues from sales of Sudbury copper and nickel ores are recognized based on the payable metals that are estimates based on metallurgical testing and interim payment terms, neither of which is binding, final payment terms could differ from those reported.

The quarterly performance of the Robinson Mine 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.

Total assets and total liabilities increased in the second quarter of 2010 as a result of the Company's merger with FNX Mining Inc. In the second quarter of 2009, the Company completed the acquisition of Centenario and, as a result, increased its total assets by \$262 million and its total liabilities by \$195 million.

The decline in the cash balance in the fourth quarter of 2008 is due to the decline in copper prices, and the resulting impact of settlement of provisional price adjustments. In the fourth quarter of 2008, the Company also recorded a \$96 million write down related to the impairment of the Malmbjerg mineral property.

NON-GAAP FINANCIAL MEASURES

The cash cost per pound of copper, and onsite costs and offsite costs are non-GAAP financial measures that do not have a standardized meaning under Canadian Generally Accepted Accounting Principles ("GAAP"), 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 (including all pre-stripping 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 operations, is different than the costs of production because of changes in concentrate inventory levels. The following table shows a reconciliation of these non-GAAP financial measures to the consolidated statements of operations:

	Three months ended June 30, 2010						Three months ended June 30, 2009		
	Robinson	Carlota	Franke	Levack Complex	Podolsky	Total	Robinson	Carlota	Total
Cost of sales	59,904	13,358	20,311	5,918	10,132	109,623	49,133	14,157	63,290
Pre merger operating costs	-	-	-	4,516	9,385	13,901	-	-	-
Adjustment for change in inventory	1,213	10,229	5,272	-	-	16,714	9,026	4,652	13,678
Capitalized stripping costs	-	-	-	-	-	-	1,230	-	1,230
Royalties	3,488	1,212	-	-	-	4,700	2,508	-	2,508
Total onsite and offsite costs	64,605	24,799	25,583	10,434	19,517	144,938	61,897	18,809	80,706
By-product revenues	(26,777)	-	-	(2,859)	(4,247)	(33,883)	(25,491)	-	(25,491)
Pre merger by-product revenues	-	-	-	(4,314)	(6,124)	(10,438)	-	-	-
	37,828	24,799	25,583	3,261	9,146	100,617	36,406	18,809	55,215
Copper produced/sold (million lbs)	23.7	7.4	10.4	1.4	8.6	51.5	22.9	6.8	29.7
Cash cost per pound of copper	\$ 1.60	\$ 3.34	\$ 2.46	\$ 2.26	\$ 1.07	\$ 1.95	\$ 1.59	\$ 2.77	\$ 1.86

	Six months ended June 30, 2010						Six months ended June 30, 2009		
	Robinson	Carlota	Franke	Levack Complex	Podolsky	Total	Robinson	Carlota	Total
Cost of sales	119,237	28,548	40,795	5,918	10,132	204,630	102,201	23,224	125,425
Pre merger operating costs	-	-	-	14,305	21,447	35,752	-	-	-
Adjustment for change in inventory	2,797	19,566	5,964	-	-	28,327	3,255	13,617	16,872
Capitalized stripping costs	-	-	-	-	-	-	9,681	-	9,681
Royalties	7,149	2,766	-	-	-	9,915	4,429	-	4,429
Total onsite and offsite costs	129,183	50,880	46,759	20,223	31,579	278,624	119,566	36,841	156,407
By-product revenues	(56,260)	-	-	(2,859)	(4,247)	(63,366)	(53,706)	-	(53,706)
Pre merger by-product revenues	-	-	-	(14,608)	(12,703)	(27,311)	-	-	-
	72,923	50,880	46,759	2,756	14,629	187,947	65,860	36,841	102,701
Copper produced/sold (million lbs)	55.7	15.6	19.3	3.0	11.8	105.4	59.6	13.4	73.0
Cash cost per pound of copper	\$ 1.31	\$ 3.26	\$ 2.42	\$ 0.92	\$ 1.24	\$ 1.78	\$ 1.10	\$ 2.75	\$ 1.41

Cashflow from operating activities (before working capital changes) is also not a defined term under GAAP, 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-GAAP 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, 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:

