



ANNUAL INFORMATION FORM

**For the Year Ended December 31, 2010
Dated as of March 23, 2011**

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ITEM 1: PRELIMINARY NOTES

Date of Information

The date of the information incorporated in this Annual Information Form (“AIF”) is as of March 23, 2011 unless otherwise stated.

Cautionary Statement on Forward-Looking Information

This AIF contains forward-looking statements concerning Quadra FNX’s plans at its mineral properties, estimated production, capital and operating cash flow estimates, and other matters. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Actual results could differ materially from the conclusions, forecasts and projections contained in these forward-looking statements.

Statements concerning mineral resource estimates may also be deemed to constitute “forward-looking statements” to the extent that they involve estimates of the mineralization that will be encountered if a given property is developed or a deposit mined. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “is expected”, “anticipates”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential” or variations thereof or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to materially differ from those reflected in the forward-looking statements, including, without limitation the following risks and uncertainties for Quadra FNX:

Risks and uncertainties related to or associated with:

- Fluctuations in metal prices;
- The ability to expand or replace depleted reserves and the possible recalculation or reduction of the reserves and resources;
- The need to attract and retain qualified personnel;
- Dewatering at the Robinson Mine in 2012 and beyond;
- The development of the Sierra Gorda Project, a large project with significant capital expenditure, permitting and infrastructure requirements;
- Actual capital costs, operating costs and expenditures, production schedules and economic returns from the Company’s mining projects;
- Underground mining at the Levack Mine including reserves replacement, delays on re-establishing 3600L Loading Pocket, and backfilling rate;
- Geotechnical issues at all properties; specifically pit slope stability at open pit operations and structural issues at the underground mines;
- The mineralogy and block model assumptions at all mines and projects;
- The leaching rate and recoveries achievable at the Carlota Mine due to the high content of fines within the ore and other processing factors;
- The leaching rate and recoveries at the Franke Mine;
- The ability to find a suitable partner or obtain project financing for the Sierra Gorda project;
- The ongoing litigation and potential future litigation at the Sierra Gorda Project;
- The offtake agreement with Vale, including the risk of potential adjustment to final payable metal and processing cost terms;
- Potential challenges to title to the properties;
- Transition to owner mining at the Franke Mine;
- Updated equipment for the Franke Mine may not be available;
- The dependence on transportation facilities and infrastructure;
- Labour relations, in particular with respect to the Sudbury operations;
- The actual costs of reclamation;
- Quadra FNX is impacted by the availability and cost of key operating supplies and services;

- The acquisition of businesses and assets;
- Inherent hazards and risks associated with mining operations;
- Inherent uncertainties associated with mineral exploration;
- The mining industry is competitive;
- Being subject to government regulation, including changes in regulation;
- Being subject to extensive environmental laws and regulations, including change in regulation;
- Need for governmental license and permits;
- Derivative contracts and exposure to the credit risk of counter-parties;
- The shareholder rights plan;
- Taxation;
- Dividends;
- Political and country risk;
- Conflicts of interest;
- Fluctuations foreign currency exchange rates; and
- Global financial conditions.

This list is not exhaustive of the factors that may affect any of Quadra FNX's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of Quadra FNX or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this AIF under the heading "Risk Factors" and elsewhere.

Quadra FNX's forward-looking statements are based on the beliefs, expectations and opinions of management as of the date hereof and which the Company believes are reasonable in the circumstances, but no assurance can be given that these expectations will prove to be correct. Quadra FNX disclaims any intention or obligation to update or revise forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, undue reliance should not be placed on forward-looking statements.

Currency and Exchange Rates

Dollar amounts set forth in this AIF, except as otherwise indicated, are stated in United States dollars. Canadian dollars are indicated as “C\$”. The following table sets forth for each period indicated the period-end exchange rates and the average exchange rates for Canadian dollars. These rates are the closing rate of Bank of Canada rates for the purchase of one United States dollar with Canadian dollars for the year ended December 31.

	2010	2009	2008	2007
Year End	0.9946	1.0510	1.2180	0.9913
Average	1.0299	1.1420	1.0660	1.0748

ITEM 2: CORPORATE STRUCTURE

Name and Incorporation

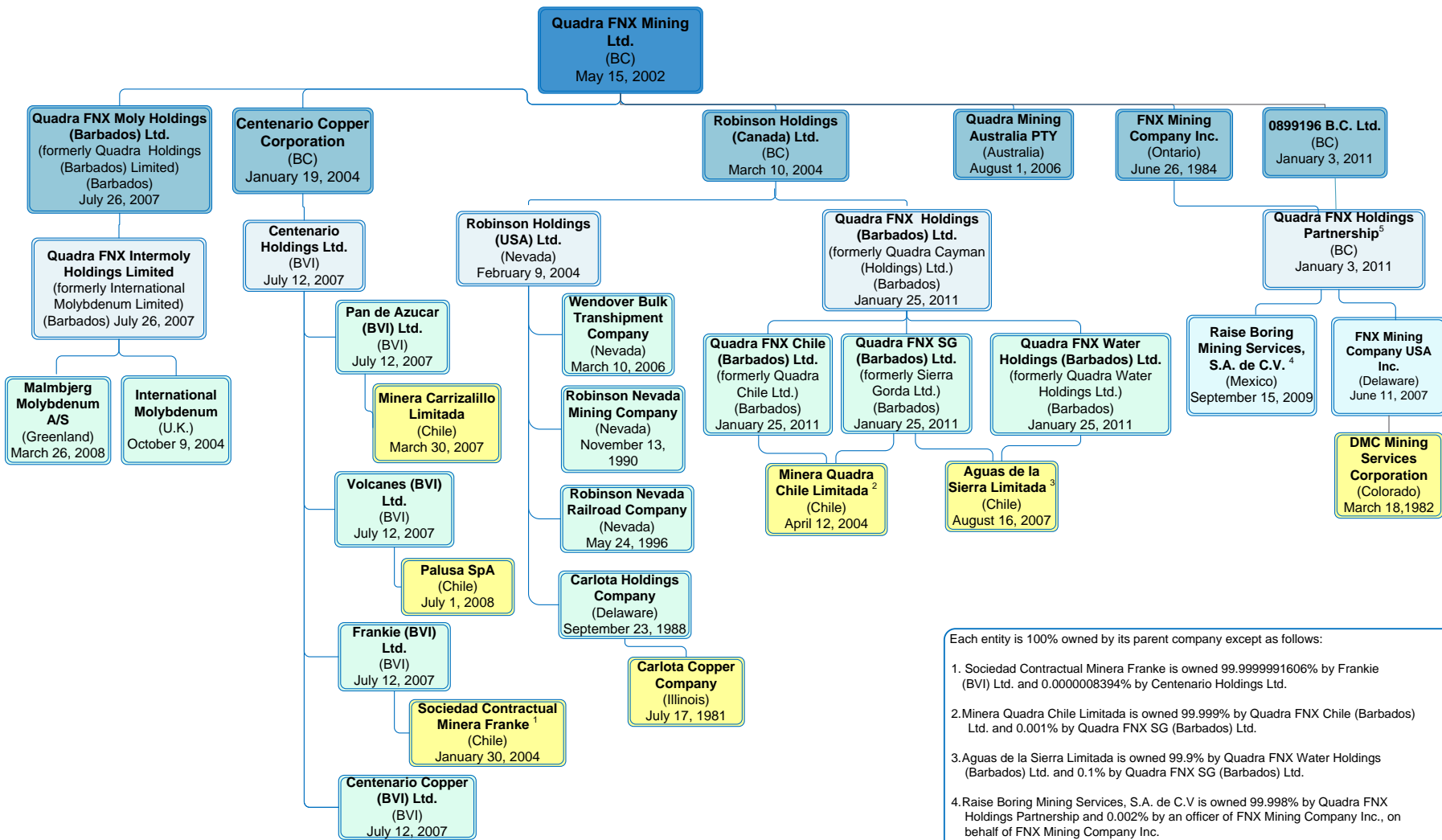
The Company was incorporated under the British Columbia *Company Act* on May 15, 2002 under the name Quadra Resources Ltd. The Company changed its name to Quadra Mining Ltd. in January 2003 and transitioned under the *Business Corporations Act* of British Columbia. The Company completed an initial public offering in April 2004 and its common shares commenced trading on the Toronto Stock Exchange (“TSX”) under the symbol “QUA”. In May 2010, the Company completed a merger with FNX Mining Company Inc. and changed its name to Quadra FNX Mining Ltd. (“**Quadra FNX**”). The Company’s common shares now trade on the TSX under the symbol “**QUX**”. The Company is a reporting issuer in all provinces and territories of Canada.

Quadra FNX’s executive office is located at 2414 – 1055 Dunsmuir Street, Vancouver, British Columbia, Canada, V7X 1K8, telephone: (604) 689-8550; fax: (604) 689-8556; e-mail:info@quadrafnx.com; website: www.quadrafnx.com. Quadra FNX’s registered and records office is 595 Burrard Street, Suite 2600, Vancouver, British Columbia, V7X 1L3, Canada.

In this AIF, the terms “Company” or “Quadra FNX” refer to Quadra FNX Mining Ltd. and all its subsidiaries together unless the context otherwise clearly requires.

Intercorporate Relationships

The following chart describes the inter-corporate relationships among Quadra FNX’s subsidiaries as at March 23, 2011. The percentage of ownership is indicated for each entity.



Each entity is 100% owned by its parent company except as follows:

1. Sociedad Contractual Minera Franke is owned 99.999991606% by Frankie (BVI) Ltd. and 0.000008394% by Centenario Holdings Ltd.
2. Minera Quadra Chile Limitada is owned 99.999% by Quadra FNX Chile (Barbados) Ltd. and 0.001% by Quadra FNX SG (Barbados) Ltd.
3. Aguas de la Sierra Limitada is owned 99.9% by Quadra FNX Water Holdings (Barbados) Ltd. and 0.1% by Quadra FNX SG (Barbados) Ltd.
4. Raise Boring Mining Services, S.A. de C.V. is owned 99.998% by Quadra FNX Holdings Partnership and 0.002% by an officer of FNX Mining Company Inc., on behalf of FNX Mining Company Inc.
5. Quadra FNX Holdings Partnership is owned 99.999% by FNX Mining Company Inc. and 0.0001% by 0899196 B.C. Ltd.

As of March 23, 2011

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

Summary

The Company was formed in May 2002 with the goal of becoming a mid-tier base metals development and operating company producing from multiple assets and holding a pipeline of projects to support sustained production. In December 2003 the Company entered into an agreement with an affiliate of BHP Billiton Limited to acquire the Robinson mine (“**Robinson**” or the “**Robinson Mine**”) located near Ely, Nevada. The completion of the acquisition was conditional upon the Company completing an initial public offering, which occurred in April 2004. Quadra FNX recommenced operations at the Robinson Mine and achieved full production in October 2004. The Robinson Mine has been in continuous production since that time. In 2004, the Company also entered into option agreements to acquire the Sierra Gorda property (“**Sierra Gorda**” or the “**Sierra Gorda Project**”) in Chile. Following a period of exploration drilling that defined a significant copper resource, these options were exercised in 2008. In 2005, the Company acquired the Carlota project (“**Carlota**” or the “**Carlota Mine**”) in Arizona and brought it into production in the last quarter of 2008. In April 2009, the Company acquired the Franke mine (“**Franke**” or the “**Franke Mine**”) located in Region II, Chile, through the acquisition of all the issued and outstanding shares of Centenario Copper Corporation (“**Centenario**”). The Franke Mine commenced production in the third quarter of 2009. In May 2010, the Company acquired the McCreedy West mine (“**McCreedy West**” or the “**McCreedy West Mine**”), the Podolsky mine (“**Podolsky**” or the “**Podolsky Mine**”) and the Levack mine (“**Levack**” or the “**Levack Mine**”), which includes the Morrison deposit (“**Morrison**” or the “**Morrison Deposit**”), the Victoria property (“**Victoria**” or the “**Victoria Project**”) and the Kirkwood property (“**Kirkwood**”), all located in Sudbury, Ontario through a merger with FNX Mining Company Inc.

The following is a summary of key developments over the past three years:

2008

In 2008, the Robinson Mine produced 160 million pounds of copper and 138 thousand ounces of gold. The Company generated net income for the year of \$39 million, which was net of a \$96 million write-down of the Malmbjerg mineral property, an exploration property in Greenland.

Construction of the Carlota Mine was substantially completed, on schedule and on budget, at the end of September 2008. Production commenced with the harvesting of the first copper cathode from the processing plant achieved in December 2008.

In the second quarter of 2008, the Company made payments totalling \$24.9 million to exercise eight option agreements to acquire the exploitation concessions that comprise the Sierra Gorda Project. In May 2008, the Company completed an updated National Instrument 43-101 (“**NI 43-101**”) compliant technical report for the Sierra Gorda Project which included a new mineral resource estimate. In 2008, the Company completed over 67,000 metres of drilling and commissioned a scoping study for the Sierra Gorda Project intended to identify the basic project parameters. Development expenditures were temporarily suspended in late 2008 due to the significant decline in metal prices.

In July 2008, the Company completed an equity financing through which the Company issued a total of 7,966,750 common shares at a price of C\$24.50 per share for total gross proceeds of C\$195 million. The Company used a portion of the proceeds of the equity financing to repay outstanding indebtedness.

2009

In 2009, the Company produced a total of 164 million pounds of copper and 99 thousand ounces of gold from the Robinson, Carlota and Franke Mines. The Company generated net income for the year of \$80.5 million.

The Carlota Mine made its first shipment of copper cathode in February 2009 and production continued to ramp up during the year. Work on a diversion channel for Pinto Creek was completed on schedule in the fourth quarter, allowing access to the higher grade ore body underlying the creek bed.

In July 2009, the Company announced the completion of a scoping study for the Sierra Gorda Project (“**Scoping Study**”), which included a preliminary economic assessment and an updated mineral resource estimate that recommended proceeding with pre-feasibility and feasibility studies.

Centenario Acquisition

On April 8, 2009, the Company acquired all of the issued and outstanding shares of Centenario at a cost of \$66.9 million pursuant to a plan of arrangement under the *Business Corporations Act* (British Columbia) (the “Centenario Acquisition”). The Centenario Acquisition was completed through an agreement dated February 8, 2009 between the Company and Centenario. Under the Centenario Acquisition, the Company issued 0.28 common shares of the Company for each common share of Centenario and exchanged all outstanding options to acquire common shares of Centenario for options to acquire Company’s common shares, with the exercise price of such options and the number of Company’s common shares to be acquired on the exercise of such options adjusted in accordance with the same exchange ratio. In total, on the effective date of the acquisition, 14,368,563 common shares of the Company and options to acquire 574,000 common shares of the Company were issued in exchange for all of the outstanding common shares and stock options of Centenario. On completion of the acquisition, Centenario became a wholly-owned subsidiary of the Company. The Franke Mine began harvesting copper cathode in July 2009.

On April 16, 2009, the Company completed an offering of 18,630,000 common shares at a price of C\$4.65 per share for total gross proceeds of \$86.6 million. The offering was conditional upon, among other things, the Company completing the Centenario Acquisition.

In May 2009, the Company repaid the bank loan assumed from Centenario of \$38.3 million (net of proceeds from the close-out of derivatives acquired on the acquisition of Centenario) and entered into a new \$37.5 million syndicated project loan facility to fund the development of the Franke Mine.

2010

In 2010 the Company produced a total of 224 million pounds of copper and 148 thousand ounces of total precious metals from its operations. The Company generated net income for the year of \$173 million. The financial results of FNX were consolidated commencing May 21, 2010.

The Robinson Mine completed mining of the Veteran Pit and transferred mining operations to the Ruth Pit. In addition to ore and waste mining, work began on the removal of mud and pit wall debris from the bottom of the pit in order to meet production planned in 2011.

The Carlota Mine was affected by a one in three hundred year storm that impacted production and operations for the balance of the year. In addition, leach solution percolation was well below design due to higher than feasibility study levels of fines in the ore. These in turn affected recoveries and recovery rates. The levels of fines were established to be continuous through the ore body and a program was put in place to develop strategies to reduce the impact on production. The fines impacted the pit slope angle selection.

The Franke Mine continued to ramp up with a focus on equipment availability and recovery. The throughput was increased but ultimately limited by the need to replace the stacker. Recoveries did not correlate to the feasibility study and were still being reevaluated at year end. The geological model was revised and a new mine plan developed based on the resulting new block model.

The Morrison Deposit continued to ramp up and achieved commercial production in September 2010. The mine planning strategy was changed to focus on pounds at the highest possible grade rather than tonnes mined.

Negotiations with potential partners for the Sierra Gorda Project continued and in March 2010 the Company announced it had entered into a memorandum of understanding (the “MOU”) with State Grid International Development Limited. The MOU expired in June 2010 and negotiations with other potential partners resumed and were ongoing at year end. The Company continued to advance a financing and feasibility study of Sierra Gorda through 2010 with a target completion date of the end of the first quarter of 2011. Work in 2010 included infill and condemnation drilling, geological modelling through to block modelling of the resource, metallurgical testing, development of a metal production plan, engineering and costing studies, and development of infrastructure, including negotiations with key suppliers. The EIA permit application was submitted in May 2010 and has moved on schedule through the regulatory process.

In April and May 2010, the Company received positive legal rulings on two of the outstanding lawsuits related to the Sierra Gorda Project. See “Item 10 – Legal Proceedings” for further information on the Sierra Gorda litigation.

In 2010, the Zone 4 sulphide mineralized system was discovered at the Victoria Project with continuing drilling supporting a substantial mineralised system.

In December 2010, the Company agreed to sell all its common shares of Gold Wheaton Gold Corp. (“**Gold Wheaton**”) for total initial proceeds of C\$263 million, and contingent proceeds of C\$30 million. The Company received the C\$30 million on March 21 2010.

Merger with FNX

In May 2010, the Company and FNX Mining Company Inc. (“**FNX**”) completed a merger of the two companies. The merger was structured as a court-approved plan of arrangement under the provisions of the *Business Corporations Act* (Ontario) in which the Company acquired all of the issued and outstanding shares of FNX. Under the terms of the plan of arrangement, former shareholders of FNX received 0.87 common shares of the Company and \$0.0001 for each common share of FNX, subject to adjustment for fractional shares. Outstanding options and warrants to acquire FNX shares were exchanged into options and warrants to acquire common shares of the Company based on the same exchange ratio. A total of 88,900,000 common shares were issued to former FNX shareholders, and options and warrants to acquire 2,900,000 and 6,500,000 common shares, respectively, were issued on the exchange of FNX options and warrants. Upon completion of the merger, former shareholders of FNX owned approximately 48% of the combined company, on a fully diluted basis. In connection with the merger, the Company also changed its name to Quadra FNX Mining Ltd.

The principal assets that the Company acquired in the merger with FNX were:

- (a) A 100% interest in the mineral rights to certain properties located within 35 kilometres of Sudbury, Ontario, including: (i) Levack (including the Morrison Deposit); (ii) Podolsky; (iii) McCreedy West; (iv) Victoria; and (v) Kirkwood. The Levack/Morrison, Podolsky and McCreedy West Mines are in production.
- (b) An investment in Gold Wheaton.
- (c) FNX’s mining services business, which provides various services to the mining industry including contract mining, shaft sinking, construction and development.

The merger advanced the Company’s strategy of growth, with a focus on copper, through a combination of organic growth and acquisition strategies. The merger also provided substantial potential from nickel and precious metals. A Business Acquisition Report on Form 51-102F4 dated June 28, 2010 was filed on SEDAR in connection with the merger with FNX and is available at www.sedar.com.

Gold Wheaton Royalties

By virtue of the merger with FNX, the Company is obliged to sell to Gold Wheaton 50% of the gold, platinum and palladium metal contained in ore mined and shipped from the Morrison Deposit and certain deposits at Levack and the Podolsky Mine over the remaining life of these deposits in exchange for 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 as the gold equivalent ounces are delivered to Gold Wheaton.

Vale Buy Back Right

Quadra FNX’s interest in the Sudbury Basin properties is derived from an option agreement (the “Vale Option Agreement”) dated November 29, 2001 between FNX and Vale. In December 2003, FNX exercised the option under the Vale Option Agreement and acquired a 100% interest in the mineral rights to the McCreedy West, Levack, Norman, Victoria, and Kirkwood properties, including access to and use of, such part of the surface rights and facilities on the properties as are required to permit exploration, development and mining operations, subject to certain conditions as Vale may reasonably require.

Pursuant to the Vale Option Agreement, if the Company discovers a new deposit at the Sudbury Basin that contains mineral resources equivalent in value to 600 million pounds of nickel (“New Deposit”) and the Company elects to complete a bankable feasibility study on such New Deposit which recommends production, Vale has a right to acquire a 51% interest in such New Deposit by bringing the New Deposit into commercial production. If Vale acquires a 51% interest in such New Deposit, Vale and the Company will form a joint venture, with Vale as the operator, to hold and operate the New Deposit. Net revenues from the joint venture would be shared by the Company and Vale pro rata to their respective ownership interests of 49% and 51%, respectively.

In addition to the foregoing, the Vale Option Agreement provides that (a) Vale continues to be responsible for all environmental liabilities existing on the Sudbury Basin properties as at January 10, 2002. The Company is responsible for environmental liabilities incurred on the Sudbury Basin properties that result from actions taken by the Company after January 10, 2002. Environmental obligations relating to the processing of ore cease upon delivery of ore to Vale; (b) Vale has a right of first offer to purchase any interest in the Sudbury Basin properties that Quadra FNX proposes to sell to an arm's-length third party; and (c) Vale is entitled to nominate up to 20% of the number of directors to be elected at each annual meeting of shareholders of Quadra FNX. To date, Vale has never exercised its right under the Vale Option Agreement to nominate directors.

Vale Offtake Agreement

The Offtake Agreement with Vale dated May 14, 2003 (the "Vale Offtake Agreement") sets out the terms governing Quadra FNX's sale of minerals and ores from the Sudbury properties to Vale. Among other things, the Vale Offtake Agreement provides that: (a) subject to paragraphs (d) and (e) below, Vale has both the right and the obligation to purchase all ores produced; (b) Vale is required to pay Quadra FNX for payable metals, less applicable milling, smelting and refining charges; (c) with regard to precious metals, Quadra FNX has the right to receive gold, platinum and palladium as product in kind in lieu of a cash payment by Vale; (d) Vale has the right to refuse to purchase any ores that are unsuitable for treatment; and (e) Vale has the right, upon providing Quadra FNX with 12 months prior notice, to suspend its purchase of ores if it does not have sufficient processing capacity to handle such ores and may terminate such suspension by providing Quadra FNX with 12 months prior notice. During the time that Vale has suspended its purchases, Quadra FNX is entitled to have its ore processed by a third party in which case Vale will be entitled to be paid a 2% net smelter royalty for nickel, copper and cobalt and a net smelter royalty ranging from 2.5% to 5% for precious metals.

The amount that Vale is required to pay to Quadra FNX for ore shipped and sold by Quadra FNX is determined based on the metal which Vale 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 different payable metals terms for each of the various ore deposits to reflect the differences in the metallurgical composition of the ore deposits.

Processing costs terms and payable metals terms with Vale were established for the McCreedy West Mine in 2002 but Vale has recently proposed changes. Interim processing costs, terms and interim payable metals terms, based on preliminary metallurgical testing, were established by Vale for the Levack and Podolsky Mines in 2008. Vale has proposed final terms which are subject to ongoing negotiation. Once final payable metals and processing costs terms are determined, they may be applied to ore shipped from Levack and Podolsky in prior periods.

Recent Developments

On January 5, 2011, Quadra FNX sold 56,464,126 common shares of Gold Wheaton, representing all of the Gold Wheaton common shares the Company acquired by virtue of the merger with FNX, to Franco-Nevada Corporation ("**Franco-Nevada**") for aggregate gross proceeds of C\$263 million or C\$4.65 per share. On March 14, 2011, Franco-Nevada and Gold Wheaton completed a plan of arrangement pursuant to which Franco-Nevada acquired the issued Gold Wheaton common shares it did not already own and Quadra FNX's proceeds were increased to C\$5.20 per share for a total cash consideration of C\$293 million.

ITEM 4 –DESCRIPTION OF THE BUSINESS

Quadra FNX is a growth focused mining company engaged in the production of, development of and exploration for, copper and other base metals. Quadra FNX plans to achieve growth through mergers and acquisitions, and through the development of its projects. The Company currently has four material properties, all of which are 100% owned:

- Robinson Mine (Nevada, USA) – The Robinson Mine is an open pit copper and gold mine located in eastern Nevada near the town of Ely. The Company acquired the mine from BHP Billiton in 2004 and recommenced operations that year.
- Morrison Deposit, part of the Levack Mine (Ontario, Canada). The Morrison Deposit is a high grade copper footwall deposit located in the lower part of the Levack Mine in Sudbury, Ontario. The Company acquired the Levack Mine through the merger with FNX in 2010 and Morrison achieved commercial production in September 2010.
- Franke Mine (Region II, Chile) – The Franke Mine is a copper heap leach – SX/EW operation in the Altamira District of Region II, Chile. The Company acquired this mine through the acquisition of Centenario in April 2009 and copper production commenced in July of 2009.
- Sierra Gorda Project (Region II, Chile) – The Sierra Gorda Project is a copper molybdenum project, currently in feasibility study (the “**Feasibility Study**”), located in the Atacama Desert of Region II, northern Chile. Quadra FNX expects to complete the Feasibility Study in the first quarter of 2011 and is actively engaged in partnering and financing discussions.

The Company has several other properties, including:

- Podolsky Mine (Ontario, Canada) – The Podolsky Mine is an underground mine located in Sudbury, Ontario. The Company acquired the mine through the merger with FNX in 2010 and the mine has been in production since 2008.
- Carlota Mine (Arizona, USA) – The Carlota Mine is a heap leach – SX/EW operation in the Miami-Globe mining district of east-central Arizona. The Company acquired this asset as a development project and completed construction of the mine in 2008 with production of copper cathode commencing in December 2008.
- McCreedy West Mine (Ontario, Canada) – The McCreedy West Mine is an underground mine located in Sudbury, Ontario. The Company acquired the mine through the merger with FNX in 2010 and the mine has been in production since 2003.
- Victoria Project (Ontario, Canada) – The Victoria Project is located approximately 30 km southwest of Sudbury, Ontario. The Company acquired the property through the merger with FNX in 2010. A scoping study is currently underway.

As at December 31, 2010, Quadra FNX had 1,902 employees. Of these, approximately 300 employees are subject to a Collective Bargaining Agreement for hourly employees (the “**Collective Bargaining Agreement**”), between the Company and the United Steel Workers (USW) Local 2020 which expires on June 30, 2011. See “Item 4 – General Description of the Business – Risk Factors”.

Refer to the section “Description of Mineral Properties” below for a more detailed description of each of the foregoing properties.

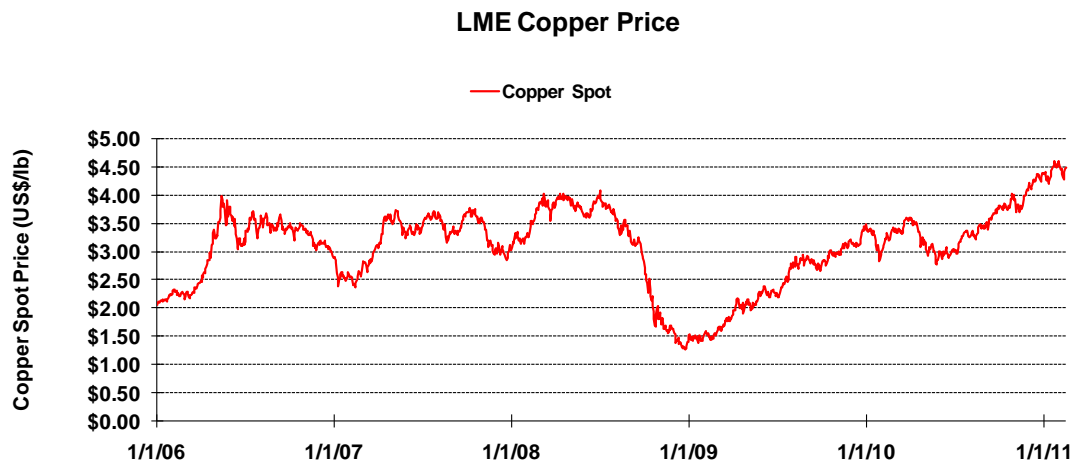
Quadra FNX’s Growth Strategy

The primary focus of Quadra FNX is the production of copper, although associated by-products form a significant part of the revenue stream. The Company’s strategic goal is to reach a production target of 500 million pounds of copper per year from multiple operations while developing a pipeline of quality projects that will support long-term sustained production. The Company intends to achieve this goal by pursuing merger and acquisition opportunities, optimising existing operations, and by developing projects in its portfolio.

The rationale for the strategy is that at the targeted level of production, diversification and sustainability, the Company expects to have low overall production and cash flow risk, to have a balance sheet that will provide it with the critical mass required for organic growth and still be able to deliver meaningful growth at the single transaction or project level. These factors are expected to place the Company in a peer group that commands higher market valuation multiples.

The Company's growth strategy is based on management's view that the fundamentals for copper are strong for the foreseeable future. Between the beginning of 2004 and mid 2008, the growing demand for copper, particularly in China, coupled with the lack of a corresponding increase in the worldwide copper supply led to a substantial increase in the copper price. Although the subsequent global credit and consumer confidence crises and the resulting global recession in late 2008 led to an associated collapse in the prices of all commodities, including copper, the metals market recovered rapidly through 2009 and 2010, achieving record high copper prices in early 2011.

The following graph shows the spot price of copper from 2004 to March 1, 2011.



Copper prices had a strong year in 2010 gaining approximately 30%, with the spot price ranging from a low of \$2.75 per pound to a record high of \$4.41 per pound. At March 21, 2011, the closing spot price was \$4.26 per pound.

The underlying factors supporting the Company's view that the fundamentals for the copper market will be strong for the foreseeable future include:

- **Lack of Chinese Copper Resources.** The Company believes the global copper market will benefit from increasing demand for copper in China. China has limited internal reserves and production capacity. China is estimated to produce only 7% of global copper production on an annual basis, while it is estimated to be consuming 35% of global refined copper production.
- **Worldwide Copper Supply Affected by Geopolitical Risks.** The worldwide copper supply will continue to be subject to geopolitical risks as a large portion of future production growth is expected to come from regions which are subject to high political risk.
- **Existing Producers Struggle to Maintain Production.** The worldwide mined copper grade has been decreasing and this trend is likely to continue unless new mines are brought into production, as most mines experience declining ore grades in the normal course of production. In recent years, copper supply has been hampered by: pit problems, labour disputes, slower than anticipated ramp ups, long equipment lead times, weather related issues, water/power supply constraints and other technical issues.
- **No New Technologies.** The Company is not aware of any new technologies that would significantly increase copper supply but is aware of some potential for substitution should prices stay high for prolonged periods of time.
- **New Supply Growth Has Not Met Expectations.** Certain new copper projects have not met their original timetable due to cost over runs, permitting and the ability to finance large technically challenging projects facing escalating capex requirements. Some large projects are in regions with political instability and areas that have limited water/power and access infrastructure. Going forward, the potential limited technical and man power capacity at large companies to drive all large projects to completion in a timely manner could also hamper supply growth.

Description of Mineral Properties

Robinson Mine

The Robinson Mine is an open pit copper and gold mine located in eastern Nevada approximately 11 km west of the town of Ely. Ely is located approximately 400 km north of Las Vegas, Nevada and is accessible by state highway. Ely is in the central Egan Range and has an average elevation of 2,130 m.

The property is a mature mine site that has been actively mined from the late 1800's to 1978, from 1986 to 1999, and again from 2004 to the present. Modern milling and sulphide concentrating facilities were constructed by Magma Copper Company and its successor, BHP Copper Inc. ("**BHP**"), and operated from 1996 to 1999. BHP discontinued mining at Robinson in mid-1999, and the property was placed under a care and maintenance program for economic reasons. The property was purchased by the Company in 2004. Mining and processing operations were re-initiated in the same year. The Robinson Nevada Mining Company ("**RNMC**"), a wholly owned subsidiary of Quadra FNX, has been operating the property continually since 2004. Quadra FNX currently has the regulatory permits in place to operate the mine. Quadra FNX also has appropriate legal title to the land on which mining is taking place.

The Robinson Mine is the subject of an updated technical report titled "Technical Report on the Robinson Nevada Mining Company Operation" (the "**Robinson Technical Report**") and dated February 12, 2009. This Technical Report was prepared by Scott Hardy, P.E., David Newhook, P.Eng. and Patrick Fahey, P.Geo., each of whom are employees of Quadra FNX. Each of Mr. Hardy, Mr. Newhook and Mr. Fahey is a "Qualified Person" within the meaning of NI 43-101. The description of the Robinson Mine in this document is based on assumptions, qualifications and procedures which are set out only in the full Robinson Technical Report. Reference should be made to the full text of this report which is available electronically at www.sedar.com or on the Company's website at www.quadrafnx.com.

The land covered by the Robinson Mine consists of 7,790 ha, which includes patented claims, unpatented lode claims, unpatented mill sites and private property. The reserves of the Robinson Mine are all located on private lands. The Robinson Mine includes two distinct mining areas, the Tripp-Veteran deposit (the "**Tripp-Veteran Deposit**"), consisting of the Tripp pit ("**Tripp Pit**") and the Veteran pit ("**Veteran Pit**"), and the Ruth pit (the "**Ruth Pit**"), which occupy an area approximately 14 km east to west and 8 km north to south. The historical Liberty pit (the "**Liberty Pit**") is located between the Tripp-Veteran Deposit and the Ruth Pit.

Royalties and the Trust Agreement

Production from the Robinson Mine is subject to two royalty agreements, a 3% net smelter return royalty payable to Royal Gold Inc., and a 0.225% net smelter return royalty payable to Franco Nevada. The Franco Nevada royalty agreement also provides for the following additional payments:

- (a) A 10% royalty on net smelter returns on 51% of the production of gold from the Robinson Mine in excess of 60,000 oz per calendar year; and
- (b) A royalty on 51% of copper production in excess of 130 million lbs of copper, payable in any calendar year in which the price of copper exceeds \$1.00 per pound at the end of the year (adjusted for inflation from 1990; the "Trigger Price"), in an amount equal to \$0.05 per pound plus 40% of the amount by which the average price of copper during the year exceeds the Trigger Price. The Trigger Price for 2010 was \$1.63

During 2010, the Company incurred royalty expenses of approximately \$15.2 million pertaining to these royalty agreements.

The Robinson Mine has historical environmental liabilities that Quadra FNX assumed when it acquired the mine in 2004. Quadra FNX revises the reclamation plan and cost estimate periodically as required by the BLM. During 2007 Quadra FNX re-assessed its reclamation plan and increased its estimate of undiscounted closure costs to \$85 million. The reclamation cost estimate is subject to change in the future as a result of changes to input costs, revisions to the mine plan and the reclamation plan and amendments to laws and regulations that apply to these activities. On December 31, 2010, the Company updated the undiscounted estimated reclamation costs for the Robinson mine and decreased its estimate to \$48 million. The current closure cost estimate was calculated using the methodology and unit costs prescribed by the Standardized Reclamation Cost Estimator jointly developed by the US Bureau of Land Management ("**BLM**") and the Nevada Division of Environmental Protection ("**NDEP**").

RNMC has posted cash securitized letters of credit in favour of the BLM in order to meet the financial assurance requirements for a reclamation permit issued by the NDEP. During the year ended December 31, 2010, the amount of the bond increased to \$41.2 million. The bond amount is set in accordance with NDEP and BLM regulations and policy with respect to bonding and is not required to reflect the total cost of reclamation which includes areas of the site that are grandfathered with respect to bonding. RNMC is required to review the bond amount posted annually and when there are changes to the mine plan that affect the bonded amount as they occur during the year. In addition to the bond amounts, Quadra FNX has \$16.2 million of cash held in a reclamation trust at December 31, 2010 which is available to pay for qualified rehabilitation expenditures on the Robinson Mine. The reclamation trust was established pursuant to a royalty agreement that Quadra FNX assumed on the acquisition of the Robinson Mine.

Accessibility, Climate, Local Resources and Infrastructure

The Robinson Mine is accessible via a public paved road that connects with US Highway 50 west of Ely, Nevada. The property directly borders the town of Ruth, Nevada. At Ruth, the average annual precipitation is about 30 cm. Precipitation falls regularly throughout the year. Snow has been recorded in all months except July and August. During the summer months the temperature ranges from about 7°C to 29°C. In the winter, the range is -15°C to +7°C. Mining and processing takes place year-round.

Continuous mining and processing of ore by Quadra FNX has been conducted at the Mine site year-round since 2004. All mining and processing facilities at the Robinson Mine are in good working condition. In addition, commercial electrical power, telephone lines, and water supply infrastructure at the site are all operational. RNMC utilizes numerous water wells that supply sufficient water to meet the site's requirements during full operating conditions. The majority of RNMC's employees reside in the Ely-Ruth area.

The copper concentrate produced at the Robinson Mine is sold primarily to overseas smelters, either directly or through traders, where it is converted to copper metal and the by-product gold is recovered. Concentrate is transported by truck to Quadra FNX's wholly-owned transportation facility, located in Wendover, Nevada, and sent by rail to the Port of Vancouver in Washington State for ocean shipment, normally to Asian smelters. Only a small portion of production is sold domestically.

Sales contracts are toll in nature, with Quadra FNX taking the risk on the metal price between the time of shipment and the month of final settlement. Quadra FNX receives an initial provisional payment based on the copper price at the time of shipment for its Robinson Mine concentrate. However, final pricing for copper sales is based on the average LME copper price for the settlement month, which is generally at least four months after the time of shipment.

History

The Robinson District was established in 1867, when several underground gold and silver mines were established. By the early 1900's, copper-gold-molybdenum ores were mined, with the first copper production in 1908. Up until 1958, there were numerous companies operating in the district. The Nevada Mines Division of Kennecott Copper Corporation ("**Kennecott**") consolidated and controlled the district by 1958 through a series of purchases and buy-outs. The majority of production came from five large open pits, with lesser production from underground mines and smaller pits. Ore was hauled by rail approximately 22 miles to a mill and smelter at McGill, Nevada. Kennecott closed the mines in 1978, reportedly due to low copper prices and outdated mining and processing facilities. Production reported for the period 1908 to 1978 is more than 4 billion lbs of copper and 2.7 million oz of gold.

Through a series of leases with Kennecott, Silver King Mines and Pacific Silver Corporation began mining a series of small gold-silver deposits in the district. Alta Gold subsequently entered into a joint venture agreement with Echo Bay Mines ("**Echo Bay**") and mined the deposits through 1991. BHP reports that between 1986 and 1991, approximately 300,000 oz of gold and 200,000 oz of silver were produced from the Robinson District. In 1990, Magma Copper Company ("**Magma**") bought all mining rights from Kennecott and also entered into a joint-venture agreement with Alta Gold; in early 1991, Magma exercised its option to become operator of the gold-silver mines. By May of 1991, Magma had decommissioned the mill, bought Alta Gold's interest in the gold operations, and reduced Echo Bay's interest to a royalty. By October 1991, Magma acquired a 100% working interest in the district by buying the remainder of Alta Gold's interest in the joint venture. Gold production continued until 1993, with approximately 77,000 oz of gold produced between 1991 and 1993.

Magma constructed a mill and other infrastructure on the site and began mining in the Liberty Pit in 1995. In 1996 Magma was acquired by BHP, who continued production from the Liberty Pit and commissioned the mill, which operated at a throughput of approximately 40,000 tpd. Concentrates were shipped to BHP's San Manuel smelter for refining. Production from the Tripp Pit began in 1998. BHP discontinued mining at Robinson in 1999. In 2004, the Company acquired the Robinson property from BHP and began mining the same year.

Geological Setting

The Robinson District, in the Egan Range of east-central Nevada, is underlain by more than 3,350 m of Devonian through Permian miogeoclinal clastic and carbonate rocks. At approximately 111 Ma, a quartz monzonite porphyry intruded the sedimentary rocks. Faulting was active either prior to, or concurrently with, porphyry emplacement, as well as long after. Hydrothermal alteration and mineralization associated with the intrusive event, in both the wall rocks and the intrusion itself, resulted in the copper and gold deposits at the Robinson Mine.