	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>
Net earnings - GAAP	21,754	(7,328)
Adjusting items:		
(Gain) loss on derivatives	(3,596)	17,170
Loss on marketable securities	5,961	7,234
Transaction costs for FNX merger	5,261	-
Accounting gains from investment in Gold Wheaton	(10,116)	-
Foreign exchange loss on translation of future income tax liabilities	810	-
Tax impact of the above items	567	(6,297)
	<u>(1,113)</u>	<u>18,107</u>
Net earnings - Adjusted	<u>20,641</u>	<u>10,779</u>
Weighted-average number of shares outstanding -basic	139,805	94,521
Earnings per share - adjusted	\$ 0.15	\$ 0.11
	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Net earnings - GAAP	77,401	19,327
Adjusting items:		
(Gain) loss on derivatives	3,482	25,979
Loss on marketable securities	341	7,234
Transaction costs for FNX merger	6,996	-
Accounting gains from investment in Gold Wheaton	(10,116)	-
Foreign exchange loss on translation of future income tax liabilities	810	-
Tax impact of the above items	(868)	(7,971)
	<u>645</u>	<u>25,242</u>
Net earnings - Adjusted	<u>78,046</u>	<u>44,569</u>
Weighted-average number of shares outstanding -basic	119,781	80,339
Earnings per share - adjusted	\$ 0.65	\$ 0.55

August 11, 2010

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:

- ❖ risks associated with the mineralogy and block model assumptions at all Mines and projects including, in particular the complex Robinson Mine;
- ❖ uncertainties related to the extent to which historical mining activities at Robinson have removed mineral material expected to be present;
- ❖ uncertainties related to the impact of the recent storm event at the Carlota Mine and uncertainty relating to the leaching rate achieved at the Carlota Mine;
- ❖ risks related to maintaining current operating parameters at Podolsky;
- ❖ uncertainties related to actual capital costs, operating costs, production schedules and economic returns associated with the ramp-up of the Morrison deposit;
- ❖ risks associated with Quadra FNX’s off-take agreement with Vale Inco, including the risk of potential adjustment to final payable metal and processing cost terms;
- ❖ uncertainties relating to availability of updated equipment for the Franke Mine and the leach recovery rate achieved at the Franke Mine;
- ❖ uncertainties related to the construction quality and structural design at the Franke Mine;
- ❖ risks associated with the development of the Sierra Gorda Project, a large project with significant capital expenditure, permitting and infrastructure requirements;
- ❖ risks relating to the preliminary nature of the testwork underlying the scoping study described in the Sierra Gorda Technical Report;
- ❖ risks associating with ongoing litigation at Sierra Gorda and with potential future litigation at Sierra Gorda and other projects;
- ❖ risks relating to Quadra FNX’s ability to find a suitable partner or obtain project financing for Sierra Gorda;
- ❖ uncertainties related to the amount of funding required to achieve full production levels at the Franke and Carlota Mines and at the Morrison deposit;
- ❖ uncertainties related to Quadra FNX’s ability to expand or replace depleted reserves;
- ❖ uncertainties related to the possible recalculation or reduction of the Company’s mineral reserves and resources;
- ❖ risks that Quadra FNX’s title to its property could be challenged, including potential challenges from First Nations with respect to the Sudbury operations;
- ❖ risks associated with Quadra FNX’s dependence on transportation facilities and infrastructure;
- ❖ risks related to Quadra FNX’s shareholder rights plan;
- ❖ risk related to derivative contracts and exposure to the credit risk of counterparties;
- ❖ risks associated with taxation;
- ❖ conflicts of interest;
- ❖ risks associated with fluctuations in costs of operating supplies and other inputs;
- ❖ uncertainties related to actual capital costs, operating costs and expenditures, production schedules and economic returns from the Company’s mining projects;
- ❖ inherent hazards and risks associated with mining operations;

- ❖ inherent uncertainties associated with mineral exploration;
- ❖ risks associated with Quadra FNX being subject to government regulation, including changes in regulation;
- ❖ risks associated with Quadra FNX being subject to extensive environmental laws and regulations, including change in regulation;
- ❖ risks associated with Quadra FNX's need for governmental license and permits;
- ❖ political and country risk;
- ❖ Quadra FNX's need to attract and retain qualified personnel;
- ❖ risks related to the need for reclamation activities on Quadra FNX's properties, including the nature of reclamation required and uncertainty of costs estimates related thereto;
- ❖ risk of water shortages and risks associated with competition for water;
- ❖ increases in off-site transportation and concentrate processing costs;
- ❖ risks related to the stability of mine pit walls;
- ❖ uncertainties related to fluctuations in copper and other metal prices;
- ❖ uncertainties related to the current global financial conditions; and
- ❖ uncertainties related to fluctuation in foreign currency exchange rates.

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 Mining Ltd. and FNX Mining Company Inc. 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.