There are four types of deposits that have been mined in the area:

- **Copper - molybdenum - gold deposits in altered quartz monzonite porphyry.** The sulphide mineralization occurs as disseminations and in quartz veinlets.
- **Carbonate-hosted copper - gold deposits adjacent to the porphyry.** This includes both calc-silicate skarn deposits and silica- pyrite replacement deposits.
- **Disseminated gold deposits in limestone and calcareous sandstone.** This mineralization is peripheral to the copper mineralization and is controlled by both stratigraphy and structure.
- **Supergene chalcocite deposits.** This mineralization is hosted in both porphyry and sedimentary units and are locally up to 100 m thick.

Mineralization

The bulk of the copper mineralization is in intrusion-hosted bulk tonnage deposits, typically disseminated as porphyry-style mineralization but substantially modified by supergene enrichment. The principal hypogene sulphide minerals in the Robinson Mine deposits are pyrite and chalcopyrite. There is virtually no bornite in the deposits. The highest hypogene copper grades tend to occur in porphyry that contains granular quartz + biotite + chalcopyrite + K-feldspar, which is interpreted as an intense form of silicic ± potassic alteration. Copper is also observed in quartz + chalcopyrite + pyrite veinlets within the porphyry and adjacent calcareous sediments. In addition to the sulphide copper, there is also a substantial amount of supergene chalcocite that is believed to have formed as a "blanket" prior to the Tertiary extensional event.

Gold-rich zones along margins of the copper deposits were exploited in the late 1980's to early 1990's. Along the eastern part of the district, disseminated gold deposits are positioned adjacent to shallow-dipping, tabular-shaped copper mineralization that is interpreted to be controlled by a combination of structural and stratigraphic features.

The copper and gold mineralization at the Robinson Mine occurs as primary hypogene mineralization in the quartz monzonite porphyry and as skarn mineralization in the adjacent sedimentary rocks. Supergene mineralization has produced enriched copper blankets in both areas. At the Tripp-Veteran Deposit, the mineralization is observed as irregularly-shaped zones approximately 2400 m long, 600 m wide and 150 m to 450 m deep from the existing topographic surface. At the Ruth Pit, mineralized zones are also irregular in shape and the overall size of the mineralized volume is about 2,700 m long, 1,300 m wide and 150 m to 300 m deep.

Exploration and Drilling

There has been mining activity at the site of the Robinson Mine since the late 1800's. Over 10,000 drill holes containing over 300,000 assay intervals are archived in the drill database, including churn, rotary, reverse circulation and core drilling. Drilling has penetrated a wide variety of mineralization types at various orientations from both surface and underground locations. Deposit modeling takes into account the variation between drill angle and the true thickness of the various mineralized zones. While no regular drill spacing patterns exist, average drill spacing is between 25 m in the Ruth Pit area to 30 m in the Tripp-Veteran Deposit.

Quadra FNX has been actively drilling additional exploration, in-fill development and metallurgical holes since acquiring the Robinson Mine in 2004. The majority of this drilling was carried out between 2006 and 2010, and consists of both reverse circulation ("RC") holes and core drill holes. As of December 31, 2010, Quadra FNX had completed 340 RC holes totalling 101,898 m and 118 core holes totalling 25,700 m.

Sampling, Analysis and Data Verification

Prior to the 1980's, all of the drill sample assaying was performed by company laboratories either on-site or at nearby facilities. Since that time, the majority of drill samples have been assayed at commercial laboratories. Nearly all core, reverse circulation, churn, and rotary drill holes were sampled on either 1.5 m (5ft) or 3.0 m (10ft) intervals for total copper content. Sampling for soluble copper, gold, and molybdenum was completed on standard 1.5 m (5ft) intervals, selected 1.5 m (5ft) intervals, selected composite intervals, or somewhat standardized 15.2 m (50ft) composites, depending on company and drill campaign. The majority of gold analyses performed prior to the 1980's were done on composite intervals, which usually consisted of ten 1.5 m (5ft) samples. Detection limits for these pre-1980's gold analyses were commonly higher than 0.01 oz per short ton.

Current sampling, analysis and data verification procedures and protocols meet or exceed industry standards with collection of RC samples utilizing drill rig mounted rotary sample splitters. Core samples are sawn and sample intervals defined by geological breaks. Samples are submitted to a commercial laboratory as blind sample pulps. This allows for appropriate insertion of duplicate sample intervals and commercial standards. As noted above, historic archive pulps and reject samples from pre-Quadra FNX drilling programs are available for many holes. When submitted for re-assay, these historic samples are prepared and analyzed in the same manner and subject to the same QA/QC examination and standards as current Quadra FNX drill samples.

Security of Samples (QA/QC)

The majority of the drillhole database contains historic data completed prior to current industry QA/QC standards. Therefore no QA/QC evaluation is available for the historic portion of the database. The lack of documented check assay data is compensated to a certain extent by the large number of drill holes completed by Quadra FNX, and the ongoing infill drilling program within the matrix of existing historical drilled holes.

Three standards and a blank are used for the QA/QC program in each hole at Robinson. These certified standards and blanks are purchased from CDN Laboratories Ltd. of Canada. If a given standard from CDN is completely used up a similar graded standard is used in its place. Evaluation of Quadra FNX QA/QC assay results as well as evaluation of the commercial laboratory internal standards is conducted on a hole by hole basis at the time of receipt of data.

In addition to the Quadra FNX QA/QC program, insertion of additional internal QA/QC standards is provided by the commercial laboratory being used, which in 2010 was ALS Chemex.

Mineral Resource and Mineral Reserve Estimates

The Robinson Mine Mineral Resource and Mineral Reserve estimates are as of January 1, 2011 and adhere to the 2005 Classification of Mineral Resources and Mineral Reserves of the CIM. In accordance with the standards set out in NI 43-101, mineral resources are classified as Measured, Indicated, or Inferred, based on distance to the nearest copper sample and the number of copper composites.

Mineral Resources at Robinson are estimated using three dimensional modeling methods and specialized software (MineSight®). The Inverse Distance Cubed (ID³) method of interpolation is used to estimate metal grades. Densities are assigned based on lithology. The Mineral Reserves are developed from the Mineral Resources using MineSight® software. The *in situ* recovered copper pounds are calculated for each block that is based on estimated metal recoveries. The metal recovery for the Ruth Pit is estimated using recovery equations based on metallurgical testwork on various combinations of ore type, lithology and alteration. The metal recovery in the Veteran pit is based on copper oxide to copper sulfide ratios. A Net Smelter Royalty (“NSR”) cut-off is then applied together with dilution and mining recovery factors that are based on the mine's long operating experience and reconciliations. The annual Mineral Reserve is based on Measured and Indicated Resources only.

The Mineral Resource and Mineral Reserve estimates for the Robinson Mine were completed under the supervision of Kevin Brown, P.E., of Quadra FNX. Mr. Brown is a “Qualified Person” within the definition provided in the NI 43-101.

The Robinson Mine Mineral Resource and Mineral Reserve estimates are reported in Tables 1 and 2, on pages 33 and 34, respectively. The methods, assumptions and modifying parameters used in estimating the Robinson Mineral Resource and Mineral Reserve are within industrial standards. They have been directed and maintained by the QPs who have compiled them. To the best of the QP's knowledge all accounts for metallurgical, environmental, permitting and other relevant issues have been incorporated into the estimate,

Mining Operations

The Robinson Mine operation consists of several distinct pits that exist on the property and include the Veteran-Tripp Deposit, the Ruth, the Kimbley, the Liberty and the Wedge Pit areas. Mining is by means of standard drill, blast, shovel and truck haulage to the processing plant, stockpiles or waste dumps.

Ore is hauled from the pits and truck-dumped into the primary crusher. The crushing circuit at Robinson consists of a gyratory crusher crushing to minus 6" material. The Robinson mill grinding circuit consists of one variable speed semi-autogenous grinding (SAG) mill followed by two closed circuit ball mills. The rougher flotation circuit consists of two parallel rows flotation cells followed by cleaning column flotation cells in a parallel configuration. A rougher scavenger flotation circuit (2x2 configuration) scavenges copper from the plant tails prior to discharge to the tailings thickeners. There is a copper molybdenum separation plant that is operated when molybdenum head grades are economic. The copper concentrate is thickened and filtered prior to shipment. The tailings impoundment is located south of the Veteran Pit in Giroux Wash. The dam is a "center-lift" design, constructed out of tailings material. Tailings are thickened prior to deposition in the tailings impoundment. The barge operating channel is used to reclaim water from the tailings dam for use in the mill.

Robinson currently has in place contracts for concentrate transportation and handling, smelting, refining, electric power, fuel, explosives, consumables, and other miscellaneous items necessary to operate the mine. These contracts are all within industry norms.

A total of 14 Mt of ore and 46.5 Mt of waste was mined in 2010, from which was produced 109 million pounds of copper and 73,000 oz of gold in concentrate. The cash cost per pound of copper produced was \$1.86/lb.

During 2010 the Robinson operation processed ore from both the Veteran and Ruth Pits. Both copper and gold production in 2010 were lower than in 2009 due mainly to the anticipated lower head grade in the Ruth Pit ore and to the impact of unexpected underground workings in the Ruth Pit which affected production in the second quarter of 2010.

The operation periodically deals with historical workings and work commenced by BHP and continued by Quadra FNX has endeavoured to define the size and location of these historical workings as part of the resource estimate process. 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. The evaluation of these workings completed in the third quarter of 2010 was based on a combination of historical records and definition drilling as well as additional drilling at the bottom of the Ruth Pit. Based on the evaluation of historical information and drill results to date, the Company believes it has a good understanding of historic underground workings in the Ruth Pit; however, undocumented areas may still impact the operation going forward.

Based on the current reserve base and production capacity the mine life at Robinson is currently estimated at seven years. Higher commodity prices as well as the ongoing exploration on the Robinson property, including the ongoing drilling in the Liberty Pit could improve the longevity of the Robinson operation.

Robinson's applicable taxes include the following:

- **The Nevada Net Proceeds of Minerals Tax** is an ad valorem property tax assessed on minerals mined or produced in Nevada when they are sold or removed from the state. If the net proceeds of the mine in the taxable year total \$4 million or more, the tax rate is 5%. If the net proceeds of the mine in the taxable year is less than \$4 million, a graduated rate based on the percentage of net proceeds of gross proceeds is applied.
- **Corporate Taxes.** Robinson is subject to U.S. Federal tax (the higher, in any given year, of the regular tax and the alternative minimum tax). The State of Nevada does not have an income tax. The federal regular tax rate is assumed to remain constant at 35% over the life-of-mine.

Robinson 2011 Outlook

Overall, 2011 production at Robinson is expected to contribute between 105 and 120 million pounds of payable copper and 45 to 50 thousand ounces of payable gold for the year.

In 2011 ore at the Robinson Mine will be sourced from the Ruth Pit and ore blending is expected to continue to the extent possible in the single pit operation. Typically, supergene ore types from higher elevations will be blended with ores from lower pit elevations. These blending efforts enable the operation to optimize recoveries of high grade ores, improve concentrate grades, reduce lime consumption and increase throughput. However, it is expected that the complex and variable nature of the Robinson ore body will continue to cause metal production variations from quarter to quarter, with 2011 production back-end weighted. Metallurgical performance is expected to continue to be highly variable throughout the life of the Ruth Pit.

Removal of Ruth Pit mud (a combination of tailings from historic gold operations and debris from the existing pit walls) from the bottom of the pit has ramped up to the rate required to meet the 2011 production schedule. Following a localized pit wall slump in January 2011, the Company has re-sequenced the mine plan and now expects to access higher grade ore in the second half of 2011. As the mining sequence transitions lower into the Ruth Pit, more benches will become available and operating flexibility should also improve later in the year.

Dewatering of aquifers adjacent to the Ruth Pit will be increased to the permit limit of 18,200 U.S. gallons per minute (4,155m³ per hour) during the year, in advance of mining in 2012.

In 2011 the Company expects increase its exploration efforts in the Ruth Pit and has initiated an exploration and engineering program at the historical Liberty Pit. While the evaluation of the Liberty area is still early stage, based on the work to date the Company believes that this historical pit could improve Robinson's medium term operating flexibility, and further enhance the longevity of operation.

Onsite costs in 2011 are expected to be in line with 2010 while capital expenditures are expected to increase mainly as a result of the removal of mud from the bottom of the Ruth Pit. This is expected to contribute an additional \$15-\$20 million in the capital expenditures in the first half of 2011.

Morrison Deposit (Levack Mine)

The Morrison Deposit is located on the North Range of the Sudbury Structure, a 60 km by 30 km elliptical geological feature that includes the well-known Sudbury Igneous Complex ("SIC"). Levack Mine, which contains the Morrison Deposit, is located within the City of Sudbury, approximately 400 km north of Toronto, Ontario, Canada.

The Levack property, comprises 305 ha of mining rights and is located 34 km northwest of the downtown core of the City of Sudbury (within city limits) in the Levack Township, and is adjacent to the east side of the McCreedy West Mine. Access is via a year-round highway and a rail spur services the site.

The Company acquired a 100% interest in the mineral rights to the Levack Mine, including access to and use of such part of the surface rights and facilities on the properties as are required to permit exploration, development and mining operations, through the exercise of an option under the Vale Option Agreement. See "Item 4 – General Development of the Business – Vale Buy Back Right". The Levack property is covered by a joint Vale/Xstrata Closure Plan. All regulatory permits and Certificates of Approval required to operate the mine are in place.

The Morrison Deposit is accessed via a 15ft x 16ft haulage ramp driven from the 2650 Level of #2 Shaft. By the end of 2010 the main haulage ramp, including secondary egress raises and ventilation raises had been developed to the 4030 Level. The ramp has been developed along the footwall side of the deposit which has allowed 10ft x 10ft access drifts to be driven from the ramp into the main ore veins. These smaller access ramps allow extraction of the ore from individual working levels. Mining is currently active or able to be activated at each one of these levels down to the 4030 Level and mining methods at the Morrison Deposit vary depending on the ore dip and strike of individual veins but the mining planning strategy was changed to focus on pounds and the highest possible grade rather than tonnes mined.

Commissioning of a new continuous feed mixing backfill plant was started in December 2010 and the plant is expected to be fully operational during the first quarter of 2011. The Company continues definition drilling of the down dip extensions of the Morrison Deposit as drill platforms become available with on-going ramp development at depth.

The Morrison Deposit is included in the technical report titled “Technical Report on Mineral Properties in the Sudbury Basin, Ontario - An Update to December 31, 2008 and dated March 31, 2009” (the “**Sudbury Technical Report**”). This Technical Report was prepared by Catharine E.G. Farrow, P.Geo., John Everest, P.Geo., and Mark Frayne, P.Eng., each of whom are employees of the Company. Each of Dr. Farrow, Mr. Everest and Mr. Frayne is a “Qualified Person” within the meaning of NI 43-101. The description of the Morrison Deposit in this document is based on assumptions, qualifications and procedures which are set out only in the Sudbury Technical Report. Reference should be made to the full text of the Sudbury Technical Report which is available electronically at www.sedar.com or on the Company’s website at www.quadrafnx.com.

Accessibility, Climate, Local Resources and Infrastructure

The Levack Mine is located along the southern boundary of the northern boreal forest, and is characterized by small lakes and swamps. Elevations in the area range from 230 m to 460 m. The climate is northern continental temperate, with warm summers and cold winters. Seasonal temperatures average 17° C in summer and –10° C in winter. Average annual precipitation is 634 mm of rain and 2680 mm of snow. Access is via a year-round highway and a rail spur services the site.

The City of Sudbury and surrounding regions are a source of skilled labour, equipment and supplies for the mining industry. Sudbury is one of Canada’s most developed mining areas, with a city population of approximately 158,000 inhabitants. It is also a major centre in north-eastern Ontario for commerce, government administration, education and medical facilities. The majority of the Company’s employees reside in the Sudbury area. Vale’s Clarabelle concentrator and smelting facilities are located southwest of downtown Sudbury in Copper Cliff, within 30 km of the Levack Mine. All mining facilities for the Morrison Deposit are in good working condition and electrical power, telephone lines, natural gas and water supply infrastructure at the site are all operational. All impacted mine water is pumped from the mine to Xstrata Nickel’s water treatment system to meet required standards before discharge.

Morrison ore is shipped as unprocessed raw material to Vale’s Clarabelle Mill by truck and rail. Sales of unprocessed raw ore are governed by commercial terms between Vale and the Company. The Company receives payment only upon final settlement. Final pricing for sales is based on the average LME metal prices for the quotational period, which is generally at least three months after the time of shipment.

History

The Levack Mine, the first deposit discovered on the North Range, was discovered in 1887 and patented in 1889. The Mond Nickel Company (“**Mond**”) acquired the property in 1912 and production started from the No.1 inclined shaft in 1915. Following the merger of Mond and Inco (now Vale) in 1929 the surface plants were destroyed by fire and the mine was closed. Following reopening in 1937 the three-compartment No. 2 Shaft was sunk to a depth of 1,235 m. In 1939 the No.1 and No.2 East Ore bodies were discovered and the No.3 and No.4 Ore bodies were discovered by diamond drilling in 1947. The No.3 service winze was collared in 1950. The Levack Mine operated continuously from 1937 until closing in 1997. The total Levack ore production up to 1997 was 54.7 Mt grading 1.3% Cu, 2.0% Ni, 1.5 g/t TPM.

In 2004 the Company initiated rehabilitation of the Levack Mine infrastructure with the objective of restarting production and completed rehabilitation of the surface utilities, hoist plants, headframe and related ancillary facilities in 2006. A service building to house the dry, administration, operations and technical services was built in 2007. Containment pads were subsequently constructed to store ore and waste, as well as a sample system to determine the contained metal in all Run-of-Mine (ROM) ore.

In the first quarter of 2004, an underground and surface drilling program at Levack was initiated. The Morrison Deposit was discovered in February, 2005.

Commercial production from contact nickel ores at the Levack Mine was declared as of January 1, 2007 and a total of 419,000 tonnes of Levack contact nickel ore was produced from the end of 2006 to 2008. Contact nickel production from Levack Mine was suspended in late 2008 due to a sudden and significant decline in commodity markets that began in the summer of 2008, as well as to lower nickel payability terms due to the magnesium oxide content of the Levack ores which impact the performance of the Company’s custom processor’s mill.

Initial production from the upper part of the Morrison Deposit (formerly the Rob’s Deposit) commenced in the second quarter of 2008. During 2009 the Company continued to advance the access ramp from 2650 Level. Concurrent with the development of the No. 2 Shaft to the top of the Morrison Deposit was the development into the orebody on the 4000 Level from Xstrata Nickel’s adjacent Craig Mine infrastructure. In early 2008, 107 m of

drifting was completed along a major trunk vein in the Morrison Deposit at 4000 Level and a bulk sample of 13,800 tonnes excavated, of which 9,700 tonnes were shipped to Vale's Clarabelle Mill.

In 2009, 11,400 tonnes of ore grading at 2.0% Cu, 2.7% Ni was shipped from the top of the Morrison Deposit. Additionally, as the Company continued lateral development into the orebody and continued to advance the underground ramp system, 3,500 tonnes of ore grading at 8.2% Cu, 1.2% Ni was shipped from the more chalcopyrite-rich, deeper extents of the Deposit.

During 2009 the Company initiated a rehabilitation program for the bottom of the #2 Shaft and related infrastructure.

In 2010, the Company continued to focus on ramp development, which reached below the 4000 Level, and continued to advance the rehabilitation of the #2 Shaft. Commercial production from the Morrison Deposit commenced on September 1, 2010.

Access was also re-established to the neighbouring Craig Mine owned by Xstrata Nickel allowing for additional ventilation of workings in the Morrison Deposit. This is expected to aid in the overall development of the mine in 2011. In late 2010, work also commenced on a maintenance shop facility on the 3900 Level, as well as a dewatering station. Commissioning of a new continuous feed mixing backfill plant was initiated in December 2010.

Geological Setting

All of the Company's Sudbury operations are at or near the basal contact of the SIC and the defining geological feature of the Sudbury region. The 1.85 billion year old SIC intrudes the boundary between the Archean Superior Province and the Early Proterozoic Southern Province. The footwall rocks on the north and east margins of the SIC are the Archean Levack Gneiss Complex and granitoids. A metamorphic age of 2711 ± 7 Ma has been determined for Levack Gneiss Complex footwall rocks near the Levack Mine. The Levack Gneiss Complex represents the footwall rocks to the McCreedy West, Levack and Podolsky properties.

The Main Mass of the SIC is characterised by a lower sequence of norite, separated from an upper sequence of granophyre by quartz gabbro. An igneous breccia, termed the Sublayer Norite, occurs discontinuously along the contact between the base of the norite and the country rocks. The Sublayer Norite consists of 55 to 70% dominantly mafic, and rarely ultramafic, fine- to medium-grained subrounded to rounded fragments within a mafic noritic igneous matrix. A variably igneous or metamorphic-textured breccia of more ambiguous origin, Footwall/Granite Breccia, is locally developed along the SIC-footwall rock interface as the basal unit of the Sublayer. The Granite Breccia is a matrix supported heterolithic breccia with clast sizes ranging from 1 cm to hundreds of metres in diameter. Both the Sublayer Norite and the Footwall/Granite Breccia (together termed the Sublayer) are the dominant hosts to pyrrhotite-pentlandite-chalcopyrite sulphide mineral assemblages that typify the Contact Ni -style of deposit. Sudbury Breccia is a pseudotachylite-like footwall breccia that forms discontinuous belts on both the North and South ranges. The breccias are largely interpreted to have formed by comminution of footwall rocks as a result of meteorite impact and are considered to be important in the preparation of the country rocks for copper-nickel-precious metal system emplacement of which they are the primary host. Sudbury Breccia is a matrix supported fragmental rock with a black to light grey, aphanitic to fine-grained, and variably re-crystallized, quartz-feldspathic (\pm amphibole, biotite) matrix. Sudbury Breccia occurs as veinlets and veins in fractured footwall rocks to the SIC, and can form irregularly-shaped masses or belts on the scale of hundreds of metres. The Morrison Deposit is a Footwall copper-nickel-precious metal vein system hosted in Sudbury Breccia.

The McCreedy West and Levack Mines (the "**Levack Complex**") are located at the western limit of an extensively mineralized 8.5 km long portion of the North Range of the SIC known as the Levack Embayment. This area encompasses all of the major Vale and Xstrata Nickel past and current producing mines of the North Range (Longvack, Strathcona, Coleman, McCreedy East, Fraser, Fecunis, Craig, Levack, Onaping, McCreedy West - formerly Levack West, Boundary and Hardy).

The Morrison Deposit is a footwall-type or 'Cu-Ni-PGE Systems' characterised by chalcopyrite-rich assemblages hosted entirely within brecciated footwall rocks to the SIC, typically either in re-crystallized Sudbury Breccia or Offset Quartz Diorite. The Morrison Deposit is characterised by complex networks of veins, pods and disseminations of chalcopyrite \pm cubanite, with minor pyrrhotite, pentlandite, millerite and magnetite. Copper content is extremely high, with copper/nickel ratios typically greater than 6, and typical production grades of copper greater than 6.5% and Pt+Pd+Au contents greater than 5 g/t.

Mineralization

Sulphide mineralization at the Levack Mine occurs as nickel dominant sulphides at the Sudbury Igneous Complex basal contact and as copper-nickel-platinum group element -bearing sulphides in the footwall Sudbury Breccia.

At the Morrison Deposit, one of the most common styles of mineralization is sharp-walled veins consisting of chalcopyrite ± cubanite ± millerite ± pentlandite. The top of the Morrison Deposit is interpreted to be a transitional-style nickel-copper-precious metal deposit that is hosted in intensely recrystallized Sudbury Breccia. The sulphide mineralization is in the form of distinct massive sulphide pods, veins, veinlets and disseminations that are dominated by pyrrhotite, pentlandite, chalcopyrite, and pyrite. Notable platinum group elements, gold and silver mineralization is also present. The vein geometry is interpreted to largely be controlled by blocks both within, and constricting, the host breccia package and structural elements which are the subject of current investigation. To date, complex vein geometries have been identified comprising several dominant trends. The intersection of veins appear to have created plunging shoots of ore with limited dip extent, with horizontal widths considerably in excess of those encountered in individual veins. Strike lengths on the order of 60-90 m are typical for individual veins traced to date by mining, with horizontal widths ranging from 30 cm to 2 m. The results of drilling and mining to date demonstrate that the pyrrhotite-rich mineral assemblage of the upper portion of the Morrison Deposit is transitional to the chalcopyrite-rich mineral assemblage in the lower portion.

The Morrison Deposit is a sharp-walled copper-nickel-precious metal vein system. The environment is a polymetallic system which extends for more than 760 m down-dip along the hanging wall side of a Sudbury Breccia package in the footwall of the Levack Mine contact nickel deposits. The Morrison Deposit is typically comprised of sharp-walled chalcopyrite-rich veins from millimeters wide up to metres in width, with subordinate cubanite, pentlandite, bornite, and millerite mineralization. These massive veins cross-cut all lithologies present in the footwall with the exception of the olivine diabase. The veins may have multiple orientations. However, the trunk veins, those with true thicknesses of greater than 1.2 m and lateral continuity of greater than 76 m, typically strike east-southeast and dip vertically or steeply (65°) to the south. Second order veins that branch off of the trunk veins are interpreted to form stock works of multiple vein orientations distal to the trunk veins.

Exploration and Drilling

The Company's surface diamond drill programs began on the Levack property in 2002. The focus of the initial exploration was on two different target environments; the footwall to the SIC basal contact, and the contact in the vicinity of the historically exploited nickel-rich deposits. Since that time, both underground and surface platforms have been utilized to further drill the Levack deposits. Exploration and pre-production diamond drilling at the Levack Property peaked in 2007 from both surface and underground platforms, with 638 holes having been drilled for a total of 106,000 m.

During 2004, the exploration of the Levack Mine footwall environment behind the contact nickel ore bodies included detailed surface mapping and modeling of the distribution of the Sudbury Breccia. The modeling of the extent and geometry of the Sudbury Breccia package at depth predicted that it was oriented obliquely to the base of the SIC, and that it formed a potential corridor of sulphide mineralization. In 2005, the exploration campaign resulted in the discovery of a new copper-nickel-precious metal deposit in the footwall of the Levack Mine, now known as the Morrison Deposit. The deposit remains open down-dip due to a lack of adequate drill platforms at depth.

Sampling, Analysis and Data Verification

The sampling, assaying and QAQC procedures meet or exceed industry standard and follow CIM Best Practice Guidelines. All assay analyses within the Morrison Deposit are completed on diamond drill core. Core recovery from diamond drilling is generally excellent and drill core is considered a reliable sampling media. Assay integrity is monitored internally through the quality control program and includes the use of certified reference materials, blank samples and check assays. All original and check analysis are completed at accredited analytical facilities.

Security of Samples (QA/QC)

Sample security procedures conform to industry standard and follow CIM Best Practice Guidelines. All core is digitally logged and photographed, with redundant server back-ups of the information. Un-sampled and split core is stored on site, while sampling rejects are stored at the analytical facility.

Mineral Resource and Mineral Reserve

The Morrison Mineral Resource and Mineral Reserve estimates are as of January 1, 2011 and adhere to the 2005 Classification of Mineral Resources and Mineral Reserves of the CIM. In accordance with the standards set out in NI 43-101, mineral resources are classified as Measured, Indicated, or Inferred, based on drill spacing, and vein style and orientation.

The Mineral Resource estimate for the Morrison Deposit was prepared under the supervision of Stuart Gibbins, P.Geol. and the Mineral Reserve estimate was prepared under the supervision of Mark Frayne, P.Eng.. Both are employees of the Company and “Qualified Persons” within the definition provided in the NI 43-101. Mineral Resources are estimated by geostatistical block modeling methods using 3Dimensional software (Datamine Studio3[®]). Inverse Power Distance (IPD²) interpolation is used to estimate metal grades and average density by rock type is used for un-mineralized samples and is estimated by linear regression for mineralized samples. The Mineral Resource is inclusive of those Mineral Resources modified to produce the Mineral Reserves. Mineral Reserves for Levack are developed by the mine planning department at the Levack Complex using Datamine Mine24D[®] software. Mining methods are determined based on the ore geometry and stopes are designed based on an NSR cut-off. An effective minimum mining width is applied based on the economic viability of the mineral vein. Appropriate mining dilution and recovery factors are applied based on the planned mining method and reconciliation of historical production. The annual Mineral Reserve statement is based on Measured and Indicated Resources only.

The Morrison Deposit Mineral Resource and Mineral Reserve estimates are reported in Tables 1 and 2, on pages 3333 and 34, respectively. The methods, assumptions and modifying parameters used in estimating the Morrison Mineral Resource and Mineral Reserve are within industry standards. They have been directed and maintained by the QPs who have compiled them. To the best of the QP’s knowledge all accounts for metallurgical, environmental, permitting and other relevant issues have been incorporated into the estimate,

Mining Operations

The Morrison Deposit is a footwall deposit within the Levack complex which hosts a number of underground deposits. The mining method used varies depending on the deposit geometry. The main mining method for the Morrison deposit includes mechanized, selective cut and fill with sublevel access every 60 vertical feet. To decrease dilution and increase the ore value other methods such as conventional shrinkage of narrow vein areas and conventional cut and fill methods with alimak raises are also employed.

Ramp and lateral development including drill platforms, secondary egress, ventilation and air, water and electrical infrastructure remains on schedule for development below the 4030 Level. Diamond drill platforms are developed as the ramp progresses so that detailed drilling of the ore zone can be carried out at spacing sufficient to allow resource estimation and mine planning.

During 2010, access was also established to the neighbouring Craig Mine owned by Xstrata. This access drift allows for possible future additional ventilation of workings in the Morrison Deposit and may aid in the overall development of the mine.

The Company does not have a processing facility and all ore produced is sold to Vale in accordance with the Vale Offtake Agreement. Ore is processed through a sample tower to determine the grade and that it meets specification for the accountabilities agreed to by Vale. In general the Company mines, transports to surface, crushes, samples, weighs and trucks ore to Vale’s Clarabelle Mill for all of its current production. Vale mills, smelts, refines and markets the metal. The Company is paid based on the lower of the average spot or three month forward contract London Metal Exchange prices for the month preceding actual payment.

During 2010, the Morrison Deposit produced from four successive zones, MD1 through MD3, based on elevation and ore type within the overall Morrison Deposit. Ore sold represented a total of 101,800 tonnes containing 18.5 million pounds of copper, 4.5 million pounds of nickel, 1,400 oz of gold, 2,400 oz of platinum and 6,000 oz of palladium as payable metal. The cash cost per pound of copper produced was (\$0.19)/lb.

The Levack Mine is an underground operation accessing both the Morrison Deposit and Levack Nickel Deposits. The current reserve base at the Morrison Deposit is sufficient to support an approximate 4 year life of mine plan at currently planned production rates. Current published resources and reserves are above the 4210 Level. The Morrison Deposit remains open at depth and has limited drilling between the 4210 and 5400 levels.

In addition, measured and indicated resources in contact nickel ores at the Levack Mine currently total 5.4Mt. The Company’s ability to reclassify this material into reserves category is largely dependent on the accountability terms received for this material.

The Company's operations are currently subject to the following taxes; the Federal and Provincial Income Tax of 33.5% and the Ontario Mining Tax on Mining Revenue of 7.2%. In 2008 all of the Company's active mining operations in the Sudbury Basin (McCreedy West, Levack and Podolsky Mines) operated under an existing Mine Operation Closure Plans filed with the Ministry of Northern Development and Mines. The estimated total mine closure and site reclamation costs associated with the Sudbury operations is \$6.5 million.

Morrison 2011 Outlook

The Company expects 2011 production from Morrison to range between 30 and 40 million pounds of payable copper, approximately 20 to 25 thousand ounces of payable TPMs and approximately 5 million pounds of payable nickel. Quadra FNX's ability to attain the upper end of the production range is mainly dependent on maximizing utilization of the internal ramp system and the successful commissioning of the backfill plant. Production is expected to continue to increase through 2011 and into 2012. In 2011 work is expected to continue on the rehabilitation of the #2 Shaft to the 3600 Level where conditions have proven more challenging than previously expected, but the Company anticipates to resolve the access issues during 2011. Completion of the rehabilitation of the #2 Shaft is expected to allow the annual production rate to be increased to over 45 million payable pounds of copper.

The Morrison Deposit remains open at depth and in 2011 exploration efforts will focus on drilling and expanding the known resource below 4200 Level by establishing drill platforms as ramp development progresses at depth. In 2011, onsite and offsite costs at Morrison are expected to be in the \$70 to \$80 million range. The Company expects to spend approximately \$50 million of capital for further development of the Morrison Deposit. Key capital programs include vertical and lateral development as well as infrastructure projects, including the continuing rehabilitation of the #2 Shaft.

Employees at the Morrison Deposit are subject to the Collective Bargaining Agreement expiring on June 30, 2011. The Company has a good relationship with the USW and considers the risk of a work stoppage to be low.

Franke Mine

The Franke Mine is an open pit operation producing cathode copper via heap leaching, solvent extraction and electrowinning (“**SX/EW**”). The operation is located approximately 235 km south of the city of Antofagasta. The Company acquired the Franke Mine through its acquisition of Centenario in April, 2009.

The Franke Mine is the subject of a technical report titled “Technical Report on the Franke and Pelusa Integrated Project” and dated February 19, 2009 (the “**Franke Technical Report**”). This report was prepared by Thomas Henriksen, P.Geol., Rodrigo Mello, B.Sc. (Geology), and Walter Segsworth, P.Eng., each of whom is a “Qualified Person” within the meaning of NI 43-101. Portions of the description of the Franke Mine are based on assumptions, qualifications and procedures which are set out in the Franke Technical Report. Reference should be made to the full text of this report which is available electronically at www.sedar.com or on the Company's website at www.quadrafnx.com.

The Franke Mine is located in the Altamira mining district of Chile, 65 km north of the town of Diego de Almagro and approximately 100 km southeast of the town of Taltal. The Altamira mining district is located in Region II, 12 km north of the border of Region III, in Chile. The City of Antofagasta is approximately 235 km to the north. Elevations in the area range from about 1,500 m to slightly over 1,700 m. The Franke Mine is accessed by road from the cities of Copiapó and Antofagasta.

The Franke Mine covers an area of approximately 4,480 ha and consists of two mining areas, the Franke Deposit (“**Franke**” or “**Franke Deposit**”), and the Pelusa (“**Pelusa**” or “**Pelusa Property**”) concessions which include the China pit (the “**China Pit**”). Mining activity at the Franke Mine commenced in 2009, under the Company's ownership. Mining is by conventional open pit methods, using drilling, blasting, loading and truck haulage of ore and waste. Mining since 2009 has been entirely in the Franke Deposit. Both pits will be mined in phases to deliver optimum metallurgical results.

The ore is crushed in a primary jaw crusher followed by secondary and tertiary cone crushing before it is sent to the agglomerator. An acid cure is added in the agglomerate and the ore is then conveyor-stacked on the on/off leach pad. The ore is leached using sulphuric acid solution. The resulting copper bearing solution is purified and concentrated by solvent extraction, after which copper metal is plated by electro-winning. The electro-winning plant design has a capacity of 30,000 tonnes (66 million lbs) of copper cathode per year and is designed to produce cathode meeting LME grade "A" specifications. The Franke Mine is subject to an Environmental Impact Assessment ("EIA") process, as set forth in Chilean Law 19,300 "Ley de Bases del Medio Ambiente", and related regulations. Centenario commenced the assessment process in October 2006 with the formal presentation of the EIA to the Chilean Commission Nacional del Medio Ambiente (CONAMA) authorities. Final approval was obtained in June 2007. In addition to the EIA, Centenario applied for and received all applicable environmental and non-environmental related permits that are required in order to develop and produce the Franke Mine. Centenario filed an Environmental Impact Declaration for exploitation of the China Pit at Pelusa and was granted approval in March 2009.

In Chile, the granting of a mining concession does not, by itself, confer the right to construct plant facilities on the property. In order to do so, the concessionaire must first either acquire the surface rights to the property or acquire a mining easement over the property. The surface rights to the Franke and Pelusa concessions, as well as to surrounding third party mining concessions, are held by the State of Chile. Centenario applied for and obtained mining easements on the Franke concessions, as well as on certain surrounding properties on which third parties currently hold valid mining concessions. Together, these mining easements cover the footprint for the Franke processing plant, waste dumps and related infrastructure. These mining easements will apply throughout the life of the Franke Mine.

Accessibility, Climate, Local Resources and Infrastructure

The Franke Mine is approximately 100 km southeast of the town of Taltal, Chile and is accessible via a 56 km public dirt road that connects with the Pan-American Highway near Taltal. A railway line located less than 3 km to the east of the Franke Mine, with a spur crossing the mine property, connects the Franke Mine area to the town of Diego de Almagro. The labour force is drawn from the neighboring towns of Taltal, Chañaral and Diego de Almagro

The climate is arid with an average precipitation of less than 2 mm per year and, as a result, vegetation and wildlife are sparse to non-existent. Summer temperatures range from 18° C to 32° C, while winter temperatures fall to around 0° C.

A water supply agreement is in place for 50 l/s with Codelco (Salvador Division) located 70 km from the processing facility. This contract secures the water supply for the life of the mine.

Due to the high carbonate content of the Franke ore, acid consumption is high at Franke on a per ton of ore basis. Centenario signed a life of mine contract with a local smelter for the supply of 136,000 tonnes of sulphuric acid per year, which represents approximately 45% of the life-of-mine average annual consumption. The remaining acid requirements are obtained from the open acid market.

The electricity supply to the Franke Mine is provided by a 110 kV high voltage line between the mine and a substation in the town of Diego de Almagro. A power supply agreement is in effect with Pacific Hydro.

History

The Altamira mining district of Chile, rich in copper minerals, has been commercially mined since the 1920s by local "pirquinero" miners but the earliest geological studies on Franke were reportedly completed by ENAMI as free technical support to the small-scale mining community. The discovery in 1983 of the neighbouring Altamira deposit by CODELCO triggered some interest in Franke Deposit and subsequently four holes were drilled there by RTZ Chile ("RTZ") in 1984. One of the holes intersected oxide mineralization, but RTZ abandoned activities since no sulphide intersections were encountered.

ASARCO began exploration in the district in early 1997 with field reconnaissance work, and recognized the potential for leachable copper ores in the Franke area. An initial reconnaissance drill program of 13 holes was completed by June 1997. Due to the encouraging results of this campaign at Franke, a new drill program was started in September 1997 that confirmed the presence of a significant copper oxide deposit at the site. A third program of infill/definition drilling totalling 213 holes began in November 1997 and consisted of a combination of diamond and reverse circulation holes. Due to exploration cutbacks and a declining copper price ASARCO divested the property in 1999.

Centenario acquired the Franke mining concessions in January 2004 pursuant to an option agreement with Compañía Minera Piedra Verde. Centenario exercised the option and acquired full title to these concessions in April, 2006. The titles of the mining claims are in good standing and in accordance with Chilean mining law. Centenario acquired the Pelusa mining concessions in 2006 pursuant to an option agreement and exercised the option in December, 2006. The surface rights held by Centenario permit the construction of the plant facilities on mining concessions owned by it and on certain contiguous areas surrounding the Franke Deposit. Centenario also has the surface permits for the entire extension of the water line from El Salvador to Franke, a distance of 65 km. Centenario began construction at Franke in October 2007. The Company acquired the Franke Mine through its acquisition of Centenario in April 2009. Commercial production from the Franke Mine commenced in the third quarter of 2009.

Geological Setting

The Franke and Pelusa copper deposits are part of the Altamira district which contains two main geologic formations, the Jurassic La Negra Formation and the overlying Cretaceous Aeropuerto Formation. The Aeropuerto Formation is the host of the Altamira district deposits. The upward transition into the middle portion of the Aeropuerto Formation, specifically a locally silicified, glomeroporphyritic andesite known as 'ocoita' is the interpreted host unit to the Franke Deposit. The deposit is located in a shallowly dipping anticline with an axial strike of N20-40°W. This anticline also plunges to the NNW and SSE, defining a gently dipping structural dome. A set of steeply dipping N25-35°W/70-80°E faults are significant controls of Franke high grade copper mineralization. Another significant set of ore controlling faults trend N60-70°W.

Mineralization

The Pelusa copper deposit is a variant of the Iron Oxide Copper Gold ("IOCG") deposit type with the characteristic specular hematite (specularite) + chalcopyrite-bornite + calcite + potassium feldspar mineral association. Structurally-controlled hydrothermal breccias that cross-cut the volcanic sequence host the highest grade Fe – Cu mineralization. These breccias have been heavily oxidized to varying depths (50 m to 200 m), resulting in vertical zonation from oxide, mixed, secondary sulphide to primary sulphide. Economic mineralization occurs as disseminations, veinlets and matrix-filling of copper oxides and sulphides, with associated specularite ± carbonate. The high grade domains are structurally bounded by a breccia and specularite stockwork zone.

The Franke Deposit is a hydrothermal copper sulphide stockwork deposit that has been partially oxidized. The dominant, primary copper sulphide mineral is chalcocite with superimposed oxidation having occurred largely 'in situ' due to the lack of pyrite in the primary assemblages. The mineralized zone is approximately 700 m N-S and 500 m E-W and extends to approximately 125 m vertical depth where drilled. Oxide mineralization is dominated for approximately the first 75 m and sulphide dominated beyond this depth. The Pelusa Property includes hydrothermal iron oxide-copper-calcite veins, stockwork and structurally-controlled breccias. Primary mineralization consists primarily of chalcopyrite and minor bornite, with pyrite, specular hematite and minor magnetite. Secondary ore minerals include chalcocite, covellite, copper oxides and native copper.

Exploration and Drilling

Centenario conducted exploration activities at Franke in early 2004 and at Pelusa in late 2006. Centenario contracted South American Management S.A. ("SAMSA") to organize the available data on the project, take metallurgical samples and conduct a RC drilling campaign at the Franke Deposit. The exploration work was conducted during the first half of 2004 and consisted of 50 holes. Upon completion of the exploratory work, SAMSA was contracted to construct a geologic model for the Franke and San Guillermo deposits, while NCL Ingeniería y Construcción ("NCL") was contracted to develop a resource block model and conduct pit optimizations and preliminary mine plans. Pincock, Allen and Holt ("PAH") was engaged by Centenario in December 2004 to prepare a NI 43-101 compliant technical report for the Franke project. PAH delivered the results of their review in January 2005, reporting several shortcomings mainly related to weakness in the geologic understanding, and the availability and reliability of the geologic information. In March 2005, Centenario contracted Geovectra S.A. ("Geovectra") in order to repair these deficiencies and prepare a new resource estimate jointly with NCL.

In 2005, Geovectra issued a report that included core re-logging, topographic update, underground mapping, assay checks, data interpretation and remodelling of the Franke Deposit. Geovectra also selected 2,739 pulps for re-assay in order to validate copper assays from previous 1997 to 2004 exploration and drill campaigns. 1,083 of these pulps were unavailable. The available pulps were re-assayed at CIMM laboratories. Geovectra reported good correlation for total copper, but lower correlation for soluble copper. The drillhole database was updated with these new assay results.

In 2006, a RC drill campaign was completed with a total of 129 infill and extension holes drilled in the Franke area, for a total of 10,450 m. Of these holes, 100 drill holes were used to increase the drill density in the Franke area. Results indicated that Franke mineralization is cut-off to the north and west, but that mineralization extends to the southeast towards the San Guillermo deposit. Geovectra and NCL were retained by Centenario in 2006 to jointly perform the work required to update Franke's resource model. The work included a new drilling campaign, the generation of an improved geological model, a new geostatistical resource estimation of in-situ resources, and a resource estimation of the reject stockpiles present in the area. In 2007 and 2008, Centenario completed a four phase drilling program on copper targets on the Pelusa Property, which included drilling at China, China Sur, India and SW Japan targets. This was followed by a diamond drill program at China Sur, aimed at better defining the mineralized structure and following up on potentially economically interesting primary sulphide potential at depth below the leachable zone. To date 99,234 m of drilling has been completed at the Pelusa Property (85,135 m of RC drilling and 14,099 m of core drilling).

Multiple copper occurrences with ore grade intercepts have been intersected within 3 to 5 km of the Franke Mine. This environment is currently the focus of geological compilation and reinterpretation in preparation for Pelusa Property exploration drilling to recommence during the second half of 2011.

Sampling, Analysis, Data Verification

In 2010, the Company performed geological model validation drilling. Historical drilling sampling was limited to RC and diamond drill core. Beginning with the 2007 Franke in-fill drill campaign, Centenario adopted a standard sampling protocol for all its drilling programs, as well as a full QA/QC program for all of its drilling campaigns and included insertion of appropriate fine and coarse blanks, standards and field and lab duplicates. The review of the technical reports prepared by Geovectra, NCL, PAH and AMEC Americas Limited, AMEC International (Chile) S.A. ("AMEC") on behalf of Centenario indicated that the sampling, analysis and data verification procedures used were adequate and that the information is reliable.

Security of Samples (QA/QC)

The sample preparation and assaying procedure of all Franke drilling campaigns considered in the Franke Technical Report were reviewed and reported in several independent technical reports from 1997 through to 1999 with ASARCO, and 2004 through to 2008 with Geovetra and Centenario. Nearly half of the analyzed samples belong to the 2007 drilling campaign. The QA/QC results of this program have been analyzed in depth by Geovectra (2008) and AMEC (2008) who reported that the assay database represented an acceptable level of accuracy and precision, with an absence of bias and contamination, and thus was suitable for resource estimation. The authors of the Franke Technical Report believe that this information is reliable.

Mineral Resource and Mineral Reserve

The Franke Mine Mineral Resource and Mineral Reserve estimates are as of January 1, 2011 and adhere to the 2005 Classification of Mineral Resources and Mineral Reserves of CIM. In accordance with the standards set out in NI 43-101, mineral resources are classified as Measured, Indicated, or Inferred, based on distance to the nearest copper sample and the number of copper composites.

The Mineral Resource estimate for the Franke Mine was prepared under the supervision of David King, P. Geo. and the Mineral Reserve was prepared under the supervision of Brock Johnston, P. Eng.. Both are employees of the Company and "Qualified Persons" within the definition provided in NI 43-101. Mineral Resources at Franke are estimated by geostatistical block modeling methods using 3 Dimensional software (Datamine Studio3[®]). Inverse Power Distance (IPD²) interpolation is used to estimate metal grades and average density by rock type is used for un-mineralized samples and is estimated by linear regression for mineralized samples. Mineral Resources are inclusive of those Mineral Resources modified to produce the Mineral Reserves. Mineral Reserves for Franke are developed from the Resources using MineSight[®] software. A NSR cut-off is applied together with dilution and mining recovery factors that are based on the mine's historic reconciliation factors. The annual Mineral Reserve statement is based on Measured and Indicated resources only.

The Franke Mine Mineral Resource and Mineral Reserve estimates are reported in Tables 1 and 2, on pages 33 and 34, respectively.

Mining Operations

The Franke Mine operation is by open pit mining, with haul trucks delivering material to a primary crusher. The crusher is located west of the final Franke Deposit, while the single waste disposal area is located north of the final Franke Deposit.

The Franke ore processing facility comprises primary, secondary and tertiary crushing, followed by agglomeration and an on/off pad heap leaching. Copper is recovered from the derived PSL solution in an SX/EW plant designed to produce 30,000 tons of cathode copper per year.

Despite the continuing improvement in the availability of the existing stacker, copper production declined during the fourth quarter of 2010 as a result of interferences with a number of the ongoing capital projects and crusher availability. The leach recoveries and pad permeability also continued to lag behind expectations. A number of process changes have been put in place to resolve the recovery issues, including reducing heap height, customizing leach solution application rates and increasing acid cure for recovery. The additional stacking equipment purchased to improve plant utilization and production experienced structural failure before it was put into service.

The Franke operation mined a total of 3.8 Mt of ore and 4.9 Mt of waste in 2010, resulting in the production of 37.2 million lbs of copper in copper cathode. The cash cost per pound of copper produced was \$2.45/lb.

Franke currently has in place contracts for cathode transportation from site, sulphuric acid transport to site, electric power, fuel, explosives, consumables, and other miscellaneous items necessary to operate the mine. These contracts are all within industry norms. Franke had a local mining contractor operation the mine operations until January 2011. See comment regarding Marineer Zona Franca S.A. ("Marineer") and the Company's decision to terminate their contract in "Franke 2011 Outlook".

Franke's applicable taxes include a corporate tax rate of 17% and a Chilean government royalty of 0.8% which is applied to the operating cash flow, as defined.

Based on the current reserve base and production capacity the mine life at Franke is currently estimated at eight years. Higher commodity prices as well as the ongoing exploration on the Franke Deposit and Pelusa Property, including the ongoing drilling in the China Pit area could improve the longevity of the Franke operation.

Franke 2011 Outlook

In January 2011, Marineer Zona Franca S.A. ("**Marineer**"), the mining contractor at the Franke Mine, shut down all equipment at the site due to financial difficulties. The Company made the decision to terminate the contract and take over the mining operations at Franke. Quadra FNX has negotiated the acquisition of the existing mining fleet, other than the drills, from Komatsu, who held the lease and has drills and other ancillary equipment on order for delivery in the second quarter. Franke currently has approximately one month of ore feed stockpiled at the site which is being used to supplement ore from the pit. Mining operations are ramping up and the Company does not expect the transition to owner mining to have a material impact on 2011 production.

To improve leach recovery and copper production, the Company has been adjusting the leach operating parameters, including reducing the lift height on the heap leach pad, crush size and tailoring solution application rates to individual ore types. Additional leach pad space is being developed to optimize recovery from slower-leaching ores. The ore processing rate is limited by the availability of the stacker used to place material on the heap leach.

A new stacker was ordered and delivered in 2010 but failed due to structural design issues which were identified during commissioning. The replacement is now expected to be in operation mid-year at the earliest. In the interim, the Company expects to sustain 85-90% of its nameplate stacking capacity with its existing equipment. Copper production is expected to ramp up in the second half of the year, benefiting from the commissioning of the new stacking equipment and higher recoveries. Overall, 2011 production at Franke is expected to be between 35 and 45 million pounds of copper. Ore will be sourced from the Franke Deposit.

Franke's 2011 acid supply has been fully contracted with approximately half of the required quantity provided under the existing long-term contract. Major capital expenditures in 2011 include additional dust control on the processing equipment and the construction of additional leach pads.

A portion of the employees at Franke formed a Union in late 2010 and negotiations on the terms of a new labour contract began. A final offer was submitted by Quadra FNX in mid-February, 2011 and on March 7, 2011, the Company announced that it had entered into a 38 month collective labour agreement (the "**Agreement**") with the

Union. The Agreement includes a wage increase and standard industry benefits that overall represent a labour cost increase of approximately 6.5% over the life of the contract, plus Chilean standard cost of living increases.

Sierra Gorda Project

The Sierra Gorda Project is located in the Atacama Desert, Region II, Chile and approximately 60 km southwest of Calama. The project is approximately 5 km by gravel road north of the village of Sierra Gorda which is on a paved highway and railway line.

The project is comprised of mineral properties acquired under eight option agreements entered into in 2004. During 2008, the Company exercised all eight option agreements to obtain a 100% ownership interest in the project. The approximate total area contained within the perimeter of the block of exploitation concessions at Sierra Gorda is 3.3 km². In addition, the area of surface rights is approximately 13.8 km² for a total of 17.1 km² of ground controlled by Quadra FNX.

The Sierra Gorda Project is the subject of a NI 43-101 compliant technical report entitled “Scoping Study for the Sierra Gorda Project, Region II, Chile” dated July 2009 (the “**Sierra Gorda Technical Report**”). The Sierra Gorda Technical Report was prepared in accordance with NI 43-101 by Steven Ristorcelli, P.Geo., of MDA, Scott Hardy, P.Eng., of Quadra FNX, David Newhook, P.Eng., of Quadra FNX and Patrick Fahey, P.Geo., of Quadra FNX, each of whom is a “Qualified Person” as such term is defined in NI 43-101. Portions of the following description of the Sierra Gorda Project have been prepared by Quadra FNX based on assumptions, qualifications and procedures which are set out in the Sierra Gorda Technical Report. Reference should be made to the full text of this report which is available electronically at www.sedar.com or on the Company’s website at www.quadrafnx.com.

The Sierra Gorda Technical Report envisioned an open pit and concentrator operation processing 111ktpd mill feed, producing between 250 and 400 million pounds of copper per annum over a 25 year mine life at an average cash cost of \$0.79 per pound with a capital cost of \$1.7 billion. In late 2009, the Company commenced further studies and in 2010 the base case for the project increased in scope and the development plan focussed on a 25 year plus operation, processing 111ktpd of sulphide ore at start-up, expanding to 190ktpd at the end of the fourth year. On November 10, 2010 the company announced that for the purposes of discussions with potential partners, the Company was assuming a capital cost of between \$2.5 billion and \$2.75 billion for the larger scale project. As such, the financial analysis of the July 2009 Sierra Gorda Technical Report can no longer be relied upon. An updated capital cost estimate is being prepared as part of the internal financing study (the “**Financing Study**”).

In 2010 the Company’s principal activities have been those required to support a development decision including infill and condemnation drilling, geological modeling and reserve calculation, metallurgical and process test work, permitting, as well as infrastructure and engineering studies to establish capital and operating costs. As part of the completion of the Financial Study, the Company has retained a series of engineering and consulting companies.

The Environmental Impact Study (“**EIS**”) was submitted to the regulatory authorities of Chile on May 31, 2010 and was accepted as containing all necessary elements on June 7, 2010. Since then, there has been a normal course interchange of questions and clarifications with regulators with no material issues. Based on other projects in Chile, the permitting timeframe is expected to be approximately 12 months.

To ensure the earliest start to project development, orders for key mining equipment were placed in 2010 in advance of completing the ongoing Financing Study. Major items included two electric shovels and two drills with a total purchase price of \$51 million and deposits and progress payments of \$15.4 million have been paid on this equipment. A further progress payment of \$30.6 million is scheduled in the first half of 2011 for shovels and drills. An order was also placed in October 2010 for the initial truck fleet; but no payments are due in the first half of 2011 on this equipment.

Accessibility, Climate, Local Resources and Infrastructure

The Atacama Desert is one of the driest regions on earth. As such, there is no surface water in the project area, and precipitation is extremely rare. Temperatures at the site range from a minimum of 0°C in winter to a high of about 33°C in summer. The terrain is a level plain, studded by low hills. Elevations in the area range from 1,650 masl to approximately 1,750 masl. Exposures of bedrock are few and vegetation is essentially absent.

The port city and railway terminus of Antofagasta is located about 140 km southwest of Sierra Gorda on the Pacific Coast. The port at Antofagasta is equipped with cargo handling facilities for the import of equipment and cathode handling facilities for the export of cathode. There are no concentrate handling facilities. The port of Mejillones handles the import and export of sulphuric acid. Calama and Antofagasta both have airports served by national airlines, with service to the main international airport at Santiago de Chile, about 1,200 km to the south.

History

Mining and exploration activity in the Sierra Gorda area commenced in the late 19th century with the exploitation of high grade copper oxides on a very small scale. Nitrate mining in the region was much larger scale at that time. A railway to the region was first established in 1874. Mining ceased in this region at the end of WWI as a result of the decreased demand for copper.

In the late 1950s and 1960s a number of exploration companies conducted various copper exploration campaigns in the Sierra Gorda area. A number of properties in the region around the Sierra Gorda Project were mined from the 1970s either by open pit or underground extraction.

One of the properties within the Sierra Gorda Project, Santa Catalina, was previously held by Outokumpu Oyj (“**Outokumpu**”) who carried out an extensive exploration programme in the 1990s. Work included 63,000 m of drilling, excavation of a 1.4 km exploration decline and metallurgical studies. Other companies that carried out exploration on the properties prior to this include Chevron Ltd. and Rio Tinto plc, who were searching for large porphyry copper deposits. A number of copper and molybdenum mineralized intrusives together with copper oxide mineralization in the intrusive and surrounding volcanic rocks were identified by previous exploration work on the Sierra Gorda project and particularly on Santa Catalina.

Mineral Rights

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

The plaintiffs in the lawsuits are or were shareholders in the “sociedades legales mineras” (“**SLM**”) or legal mining companies that owned certain of the mining tenements that were optioned to the Company in 2004. Quadra FNX believes it fully complied with the terms of all option agreements and the plaintiffs accepted all option payments until April 2008. In 2009, Quadra FNX settled one case for an immaterial sum and recently a court dismissed the plaintiff’s appeal in another case. In yet another case an arbitrator found that the contracts were valid, and in a further case the court ruled in favour of MQCL and awarded MQCL costs. The plaintiffs are appealing or attempting to appeal certain of those decisions.

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

Geological Setting

The Sierra Gorda district is located some 50 km west of the classic “porphyry copper belt” in northern Chile. The Sierra Gorda copper - molybdenum deposits occur in a separate and older, 600 km long belt with porphyritic intrusives that host porphyry and/or breccia-pipe Cu-Mo deposits and associated hydrothermal alteration zones. This belt includes deposits such as Cerro Colorado, Lomas Bayas, Fortuna de Cobre, Inca de Oro, Cachiuyo, El Bolsico, Relincho and Spence. These deposits are typically characterized by copper-dominant mineralization (both oxide and hypogene) with moderate to high molybdenum values and locally elevated gold and silver contents.

There are two main rock units in the region surrounding Sierra Gorda: a sequence of early Cretaceous volcanic rocks, and an early Tertiary batholithic intrusion. The latter extends over tens of kilometres, with local hypabyssal intrusive rocks of a variety of compositions and textures. The hypabyssal intrusions can be internal to the batholith, and have associated hydrothermal alteration, breccia facies and metallic mineralization. The mineralization at Sierra Gorda is part of that associated mineralization. The intrusive rocks have radiometric age dates in the range of 64 million to 57 million years.

Mineralization

The Sierra Gorda mineralized belt trends east-northeast and is approximately 30 km long and 1 to 3 km wide. It is developed along the contact zone between porphyritic volcanic and plutonic rocks. It hosts broad zones of hydrothermal alteration, porphyry-style disseminated and breccia-pipe hosted copper-molybdenum and copper-silver-gold veins.

There are four principal styles of copper ± molybdenum mineralization described at the Sierra Gorda property. These are:

- **Porphyry-style primary (hypogene) copper and molybdenum** mineralization - dominated by chalcopyrite, molybdenite and pyrite
- **Supergene sulphides** – dominated by chalcocite, digenite, covellite, bornite
- **Copper oxide hosted by acidic (intrusive) rocks** - dominated by atacamite, chrysocolla and brochantite predominate
- **Copper oxides hosted by basic (andesitic) rocks** - dominated by chrysocolla, vermiculite and atacamite predominate

Hydrothermal alteration is typically zoned from biotite-K feldspar in the center to propylitic along the margins of mineralized intrusions. Quartz sericite alteration is characteristically well developed. Copper-molybdenum mineralization occurs as disseminations, stockworks and breccia matrix fillings, and is typically closely related to phyllic and potassic alteration within felsic porphyries. Throughout the district, there are large gold-silver-copper veins that occupy or are controlled by local structures.

Exploration and Drilling

There had been a number of drilling campaigns prior to Quadra FNX's optioning of the Sierra Gorda Project in 2004. At that time, the known drilling was 488 drill holes for a total of 102,856 m. This includes 241 drill holes by Outokumpu for a total of over 66,000 m. Quadra FNX has completed a number of drill programs since 2004. In 2005, the exploration program consisted of 75 reverse circulation drill holes for a total of nearly 15,500 m. The drilling was designed to expand zones of leachable oxide copper that had been delineated by earlier campaigns conducted by Outokumpu in the 1990's and by Quadra FNX in 2004. The RC drill holes were restricted to the oxide zone almost entirely, and typically holes were cut-off when the drill had penetrated through the zone of supergene enrichment into unweathered rocks.

The 2006 exploration program comprised three main elements: 1) deep drilling for sulphide mineralization, 2) step-out drilling to extend the deposit, and 3) shallow grid drilling to provide structural and geochemical evaluation of the overburden. That program resulted in the discovery of the hypogene sulphide copper-molybdenum-gold mineralization at depth. The 2006 drill program included 11,476 m of RC drilling and 6,911 m of core drilling for a total of 18,387 m in 175 holes.

The 2007 drill program included 23,308 m of RC drilling and 25,140 m of core drilling for a total of 48,448 m in 114 completed and 2 abandoned holes. Through the end of the year, Quadra FNX had completed 48 core holes, most with RC pre-collars. The program focused on confirming and expanding the zones of deep sulphide mineralization identified during the 2006 drill campaign, with the goal of having sufficient drill information by the end of 2007 to complete a revised Inferred resource estimate that included the new zones. In addition, more than 40 RC holes of up to 250 m in length were drilled in the areas of the deep sulphide resource as pre-collars for eventual resource infill core holes. These RC pre-collar holes provided substantially more information in the oxide zone. Finally, 30 RC holes were drilled on conceptual targets beneath alluvial cover. These targets were zones of favourable alteration and geochemistry developed during the 2006 program by a grid drilling program designed to test bedrock below the shallow (5 to 30 m) alluvium that covers much of the property. None of the holes produced immediate additional targets, but they did provide structural and alteration information that will be used to plan surface infrastructure.

The 2008 drill program included 38,215 m of RC drilling and 27,788 m of core drilling for a total of 67,003 m in 199 completed and 7 abandoned holes. Through the end of the year, Quadra FNX had completed 46 core holes, many with RC pre-collars. Twenty six of the holes drilled were holes originally drilled in prior campaigns that were deepened. The program was focused on confirming continuity of known resources (in particular the higher grade parts of the deposit) and upgrading the bulk of the resource category from inferred to measured and indicated. This was done with the goal of having sufficient drill information by the end of 2008 to complete a revised resource estimate and support a scoping level economic analysis. To a lesser extent, drilling was focused on expanding the resource as well. Exploration drilling throughout the property was designed to identify new targets of greater than 500 Mt within 300 m of the surface as well as select holes to pursue high grade zones at depth. Because of

conditions in the metals and equity markets, drilling was halted in early November. Drilling completed up to that time is included in the Sierra Gorda Technical Report.

The 2009 drill program included 6,974 m of RC drilling and 8,378 m of core drilling for a total of 15,352 m in 35 completed and 6 abandoned holes. Through the end of the year, Quadra FNX had completed 13 core holes. The 2009 drill program began in mid-September, once uncertainties in the metals and equity markets had eased. The database used for the Resource estimate included 1074 holes.

The 2010 drill program included 17,575 m of RC drilling and 54,259 m of core drilling for a total of 71,834 m in 139 completed and 7 abandoned holes. Through the end of the year, Quadra FNX had completed 83 core holes. The program was focused on confirming continuity of known resources (in particular the higher grade parts of the deposit) and upgrading the bulk of the resource category to measured and indicated. A lesser part of the drill program was designed to test various geotechnical and metallurgical parameters of the deposit. While the drilling completed in 2010 is not part of the Mineral Resource and Mineral Reserve estimates, the drilling results completed up to the end of 2010 will be incorporated into the technical report prepared in connection with the Feasibility Study.

Sampling Analysis and Data Verification

Prior to the Company's optioning of the Sierra Gorda Project, known drilling comprised 488 holes over 102,856 m, including 241 holes drilled by Outokumpu over 66,099 m. All Quadra FNX analytical data for the Sierra Gorda Project was collected and reported under a formal quality assurance/quality control program. The program adheres to industry standards and applies to sample collection, processing and analyzing. Individual sample batch results are monitored through the insertion of standard, blank and duplicate samples. Full details of the sampling and data verification are described in the Sierra Gorda Technical Report.

Quality Assurance / Quality Control

Quality control procedures at Sierra Gorda were initiated during the 2004 drill program and have continued through to the current program. These procedures include routine analysis of standard reference material, field and/or preparation duplicate and blanks in each group of 20 samples analyzed. Analytical results for these samples have been continuously monitored to assure that the quality of analyses is maintained. Quality control results have been recorded in a 'failure table' to document variances from the accepted limits, as well as to track corrective actions taken. Assays exceeding the acceptable limits are examined to ensure that field and analytical standard operating procedures are adhered to. Where corrective action is required analytical batches are re-assayed. Full details of the quality control procedures are described in the Sierra Gorda Technical Report.

Mineral Resource Estimate

The Sierra Gorda Project Mineral Resource estimate as of January 1, 2011 is based on the Sierra Gorda Technical Report of July 2009 and adheres to the 2005 Classification of Mineral Resources and Mineral Reserves of CIM. The Sierra Gorda Mineral Resource estimate is reported in Table 2 on page 34. The methods, assumptions and modifying parameters used in estimating the Sierra Gorda Mineral Resource are within industrial standards. They have been directed and maintained by the QPs who have compiled them.

Sierra Gorda 2011 Outlook

The Financing Study, which establishes the development parameters for the project, remains on track for completion by the end of the first quarter of 2011, with the NI 43-101 compliant Feasibility Study expected to be completed in the second quarter of 2011. Discussions with potential partners are progressing well and the Company has targeted for a favourable partnership and financing structure to be in place by mid-2011. Total capital expenditures to the end of June 2011 are expected to be approximately \$110 million.

The Company is continuing to advance all aspects of project development including detailed engineering, key equipment selection, ordering and construction and Build-Own-Operate contract negotiations, while partnering negotiations continue. In addition to successful negotiations, partner selection is dependent on completion of the Financing Study. The EIS environmental permit is on schedule for approval in mid-2011.

Other Properties

Certain other properties owned by Quadra FNX are summarized below.

Podolsky Mine

The Podolsky Mine is located approximately 32 km northeast of the Greater City of Sudbury. Historical mining took place in 1988 and 1991, and again between 1994 and 1997 from contact nickel ores in the historical Whistle Pit. The Company's exploration efforts, however, targeted copper mineralization below the historical Whistle Pit and in 2002 exploration drilling resulted in the delineation of the copper-rich 2000 Deposit, which is currently the main source of production.

Currently the mining focus is on the footwall style of mineralization. The 2000 Deposit orebody is accessed from two main levels off the shaft and an internal ramp connecting the sub-levels vertically. Primary stopes are mined and filled with cemented waste rock and secondary stopes are mined adjacent to the cemented backfill allowing full extraction of the ore without the need for pillars. Secondary stopes are backfilled with waste rock without cement.

Based on the current reserves and production capacity, the mine life is currently estimated at two years. In 2011 the Company has significantly increased its exploration with the objective of enhancing both the mineral reserve and resources base through expansion of known resources and upgrading current resources to allow conversion to reserve. An improvement in accountability terms on lower grade material could also have a positive impact on mine life.

The Company expects 2011 production to range between 18 and 21 million pounds of payable copper, approximately 20-25 thousand ounces of payable TPMs and about 1 million pounds of payable nickel. In 2011 increased focus will also be placed on exploration with the aim of expanding the existing resource and reserve base. The 2011 onsite and offsite costs are expected to be in line with 2010. Capital expenditures are primarily related to mobile equipment, mine infrastructure and additional development work.

Carlota Mine

The Carlota Mine is located in the west end of the Globe-Miami mining district of Arizona. The Company acquired the project in 2005 from Cambior Inc.

Carlota is a conventional open pit operation with drilling, blasting, loading and truck haulage of ore and waste. SX-EW processing is utilized to produce cathode copper. Carlota is a life-of-mine heap leach operation with permanent leach pads, and copper production is expected to continue for five years after mining ceases. Based upon current production capacity the mine life is estimated at six years.

In January 2010 operations at the Carlota Mine were impacted by a one in three hundred year storm event where seven inches of rain fell in a 24-hour period. The resulting accumulated water limited access to ore in the Cactus pit and severely disrupted the chemistry of the heap leach operation. Following the storm event a water storage area was excavated and storm water was pumped from the pit and mine access was re-established at the end of March 2010.

Quadra FNX established that the high levels of fines (“fines”) identified in the Carlota ore body have prevented the percolation rates as defined in the feasibility study being achieved in the heaps. A broad range of studies to resolve the issue were initiated. Conclusions from these studies indicate that agglomeration, fines removal and blending are not viable options. However, percolation rates through conveyor stacked heaps showed improvement over the direct truck dumping used historically. The Company engaged a contractor in the first quarter of 2011 to conveyor stack all ore.

The Carlota deposit was historically interpreted to represent an “exotic” deposit created by a subaerial landslide shed from altered and oxidized Pinal Schist adjacent to the Pinto Valley Copper Deposit into a local graben structure. During 2010, Quadra FNX geologists re-interpreted the geology and it is now believed that the deposit may represent a hydrothermal/porphyry system. This geological re-interpretation has prompted additional exploration below the existing Carlota pit.

In 2010 geotechnical drilling identified a potential stability concern in the highwall on the Kelly Fault side of the Cactus pit. In response to these concerns, the Company has adjusted the highwall slope angles to ensure safety. This change has resulted in a 12 million tonnes reduction in resources (i.e., approximately 1.5 years of production). Additional work, including geotechnical drilling, mapping, drains, and a full technical review is planned in 2011 in order to fully evaluate the pit configuration.

Projected 2011 copper production is between 30 and 35 million pounds. Achieving the upper end of the range will depend on the success of the changes to the stacking method.

Total onsite costs are expected to be in line with 2010. Capital expenditures are primarily related to the planned leach pad expansion. A new exploration program was initiated in late 2010 and the initial diamond drill holes indicate mineralization below the defined orebody and appear to confirm the revised genesis theory. Additional drilling is planned for 2011.

McCreedy West Mine

The McCreedy West Mine is part of the Levack Complex which encompasses the McCreedy West and Levack Mines. The Levack Complex is located within the City of Sudbury, Toronto, Ontario, Canada.

The McCreedy West Mine is accessed from surface via a main decline which is currently developed to below the 2000 Level. The mine can also be accessed on the 1600 Level through a track haulage drift from the adjacent Levack Mine.

Ore can be either hauled to surface on the decline or dumped into an ore pass located above the 1600 Level for loading and rail transport to the Levack Mine for crushing and hoisting. Once ore is on surface, it is further crushed, processed through a sample system and loaded into ore trucks for transport to Clarabelle Mill.

The Company restarted McCreedy West Mine in 2003, with initial production being sourced from contact nickel ores in the Upper, East Main and Inter Main Deposits, as well as the footwall ores including the PM and 700 Deposits.

Late in 2008, all production from contact nickel ores was suspended as a result of a significant decline in nickel prices and unfavourable accountability terms of the Vale Offtake Agreement. Limited development work on contact nickel stopes continued in late 2009 and into early 2010 in preparation for the eventual re-start of contact nickel mining. With the suspension of production from contact nickel ores in late 2008, in 2009 and 2010 production was limited to the footwall ore deposits.

The Company currently expects 2011 production to again be sourced only from the copper-rich footwall zones contributing approximately 5 to 6 million pounds of payable copper, 25 to 30 thousand ounces of payable TPMs and approximately 1 million pounds of payable nickel. In 2011, onsite and offsite costs are expected to be in line with 2010. Capital expenditures are primarily related to mobile equipment, mine infrastructure and development work.

Plans for re-starting mining from the contact nickel resources remain on hold. However access to the mining areas developed prior to the shutdown of nickel mining has been kept in a state of readiness for future mining. Negotiations continue in order to find acceptable terms which would allow contact nickel mining to recommence. In addition, a pilot plant for electromagnetic/optical sorting is being built on the McCreedy West site to evaluate the potential for improvement of the economics of the contact nickel ore. This pilot plant is expected to be commissioned by the end of the first quarter of 2011.

Victoria Project

The Victoria Project, comprising 1,283 acres (519 ha) of mining rights, is located in the south-west quadrant of the Sudbury Basin, approximately 30 km southwest of the downtown core of the City of Sudbury in Denison Township. Access is via paved roads and a rail spur from the main rail line is located 2.5 km south of the property.

Quadra FNX first initiated exploration at the Victoria property between 2002 and 2005 and refocused on the property in 2008 when a detailed geological interpretation and modeling of the Ethel Lake Segment of the Worthington Offset dyke lead to the discovery of Zone 1, approximately 1.5 km south of the historical Victoria mine and approximately 2,200 ft (670 m) below surface. During 2009 and 2010, drilling resulted in the identification of three further zones, the most significant of which was Zone 4.

The mineralization in Zone 4 is contained within the Quartz Diorite Ethel Lake segment of the Worthington Offset Dyke and the Sudbury Breccia wallrocks. Quadra FNX now interprets the mineral zonation, including increasing copper and TPM grades with depth combined with the transition of mineralized host rock from Quartz Diorite to Sudbury Breccia, characteristic of Sudbury South Range Breccia Belt deposits (Ames & Farrow, 2007; Farrow & Lightfoot, 2002; Souch & Podolsky, 1969).

Key intersections from Zone 4 include:

- The shallowest drill intersection to date (hole FNX1198B) is located approximately 975 m (3,200 ft) below surface, and grades 1.1% Cu, 1.0% Ni, and 1.2g/t TPM over 13.4 m (44ft).
- Approximately 304.8 m (1,000 ft) below this intersection the Company intersected 190.2 m (624 ft) of 1.9% Cu, 1.7% Ni and 4.1g/t TPMs (hole FNX1186G)
- A further 457.2 m (1,500 ft) below this (hole FNX1195C) intersected 93.9 m (308 ft) of 2.1% Cu, 3.1% Ni and 5.1g/t TPMs.
- The deepest intersection to date is at approximately 1,889.8 m (6,200 ft) below surface, and returned 21.6 m (71 ft) of 4.1% Cu, 2.0% Ni with an impressive 60.1g/t of TPM's (hole FNX1200).

Throughout the fourth quarter of 2010, there were five diamond drill rigs on the Victoria Project focused on Zone 4. Based upon the results and subject to study, Quadra FNX has determined that the next appropriate step would be the development of an access shaft which would facilitate underground exploration drilling. This access shaft would subsequently serve as either the production shaft or a ventilation shaft. A scoping study has commenced, as well as permitting, consultation with the Atikameksheng Anishnawbek and the Sagamok Anishnawbek First Nations and discussions with other stakeholders.

The Company considers the Victoria Project a significant part of its growth pipeline. Activities planned for 2011 include drilling, more advanced engineering and metallurgical work. An inferred resource is expected to be completed early in the second quarter of 2011, whereas the ongoing scoping study, which is focused on options for the development of underground infrastructure and permitting, is expected to be completed by mid-2011. First Nations consultations and discussions with other stakeholders are also ongoing. Initial discussions have also been held with Vale with respect to future production.

While the ultimate timeline of a shaft sinking decision remains dependent on several factors, the Company continues to aggressively advance this project.

Table 1 - Mineral Reserves Tabulation

Quadra FNX - Mineral Reserve												
Mineral Reserve	Category	Tonnes (M)	Cu %	Ni %	Mo %	Au g/t	PGM g/t	Contained Metal				
								Cu M lbs	Ni M lbs	Mo M lbs	Au M oz	PGM M oz
Robinson	Proven	105.49	0.51	-	-	0.18	-	1,181.4	-	-	0.62	-
	Probable	4.53	0.41	-	-	0.15	-	40.4	-	-	0.02	-
	Total	110.02	0.50	-	-	0.18	-	1,221.9	-	-	0.65	-
Franke	Proven	26.39	0.78	-	-	-	-	452.6	-	-	-	-
	Probable	8.30	0.70	-	-	-	-	128.2	-	-	-	-
	Total	34.68	0.76	-	-	-	-	580.7	-	-	-	-
Levack Morrison	<i>Footwall</i> Proven	-	-	-	-	-	-	-	-	-	-	-
	<i>"Morrison"</i> Probable	0.91	8.28	1.61	-	0.81	6.09	166.3	32.38	-	0.02	0.18
	Total	0.91	8.28	1.61	-	0.81	6.09	166.3	32.38	-	0.02	0.18
Podolsky	<i>Footwall</i> Proven	-	-	-	-	-	-	-	-	-	-	-
	Probable	0.46	3.34	0.29	-	0.69	2.74	34.1	3.0	-	0.01	0.04
	Total	0.46	3.34	0.29	-	0.69	2.74	34.1	3.0	-	0.01	0.04
Carlota	Proven	8.77	0.53	-	-	-	-	102.7	-	-	-	-
	Probable	31.94	0.45	-	-	-	-	315.6	-	-	-	-
	Total	40.71	0.47	-	-	-	-	418.3	-	-	-	-
McCreedy West	<i>Contact</i> Proven	-	-	-	-	-	-	-	-	-	-	-
	Probable	0.23	0.24	1.89	-	-	-	1.2	9.6	-	-	-
	Total	0.23	0.24	1.89	-	-	-	1.2	9.6	-	-	-
	<i>Footwall</i> Proven	-	-	-	-	-	-	-	-	-	-	-
	Probable	0.30	1.92	0.32	-	1.03	7.02	12.9	2.1	-	0.01	0.07
	Total	0.30	1.92	0.32	-	1.03	7.02	12.9	2.1	-	0.01	0.07
Proven								1,736.7	-	-	0.62	-
Probable								698.8	47.1	-	0.07	0.29
Total								2,435.5	47.1	-	0.69	0.29

* Please refer to Notes on Mineral Reserve and Mineral Resource Tables

Table 2 - Mineral Resources Tabulation

Quadra FNX - Mineral Resource														
Mineral Resource	Category	Tonnes (M)	Cu %	Ni %	Mo %	Au g/t	PGM g/t	Contained Metal						
								Cu M lbs	Ni M lbs	Mo M lbs	Au M oz	PGM M oz		
Robinson	Measured	510.27	0.35	-	-	0.15	-	3,882.1	-	-	2.46	-	-	
	Indicated	139.98	0.27	-	-	0.14	-	846.2	-	-	0.62	-	-	
	M&I	650.25	0.33	-	-	0.15	-	4,728.4	-	-	3.08	-	-	
	Inferred	139.61	0.29	-	-	0.14	-	882.2	-	-	0.62	-	-	
Franke	Measured	44.7	0.68	-	-	-	-	670.5	-	-	-	-	-	
	Indicated	17.2	0.61	-	-	-	-	231.8	-	-	-	-	-	
	M&I	61.9	0.66	-	-	-	-	902.3	-	-	-	-	-	
	Inferred	1.3	0.72	-	-	-	-	20.9	-	-	-	-	-	
Levack Morrison	<i>Contact</i>	Measured	2.13	1.11	2.19	-	-	-	52.2	102.9	-	-	-	-
		Indicated	3.29	1.05	2.02	-	-	-	76.2	146.9	-	-	-	-
		M&I	5.42	1.08	2.09	-	-	-	128.5	249.7	-	-	-	-
		Inferred	1.00	0.88	1.86	-	-	-	19.4	41.0	-	-	-	-
	<i>Footwall "Morrison"</i>	Measured	-	-	-	-	-	-	-	-	-	-	-	-
		Indicated	0.67	13.24	2.74	-	1.08	9.28	195.9	40.5	-	0.02	0.20	-
		M&I	0.67	13.24	2.74	-	1.08	9.28	195.9	40.5	-	0.02	0.20	-
		Inferred	0.43	3.96	1.18	-	0.46	2.19	37.1	11.1	-	0.01	0.03	-
Sierra Gorda	<i>Sulphide</i>	Measured	140.99	0.45	-	0.05	0.09	-	1,413.9	-	152.9	0.42	-	-
		Indicated	1,204.66	0.42	-	0.02	0.06	-	11,080.1	-	589.6	2.49	-	-
		M&I	1,345.65	0.42	-	0.02	0.07	-	12,494.0	-	742.5	2.91	-	-
		Inferred	455.81	0.38	-	0.01	0.04	-	3,805.5	-	122.6	0.65	-	-
	<i>Oxide</i>	Measured	61.19	0.37	-	-	-	-	495.5	-	-	-	-	-
		Indicated	189.79	0.32	-	-	-	-	1,353.5	-	-	-	-	-
		M&I	250.98	0.33	-	-	-	-	1,849.0	-	-	-	-	-
		Inferred	26.83	0.28	-	-	-	-	167.1	-	-	-	-	-
Podolsky	<i>Contact</i>	Measured	-	-	-	-	-	-	-	-	-	-	-	
		Indicated	6.06	0.21	0.75	-	-	-	27.6	99.8	-	-	-	-
		M&I	6.06	0.21	0.75	-	-	-	27.6	99.8	-	-	-	-
		Inferred	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Footwall</i>	Measured	0.42	4.26	0.36	-	0.69	3.43	39.5	3.3	-	0.01	0.05	-
		Indicated	0.64	4.51	0.39	-	0.75	3.44	64.1	5.6	-	0.02	0.07	-
		M&I	1.06	4.41	0.38	-	0.73	3.44	103.6	8.9	-	0.02	0.12	-
		Inferred	0.32	3.44	0.32	-	0.52	2.78	24.1	2.2	-	0.01	0.03	-
Carlota	Measured	18.19	0.49	-	-	-	-	195.2	-	-	-	-	-	
	Indicated	74.33	0.37	-	-	-	-	608.0	-	-	-	-	-	
	M&I	92.52	0.40	-	-	-	-	810.7	-	-	-	-	-	
	Inferred	10.83	0.28	-	-	-	-	67.0	-	-	-	-	-	
McCreedy West	<i>Contact</i>	Measured	0.46	0.32	2.05	-	-	-	3.2	20.6	-	-	-	-
		Indicated	0.83	0.27	1.58	-	-	-	5.0	29.0	-	-	-	-
		M&I	1.29	0.29	1.75	-	-	-	8.2	49.6	-	-	-	-
		Inferred	1.60	0.28	1.56	-	-	-	9.9	55.2	-	-	-	-
	<i>Footwall</i>	Measured	-	-	-	-	-	-	-	-	-	-	-	-
		Indicated	0.92	1.42	0.26	-	0.88	5.51	28.8	5.3	-	0.03	0.16	-
		M&I	0.92	1.42	0.26	-	0.88	5.51	28.8	5.3	-	0.03	0.16	-
		Inferred	-	-	-	-	-	-	-	-	-	-	-	-
Victoria	Measured	-	-	-	-	-	-	-	-	-	-	-	-	
	Indicated	0.48	1.41	1.23	-	-	-	15.0	13.0	-	-	-	-	
	M&I	0.48	1.41	1.23	-	-	-	15.0	13.0	-	-	-	-	
	Inferred	0.40	0.87	1.37	-	-	-	7.7	12.1	-	-	-	-	
Kirkwood	Measured	-	-	-	-	-	-	-	-	-	-	-	-	
	Indicated	0.56	0.49	1.17	-	-	-	6.1	14.5	-	-	-	-	
	M&I	0.56	0.49	1.17	-	-	-	6.1	14.5	-	-	-	-	
	Inferred	1.59	0.97	1.27	-	-	-	33.9	44.6	-	-	-	-	
								Measured	6,752.2	126.8	152.9	2.88	0.05	
								Indicated	14,538.3	354.8	589.6	3.18	0.43	
								M&I	21,298.0	481.6	742.5	6.06	0.48	
								Inferred	5,074.9	166.1	122.6	1.29	0.06	

* Please refer to Notes on Mineral Reserve and Mineral Resource Tables

Notes on Mineral Reserve and Mineral Resource Tables

Reserve and Resource Categories Used in this AIF

The Mineral Reserve and Mineral Resource estimates are prepared in accordance with the *CIM Definition Standards On Mineral Resources and Mineral Reserves*, adopted by CIM Council on November 14, 2004, and the *CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines*, adopted by CIM Council on November 23, 2003, using geostatistical and/or classical methods, plus economic and mining parameters appropriate to each operation. Definitions and guidelines can be found at www.cim.org.

Mineral Resource for all operations are inclusive of Mineral Reserve and all estimates are prepared as of December 31, 2010.

Estimates for all operations are prepared by or under the supervision of a Qualified Person as defined in NI 43-101.

All units presented in the Mineral Reserve and Mineral Resource Table are Metric.

“PGM” are Platinum Group Metals and include Platinum (Pt) and Palladium (Pd)

Rounding errors may be present in calculation of contained metal

For ease of reference, the following conversion factors are provided:

Metric Unit	U.S. Measure	U.S. Measure	Metric Unit
1 hectare.....	2.471 acres	1 acre.....	0.4047 hectares
1 metre.....	3.2881 feet	1 foot.....	0.3048 metres
1 kilometre.....	0.621 miles	1 mile.....	1.609 kilometres
1 gram.....	0.032 troy ounces	1 troy ounce.....	31.1 grams
1 kilogram.....	2.205 pounds	1 pound.....	0.4541 kilograms
1 tonne.....	1.102 short tons	1 short ton.....	.907 tonnes
1 gram/tonne.....	0.029 troy ounces/ton	1 troy ounce/ton.....	34.28 grams/tonne
1 m3.....	264.1 liquid gallons	1 liquid gallon.....	0.003785 m3

- **Robinson Mine**

The Mineral Resource is reported above a cut-off of 1.24 “Recoverable Copper pounds per ton” and the Mineral Reserve is above a cut-off of 2.93 “Recoverable Copper pounds per ton”. A long term Cu price of US\$2.50/lb and a Au price of US\$1,000/oz with a Canadian dollar exchange rate of US\$1.00 were used. The waste removal for the Mineral Reserve estimate is 280Mt resulting in a strip ratio of 2.55. The Robinson Resource and Reserve were estimated by the mine’s geology and engineering department under the supervision of Kevin Brown P.E., General Superintendent, Technical Services, who is an employee of Robinson Mine and the QP for the 2010 Mineral Reserve and Resource estimate.

- **Franke Mine**

The Mineral Resource is reported above a cut-off of 0.3% Total Cu. Due to the high acid consumption the Mineral Reserve is determined by an economic cut-off that is based on recovery, acid consumption, SX-EW and mining direct and indirect costs. A long term Cu price of US\$2.00/lb with a Canadian dollar exchange rate of US\$1.00 were used. The waste removal for the Mineral Reserve estimate is 44Mt resulting in a strip ratio of 1.27. The Qualified Persons responsible for the 2010 Mineral Resource and Mineral Reserve estimates are Dave King, P.Geo., Manager Geoscience Data & Services; and Brock Johnson, P.Eng., Superintendent Mine Services, who are Quadra FNX employees.

- **Levack Mine**

The Mineral Resource cut-off is based on the direct cost of mining and the Mineral Reserve cut-off is based on the direct cost, indirect cost, the sustaining capital costs and the impact of the Gold Wheaton agreement. The long term metal prices used were: Cu at US\$2.50/lb, Ni at US\$7.00/lb, Pt at US\$1500/oz, Pd at US\$400/oz and Au at US\$1,000/oz with a Canadian dollar exchange rate at US\$1.00. The Qualified Persons responsible for the 2010 Mineral Resource and Mineral Reserve estimates are Dave King, P.Geo., Manager Geoscience Data & Services; Stu Gibbins, P.Geo., Superintendent Geological Services and Mark Frayne, P.Eng., Manager Engineering, who are all Quadra FNX employees.

- **Sierra Gorda Project**

The Mineral Resource estimate for Sierra Gorda is reported above a cut-off of 0.3% Cu equivalent for the Sulphide Resource and above a cut-off of 0.20% Cu equivalent for the Oxide Resource. The Sierra Gorda Mineral Resource is based on the “Scoping Study for the Sierra Gorda Project”, July 2009. The Qualified Persons responsible for the Sierra Gorda Mineral Resource estimate are: Steven Ristorcelli, P.Geo., Principal Geologist at MDA; Scott Hardy, P.Eng., Manager Technical Services at Quadra FNX; David Newhook, P.Eng., Vice President Operations Services at Quadra FNX; and Patrick Fahey, P.Geo., Chief Geologist at Quadra FNX.

- ***Podolsky Mine***

The Mineral Resource cut-off is based on the direct cost of mining and the Mineral Reserve cut-off is based on the direct cost, indirect cost, the sustaining capital costs and the impact of the Gold Wheaton agreement. The long term metal prices used were; Cu at US\$2.50/lb, Ni at US\$7.00/lb, Pt at US\$1500/oz, Pd at US\$400/oz and Au at US\$1,000/oz with a Canadian dollar exchange rate at US\$1.00. The Qualified Persons responsible for the 2010 Mineral Resource and Mineral Reserve estimate are Dave King, P.Geol., Manager Geoscience Data & Services; and Mark Frayne, P.Eng., Manager Engineering, who are Quadra FNX employees.

- ***Carlota Mine***

The Mineral Resource is reported above a cut-off of 0.15% Total Cu for the Cactus pit, 0.12% Total Cu for Eder North, 0.15% Total Cu for Eder South and 0.10% for Eder Junior. The Mineral Reserve is reported above a cut-off of 0.15% Total Cu from the Cactus Pit. A long term Copper price of US\$2.50/lb with a Canadian dollar exchange rate of US\$1.00 was used. The waste removal for the Mineral Reserve estimate is 104Mt resulting in a strip ratio of 2.55. The Carlota Resource and Reserve were estimated by the mine's geology and engineering department under the supervision of Brock Johnson P.Eng., Superintendent Mine Services, who is an employee of Carlota Mine and the QP for the 2010 Mineral Reserve and Resource estimate.

- ***McCreedy West Mine***

The Mineral Resource cut-off is based on the direct cost of mining and varies between mining sources within the McCreedy West Mine. The Mineral Reserve cut-off is based on the direct cost, indirect cost, the sustaining capital costs and the impact of the Gold Wheaton agreement and varies between mining sources within the McCreedy West Mine. The long term metal prices used for the Mineral Resource were; Cu at US\$2.50/lb, Ni at US\$7.00/lb, Pt at US\$1500/oz, Pd at US\$400/oz and Au at US\$1,000/oz with a Canadian dollar exchange rate at US\$1.00. The metal prices used for the Mineral Reserve were the same except for Cu at \$4.00/lb and Ni at \$10.00 to reflect short term pricing. The Qualified Persons responsible for the 2010 Mineral Resource and Mineral Reserve estimate are Dave King, P.Geol., Manager Geoscience Data & Services; Stu Gibbins, P.Geol., Superintendent Geological Services and Mark Frayne, P.Eng., Manager Engineering, who are all Quadra FNX employees.

- ***Victoria Project & Kirkwood Property***

The Mineral Resource is based on a cut-off of 1.0% which is the Cu grade plus Ni grade added together. There were no metal price assumptions required to make this cut-off grade estimate. The Qualified Persons responsible for the 2010 Mineral Resource estimate for Victoria and Kirkwood are John Everest, P.Geol., Manager Sudbury Exploration and Catharine Farrow, P.Geol., EVP, Technical Services & Project Evaluation, who are Quadra FNX employees.

Highlights for Mineral Reserve changes from Previous Reporting Year

Year over year changes in Mineral Resource and Mineral Reserve are impacted by numerous variables including mining depletion, changes in categorization due to confidence level, conversion from resource to reserve, drilling and sampling throughout the year, re-interpretation and re-estimation, changes in applied metal pricing and applicable cut-off grade, and any change in the metal accountability or metal recovery.

Sudbury Underground Operations

Levack (Morrison), Podolsky & McCreedy West Reserve Impacts:

- Reduction in Reserve
 - modeling methodology changes in Morrison and Podolsky. This resulted in less ore tons at higher grade.
 - as a result of new Accountability formulas assigned as part of the Vale Offtake Agreement. Lower grade Resource and Reserve became uneconomic and were removed from Mineral Resource and Reserve.
 - application of the Gold Wheaton agreement resulted in a higher cut-off grade. The lower grade Mineral Reserve tons were reclassified as either Mineral Resource or, if below the resource cut-off, removed from the Mineral Resource inventory.
 - from mining activity in 2010.
 -
- Increase in Reserve
 - as a result of increased commodity prices in the long term price deck. This resulted in increased value per ton, however, in most cases this did not offset the impact of the new Vale Offtake Agreement and the Gold Wheaton agreement.
 - Infill and expansion diamond drilling throughout 2010 has added to the resource and reserve base.

Open Pit Operations

Robinson Mine

The 2011 Robinson Reserve reflects the following changes from the 2010 Reserve:

- Reduction of Reserve
 - mining activity in 2010.
 - change in the grade model.
 - new metal recovery equations.
- Increase in Reserve
 - copper price increase resulting in a lower cut-off grade
 - pit design modifications resulting from increased long term copper prices and change in pit slope parameter.

Franke Mine

The 2011 Franke Pit Reserve reflects reduced Reserve as a result of mining activity during 2010.

Carlota Mine

The 2011 Carlota-Cactus pit Reserve reflects the following changes from the 2010 Reserve:

- Reduction of Reserve
 - mining activity in 2010.
 - mining limit changes.
 - Reserves left in the pit wall and will not be mined.
- Addition of Reserve
 - volumes outside the 2010 reserve shape that are mined and are categorized as a Mineral Reserve.

Risk Factors

The following risk factors, as well as risks not currently known to Quadra FNX, could materially adversely affect Quadra FNX's future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements relating to Quadra FNX. Before making an investment decision consideration should be made of the principal risks and uncertainties described below:

Risks Related to Quadra FNX's Business

The Company may be adversely affected by fluctuations in metal prices

The value and price of Quadra FNX's common shares, Quadra FNX's financial results, and Quadra FNX's exploration, development and mining activities are significantly affected by the price of copper and other metals in the world market. Copper prices fluctuate widely and are affected by numerous factors beyond Quadra FNX's control such as global and regional supply and demand, the political and economic conditions of copper-producing countries throughout the world, interest rates, inflation or deflation, and fluctuations in the value of the United States dollar and foreign currencies. The price of copper and other metals has fluctuated widely recently. In July 2008, the price of copper reached a high of \$4.07 per pound and then declined to as low as \$1.26 later the same year. Future metal price declines could cause continued development of, and commercial production from Quadra FNX's properties to be uneconomic. Depending on the price of copper and other metals, cash flow from mining operations may not be sufficient and Quadra FNX could be forced to discontinue production and may lose its interest in, or may be forced to sell, some or all of its properties. Reserve calculations and mine plans using significantly lower copper and other metal prices could result in significant reductions in mineral reserve estimates, which in turn could result in material write-downs of Quadra FNX's investment in mining properties and increased amortization, reclamation and closure charges. In addition, metal price fluctuations create adjustments to the provisional prices of sales made in previous periods that have not yet been subject to final pricing, and these adjustments could have an adverse impact on Quadra FNX's financial results and financial condition.

In addition to adversely affecting Quadra FNX's reserve estimates and its financial condition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The Company's ability to expand or replace depleted reserves and the possible recalculation or reduction of the reserves and resources;

Because mines have limited lives based on proven and probable mineral reserves, Quadra FNX will have to continually expand reserves and replace those reserves depleted by Quadra FNX's operations. Quadra FNX's ability to maintain or increase its annual production of copper and other metals will be dependent almost entirely on its ability to acquire, develop and bring new mines into production.

Quadra FNX's mineral reserves and mineral resources are estimates, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of copper or any other mineral will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted.

Further, it may take many years from the initial phase of drilling before production is possible at certain locations, and during that time the economic feasibility of exploiting a discovery may change. Market price fluctuations of copper and other minerals, as well as increased production and capital costs or reduced recovery rates, may render Quadra FNX's proven and probable reserves unprofitable to develop at a particular site or sites for periods of time or may render some mineral reserves uneconomic. Moreover, short-term operating factors relating to the mineral reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause mineral reserves to be reduced or Quadra FNX to be unprofitable in any particular accounting period. Estimated reserves may have to be recalculated based on actual production experience. Any of these factors may require Quadra FNX to reduce its mineral reserves and resources, which could have a negative impact on Quadra FNX's financial results. Failure to obtain necessary permits or government approvals could also cause Quadra FNX to reduce its reserves.

Quadra FNX depends on key management personnel and may not be able to attract and retain qualified personnel

Quadra FNX is dependent on a number of key management personnel, including the services of certain key employees. Quadra FNX's ability to manage its operations, exploration and development activities, and hence its success, will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and unskilled workforce. The loss of the services of one or more key management personnel could have a material adverse effect on Quadra FNX's ability to manage and expand the business.

Quadra FNX is expecting significant growth in its number of employees due to its growth strategy. This growth will place substantial demands on Quadra FNX and its management. Quadra FNX's ability to recruit and assimilate new personnel will be critical to its performance. Quadra FNX will be required to recruit additional personnel and to train, motivate and manage its employees. The international mining industry is very active and Quadra FNX is facing increased competition for personnel in all disciplines and areas of operation, and there can be no assurance that it will be able to retain current personnel and attract and retain new personnel.

Dewatering at the Robinson Mine in 2012 and beyond

The Robinson Mine has defined water zones near the Ruth Pit which will require continued dewatering efforts to reduce the water table near the active mining areas. As the mining activity progresses deeper in the Ruth Pit, there is an increased probability of water pore pressure on the pit walls from the adjacent water table which could result in water invading the Pit and preventing mining activities.

Development of the Sierra Gorda Project requires significant capital expenditures and is subject to the many risks associated with establishing new mining operations

The Sierra Gorda Project is a late-stage exploration project and there have not yet been any development or construction activities, operations or revenue from the Sierra Gorda Project. Therefore, the Sierra Gorda Project is subject to the risks associated with establishing new operations and business enterprises, including:

- the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits;
- the timing and cost of the construction of mining and processing facilities;
- potential increases in construction and operating costs due to changes in the cost of fuel, power, materials and supplies and foreign exchange rates.
- the availability of funds to finance construction and development activities;
- the need to obtain all mineral and surface rights necessary to optimally exploit the deposit;
- challenges to mineral rights;
- the availability and cost of water, power, skilled labour and mining equipment;
- potential opposition from non-governmental organizations, environmental groups or local groups which may delay or prevent development activities; and
- the availability of appropriate off-take arrangements for copper and molybdenum.

It is common in new operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there are no assurances that the Company's activities at the Sierra Gorda Project will result in profitable mining operations or that the Company will successfully establish an operation at the Sierra Gorda Project. In addition, whether operations at the Sierra Gorda Project can be economically feasible depends upon future copper and molybdenum prices.

Actual capital costs, operating costs and expenditures, production schedules, economic returns may differ significantly from those Quadra FNX has anticipated

Quadra FNX's expected operating costs and expenditures, production schedules, economic returns and other projections from any of its mining projects which are contained in this document and in any technical reports, scoping studies, pre-feasibility studies and feasibility studies prepared for or by Quadra FNX are based on assumed Quadra FNX Mining Ltd. - Annual Information Form for the year ended December 31, 2010

or estimated future metals prices, cut-off grades, operating costs, capital costs, and expenditures and other factors that each may prove to be inaccurate. Therefore, feasibility studies, technical and other studies and reports may prove to be unreliable if the assumptions or estimates do not reflect actual facts and events.

For example, significant declines in market prices for base and precious metals or extended periods of inflation would have an adverse effect on the economic projections set forth in scoping studies, pre-feasibility studies and feasibility studies. In addition, any material reductions in estimates of mineralization or increases in capital costs and expenditures, or in Quadra FNX's ability to maintain a projected budget or renew a particular mining permit, could also have a material adverse effect on projected production schedules and economic returns, as well as on Quadra FNX's overall results of operations or financial condition. There is also a risk that rising costs for labour and material could have an adverse impact on forecasted construction costs and that shortages of labour and material could have a negative impact on any mine development schedule. An increase in any of these costs, or a lack of availability of commodities and goods, may have an adverse impact on Quadra FNX's financial condition and results of operation.

Underground mining at the Levack mine (Morrison Deposit) is subject to a number of variables, including reserves replacement, potential delays in re-establishing the 3600L Loading Pocket, and backfilling rate

Underground mines such as the Morrison Deposit require the continuous replacement of reserves as the mine advances deeper in the deposit. There is a risk that the Company will not be successful in continuing to replace reserves. Establishing the loading pocket at the 3600L continues to be a focal point for the operation. The ongoing removal of debris from the Levack Mine #2 shaft is a key activity to re-establishing the loading pocket. The paste backfill plant was recently commissioned, and the mine is highly dependent on the successful operation of the backfill plant to fill in mined out stopes and permit access to new ones in the mine plan. Set-backs with respect to any of these variables will impact anticipated production rates at the Morrison Deposit.

Geotechnical issues at all properties, specifically pit slope stability at open pit operations and structural issues at the underground mines

Some of the Company's mines are open pit operations, and the stability of the mine pit walls is critical. In addition, our underground operations may be subject to structural issues such as unusual and unexpected geological formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material. Pit slope failure at the open pit operations and structural issues at the underground mines may result in a damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Pit slope failure or structural issues at underground operations may prevent or interrupt mining activities and have a material adverse effect on the Company's financial condition.

The mineralogy and block model assumptions at all mines and projects are complex

The geology and controls on mineralization within the Sudbury ore deposit is complex. Three general styles of mineralization are recognized and include contact Ni-Cu deposits, Offset Ni-Cu-PGE deposits and Footwall Cu-Ni-PGE deposits. Contact Ni orebodies may be irregular concentrations semi-massive to massive sulphide zones that tend to concentrate within "embayments" features at the base of the SIC, and may be further complicated by subsequent structural events. Footwall deposits are Cu-Ni-PGE vein systems, commonly hosted in footwall Sudbury Breccia zones more distal to the SIC contact. Contact Ni massive sulphide deposits may be transitional into footwall vein systems. Continuity of footwall style vein systems, and therefore deposit grade, can be highly variable and the geometry of the veins may be controlled by changes of the host breccia package, clasts within the breccia and structures.

The Robinson Mine is a complex group of deposits containing skarn and porphyry mineralization that has been subjected to supergene processes. The mineralogy is variable from bench to bench and across each bench. Not all of the copper minerals present are recoverable by flotation and the extent of non-recoverable copper mineralization is not completely understood or defined. Further, Quadra FNX has recently commenced producing ore from the Ruth Pit, where Quadra FNX has no previous operating experience and limited knowledge of metallurgy.

While the operation uses test work and other techniques to predict recovery, there is no assurance that the forecasting process in place will accurately forecast future metallurgical performance with respect to recovery of copper, grade of concentrate or mill throughput, or that Quadra FNX will be able to produce a concentrate grade that is saleable in the market.

The high content of fines within the ore and other processing factors may negatively impact the leaching rate and recoveries achievable at the Carlota Mine

Quadra FNX established high levels of fines at the Carlota Mine ore body which have reduced percolation rates in the heaps. The level of fines in the deposit is variable and as such will have variable effects on the recoveries over the mine life. This may result in the Company's inability to achieve recoveries as predicted in the reserve models.

The leach recovery rate at the Franke Mine may lead to lower than expected production

Significant test work and analysis have been carried out at Franke Mine in 2010 and 2011 to optimize the copper recovery from ore on the leach pads. This includes mineralogy, petrology, leach columns, recovery size analysis, detailed pad sampling, optimizing agglomeration and leach parameters, and so forth. Diamond drilling in the pit and geometallurgical testing has, and is being, carried out. The risk remains that leach recoveries in the upper part of the Franke Deposit will not be attained and, similarly, that recoveries in the ore to depth will not be at the planned levels.

Quadra FNX cannot develop Sierra Gorda on its own and may not find a suitable partner

The Sierra Gorda Project is a significant project and Quadra FNX will require a significant amount of additional financing in order to bring it into production. Quadra FNX has been in the process of trying to identify a suitable partner with the financial resources to develop the Sierra Gorda project jointly with Quadra FNX. There can be no assurance that Quadra FNX will identify a suitable partner. If a suitable partner is identified, there can be no assurance that Quadra FNX will be able to reach agreement on terms acceptable to Quadra FNX for the development of Sierra Gorda with such partner. Furthermore, if a suitable partner is identified, Quadra FNX may still need to arrange for financing for a significant portion of the development costs. There can be no guarantee that such financing will be available at all, or on terms acceptable to Quadra FNX and any party that Quadra FNX may have identified.

The Sierra Gorda Project is the subject of ongoing litigation

The Company is party to several lawsuits that were filed in Chilean courts against the Company's wholly-owned Chilean subsidiary, Minera Quadra Chile Limitada. The lawsuits seek to invalidate certain of the option agreements under which the Company acquired mining tenements that comprise a significant part of the Sierra Gorda Project.

Although the Company believes, based on advice from Chilean counsel, that the 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 Quadra FNX has no direct knowledge. The Company is vigorously defending these lawsuits, however, there is no assurance that it will be successful. Furthermore, should the lawsuits not be resolved on a timely basis, the project financing for the Sierra Gorda project could be delayed and the development of the project may be impacted.

See "Item 10 – Legal Proceedings" for further information on the Sierra Gorda litigation.

Offtake Agreement with Vale

The Vale Offtake Agreement sets out the terms governing Quadra FNX's sale of minerals and ores from the Sudbury properties to Vale.

The amount that Vale is required to pay to Quadra FNX for ore shipped and sold by Quadra FNX is determined based on the metal which Vale 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 different payable metals terms for each of the various ore deposits to reflect the differences in the metallurgical composition of the ore deposits.

Final processing costs terms and payable metals terms with Vale were established for McCreedy West in 2002 and remain unchanged. Interim processing costs terms and interim payable metals terms, based on preliminary metallurgical testing, were established by Vale for the Levack and Podolsky Mines in 2008. Once final payable metals and processing costs terms are determined, they may be applied to ore shipped from Levack and Podolsky in prior periods. Quadra FNX 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.

Mineral rights or surface rights to the Company's properties could be challenged

Quadra FNX cannot guarantee that title to the properties in which it has a material interest will not be challenged or impugned. Quadra FNX's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. There may be valid challenges to the title of Quadra FNX's properties, which, if successful, could impair development or operations.

Certain of Quadra FNX's mineral rights at the Robinson and Carlota Mines consist of "unpatented" mining claims created and maintained in accordance with the U.S. General Mining Law. Unpatented mining claims are unique U.S. property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations under the U.S. General Mining Law. Also, U.S. unpatented mining claims are always subject to possible challenges by third parties or contests by the federal government. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of U.S. federal and state statutory and decisional law. In addition, there are few public records that definitively control the issues of validity and ownership of unpatented mining claims.

In recent years, the U.S. Congress has considered a number of proposed amendments to the U.S. General Mining Law. Although no such legislation has been adopted to date, there can be no assurance that such legislation will not be adopted in the future. If ever adopted, such legislation could, among other things, impose reclamation fees and/or royalties on mineral production from claims located on U.S. federal lands.

Although title to the Company's Sudbury properties has been reviewed by or on behalf of Quadra FNX, no assurances can be given that there are no title defects affecting its properties. Title insurance generally is not available for mining claims in Canada and Quadra FNX's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be limited. Quadra FNX has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. It is possible that Quadra FNX's properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims and title may be affected by, among other things, undetected defects. In addition, Quadra FNX may be unable to operate its Sudbury properties as permitted or to enforce its rights with respect to such properties.

Further, the Company's Sudbury properties may be subject to First Nations claims. Quadra FNX and the Wahnapiet First Nation ("WFN") signed an Impact and Benefit Agreement in July of 2008 with respect to operations at Podolsky to serve as a framework to facilitate the sharing of mutual benefits, address minimizing negative project impacts, encourage certain joint consultation processes, address certain decision making processes and to maintain meaningful ongoing dialogue between Quadra FNX and WFN. First Nations in Ontario are increasingly making lands and rights claims in respect of existing and prospective resource projects on lands asserted to be First Nation traditional or treaty lands. Should a First Nation make such a claim in respect of the Company's mineral properties and should such claim be resolved by government or the courts in favour of the First Nation, it could materially adversely affect the business of Quadra FNX. In December of 2009, FNX met with the Atikameksheng Anishnawbek First Nation to begin a dialogue on activities at the McCreedy West, Levack, Victoria and Kirkwood properties. In 2010 the Company continued its dialogue with the Atikameksheng Anishnawbek First Nation and initiated discussions with Sagamok Anishnawbek First Nation about future development of the Victoria Project.

Certain of the option agreements under which the Company acquired mining tenements that comprise a significant part of the Sierra Gorda Project are subject to current litigation. See "Item 10 – Legal Proceedings" for further information on the Sierra Gorda litigation.

Transition to owner mining at the Franke Mine

Quadra FNX has been successful in securing the loading and hauling equipment and is currently in the process of purchasing drills with an interim short term rental agreement. Efforts have been focused on hiring operations and maintenance personnel to support the mining operation. There is a risk in delays to achieving planned mining rates due to recruiting challenges within the tight Chilean labour market.

Updated equipment for the Franke Mine may be not be available

Quadra FNX acquired the Franke Mine from Centenario in April of 2009. The mine was still under construction at the time and it was noted that some of the infrastructure would not meet the anticipated production requirements of Quadra FNX. Infrastructure was completed to meet initial production requirements and ongoing capital project upgrades have been progressing since then. For 2011 and beyond, the focus will continue to be around the crushing circuit, pad development, stacking, and dust abatement. There is a risk that the upgrades or newly installed equipment will not meet the planned expectations. A number of improvements have been completed since the acquisition. In 2011 the bridge and stacker will be replaced in order to improve availability and to separate the primary grizzly from the crusher foundation to reduce vibration.

Dependence on transportation facilities and infrastructure

A very substantial portion of the Robinson Mine's copper concentrate production is shipped to customers in Asia via one railroad to the Port of Vancouver, Washington. The Company is also dependent on one railroad for the supply of a substantial percentage of acid to Franke. A major disruption to these railroad systems or a lack of access to port facilities could have a serious adverse effect on Quadra FNX's financial condition.

Labour relations

As at December 31, 2010, 343 hourly employees at the McCreedy West Mine, Levack Mine and Podolsky Mine in Sudbury, Ontario are governed by a collective agreement with the United Steelworkers Union, Local 2020, which was renewed in 2008 and expires June 30, 2011.

Quadra FNX cannot predict at this time whether it will be able to reach an agreement with its unionized workforce without a work stoppage. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions Quadra FNX carries on business. Changes in such legislation or otherwise in Quadra FNX's relationship with its employees may result in strikes, lockouts or other work stoppages, any of which could have a material adverse effect on Quadra FNX's business, results of operations and financial condition.

The actual costs of reclamation are uncertain

Quadra FNX's operations are subject to reclamation plans that establish Quadra FNX's obligations to reclaim properties after minerals have been mined from the site. These obligations represent significant future costs for Quadra FNX. At December 31, 2010 the total estimated reclamation liability for Quadra FNX's mines was approximately \$77.9 million (undiscounted). Reclamation bonds or other forms of financial assurance are often required to secure reclamation activities. The governing authorities require companies to periodically recalculate the amount of the reclamation bond and may require the bond amounts to be increased. It may be necessary to revise the planned reclamation expenditures, and the operating plan for the mine, in order to fund an increase the reclamation bond. Reclamation bonds represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine operation. The actual costs of reclamation set out in Quadra FNX's mine plans are estimates only and may not represent the actual amounts, which will be required to complete all reclamation activity.

Quadra FNX is impacted by the availability and cost of key operating supplies and services

Quadra FNX is heavily reliant on key operating supplies, including sulphuric acid, fuel, tires for mining equipment, and other supplies. If such supplies become unavailable or their cost increases significantly, the profitability of Quadra FNX's mines would be impacted and operations at Quadra FNX's mines could be interrupted or halted resulting in a significant adverse impact on Quadra FNX's financial condition. The availability and cost of sulphuric acid is particularly important for the Franke and Carlota Mine operations, which require significant quantities of acid to maintain copper production. In recent years, there have been supply shortages and significant price volatility in the sulphuric acid market. Quadra FNX currently has supply contracts in place for only a portion of its future acid requirements. In addition, all of Quadra FNX's mines require fuel, tires for mining equipment, and other supplies and services to maintain operations. Management of Quadra FNX prepares its cost and production guidance and other forecasts based on its review of current and estimated future costs, and management assumes that the materials and supplies required for operations will be available for purchase. Lack of supply or increased costs for any of these inputs would decrease productivity, reduce the profitability of Quadra FNX's mines, and potentially result in Quadra FNX suspending operations at its mines.

Concentrate treatment charges and rail and ocean transportation costs are also a significant component of operating costs. Transportation costs have been volatile over the last several years and could continue to be volatile due to a number of factors, including changes in the price of oil, changes in the global economy, and a shortage in the number of ocean vessels available to ship concentrate. Concentrate treatment and refining charges have also been volatile in recent years. Increases in these rates will have an adverse impact on Quadra FNX's results of operations and financial condition.

Quadra FNX may acquire businesses and assets which are not successfully integrated

Quadra FNX continuously evaluates opportunities to acquire additional mining assets and businesses. Any acquisitions may be significant in size, may change the scale of Quadra FNX's business, and may expose Quadra FNX to new geographic, political, operating, financial and geological risks. Quadra FNX's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms, and integrate their operations successfully. Any acquisitions would be accompanied by risks, such as a significant decline in the relevant metal price after Quadra FNX commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of Quadra FNX's ongoing business; the inability of management to realize anticipated synergies and maximize the financial and strategic position of Quadra FNX; the failure to maintain uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; and the potential for unknown or unanticipated liabilities associated with acquired assets and businesses, including tax, environmental or other liabilities. There can be no assurance that any assets or businesses acquired will prove to be profitable, that Quadra FNX will be able to integrate the acquired businesses successfully or that Quadra FNX will identify all potential liabilities during the course of due diligence, which could slow Quadra FNX's rate of expansion and Quadra FNX's business, results of operations and financial condition could suffer.

Quadra FNX's acquisition strategy may involve the investment of all or a substantial part of its assets in failed, underperforming, or financially distressed companies. These companies present a higher degree of risk in comparison to traditional investments.

Quadra FNX may need additional capital to finance other acquisitions. If Quadra FNX obtains debt financing, it will be exposed to the risk of leverage and its operations could become subject to restrictive loan and lease covenants and undertakings. If Quadra FNX obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that Quadra FNX would be successful in overcoming these risks or any other problems encountered in connection with such financings.

Mining involves a high degree of risk

Mining operations involve a high degree of risk. Quadra FNX's operations are subject to all the hazards and risks encountered in the exploration, development and production of copper and other metals, including, without limitation, environmental hazards, industrial accidents, labour force disruptions, unavailability of materials and equipment, weather conditions, unusual and unexpected geological conditions, seismic activity, rock bursts, pit-wall failures, tailings dam failure, cave-ins and flooding. Any of these risks could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, monetary losses and legal liability. Milling operations are also subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

Quadra FNX's insurance will not cover all potential risks associated with a mining company's operations. To the extent Quadra FNX does attempt to insure against certain risks, it may be unable to insure risks at economically feasible premiums, as with insurance for environmental pollution or other hazards of exploration. Moreover, Quadra FNX's insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Losses from uninsured events may cause Quadra FNX to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

Mineral exploration is speculative and uncertain

The exploration for, and development of, mineral deposits involve significant risks. Few properties, which are explored, are ultimately developed into economically successful producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing

facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in Quadra FNX expending significant resources (financial and otherwise) on a property without receiving a return on investment.

Although Quadra FNX's activities are primarily directed towards mining operations and the development of mineral deposits, its activities may also include, without limitation, the exploration for mineral deposits. There is no certainty that expenditures made by Quadra FNX towards the search and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

The mining industry is competitive

The mining industry is competitive in all of its phases. Quadra FNX faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, metals. Many of these companies have greater financial resources, operational experience and technical capabilities than Quadra FNX. As a result of this competition, Quadra FNX may be unable to maintain or acquire attractive mining properties.

Operations are subject to government regulation

Quadra FNX's mining, processing, development and mineral exploration activities are subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Quadra FNX and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Failure to comply with any applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Operations are subject to environmental laws and regulations

All phases of Quadra FNX's operations are subject to extensive federal, state and local environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Quadra FNX's operations. Environmental hazards may exist on the properties on which Quadra FNX holds and will hold interests which are unknown to Quadra FNX at present and which have been caused by previous or existing owners or operators of the properties but the remediation of which may be Quadra FNX's responsibility.

Production at Quadra FNX's mines involves the use of various chemicals, including those which are designated as hazardous substances. Some of Quadra FNX's properties also have been used for mining and related operations for many years before Quadra FNX acquired them. Quadra FNX acquired some of these properties as is or assumed the environmental liabilities of previous owners or operators. Quadra FNX has addressed contamination at its properties, and may need to continue to do so in the future, either for existing environmental conditions, or for leaks or discharges that may arise from its ongoing operations or other contingencies. Contamination from hazardous substances, either at Quadra FNX's own properties or other locations for which it may be responsible, may subject

Quadra FNX to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources.

Quadra FNX relies on licenses, permits and approvals from various governmental authorities

Quadra FNX's operations require licenses, permits and approvals from various governmental authorities. Quadra FNX believes that it currently holds and is presently complying in all material respects with all necessary licenses and permits under applicable laws and regulations to conduct its current operations. However, such licenses and permits are subject to change in various circumstances and certain permits and approvals are required to be renewed from time to time. Additional permits or permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval and permitting processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn. There can be no guarantee Quadra FNX will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Use of derivative contracts and exposure to credit risk

From time to time, the Company may enter into price risk management contracts to protect against fluctuations in the price of copper, gold and other metals, exchange rate movements, and changes in the price of fuel and other input costs. These contracts could include forward sales or purchase contracts, futures contracts, purchased put and call options, and other contracts. The use of forward or futures contracts can expose Quadra FNX to risk of an opportunity loss. The use of derivative contracts may also result in significant mark to market accounting adjustments, which may have a material adverse impact on the Quadra FNX's reported financial results.

Quadra FNX is exposed to credit risk with contract counter-parties, including, but not limited to, sales contracts and derivative contracts. In the event of non-performance by a customer in connection with a contract, Quadra FNX could be exposed to a loss of value for that contract.

Quadra FNX's shareholder rights plan may discourage the acquisition of Quadra FNX

In May 2010, the shareholders of Quadra FNX adopted a Shareholder Rights Plan (the "**Rights Plan**") which provides for substantial dilution to any potential acquirer making a take-over bid for the common shares of Quadra FNX, unless the bid meets the requirements described in the Rights Plan. This could discourage a potential acquirer from making a takeover bid for Quadra FNX and make it more difficult for a third party to acquire control of Quadra FNX, even if such acquisition or bid would be beneficial to Quadra FNX's shareholders.

Taxation risk

The Company has operations and conducts business in a number of jurisdictions and is subject to the taxation laws of these jurisdictions. These taxation laws are complicated and subject to changes and are subject to review and assessment in the ordinary course. Any such changes in taxation law or reviews and assessments could result in higher taxes being payable by Quadra FNX which could adversely affect Quadra FNX's profitability.

Quadra FNX does not have a dividend history

No dividends on the common shares have been paid by Quadra FNX to date. Quadra FNX anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Quadra FNX's board of directors' after taking into account many factors, including Quadra FNX's operating results, financial condition and current and anticipated cash needs.

Operations are subject to political and country risk

Quadra FNX conducts, or will conduct, exploration, development and production activity in a number of countries. These operations are potentially subject to a number of political, economic and other risks. Quadra FNX is not able to determine the impact of political, economic or other risks on its future financial position, including:

- Cancellation or renegotiation of contracts;
- Changes in foreign laws or regulations;
- Changes in tax laws;
- Royalty and tax increases or claims by governmental entities;
- Retroactive tax or royalty claims;
- Expropriation or nationalization of property;
- Inflation of costs that is not compensated by a currency devaluation;
- Restrictions on the remittance of dividend and interest payments offshore;
- Environmental controls and permitting;
- Risks of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism, and
- Other risks arising out of foreign sovereignty issues.

Such risks could potentially arise in any country in which Quadra FNX operates. Furthermore, in the event of a dispute arising from such activities, Quadra FNX may be subject to the exclusive jurisdiction of courts outside North America or may not be successful in subjecting persons to the jurisdiction of the courts in North America, which could adversely affect the outcome of a dispute.

Quadra FNX's directors and officers may have conflicts of interest

Certain of the directors and officers of Quadra FNX also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict.

Fluctuations in foreign currency exchange rates

The Company's revenue is almost entirely received in US dollars. For 2010 approximately 40% of the revenue was generated from operations in Canada and Chile, and thus operating and capital costs are subject to fluctuations in the currencies of those countries. Currently the Company has mitigated against the risk in changes in the Canadian dollar against our US dollar functional currency for 2011 by holding one year's Canadian operating costs in Canadian dollars. The Company currently does not hedge against capital cost changes or against fluctuations in the Chilean peso. We may use option contracts to protect against changes in local currencies against the US dollar. While we use these methods to limit our exposure to changes in currency rates, there is still the potential for any changes in currency exchange rates to have an adverse effect on the Company's operating results and liquidity. Further, any such option contracts may or may not qualify as hedging transactions for accounting purposes.

General economic conditions may adversely affect Quadra FNX's growth and profitability

The events in global financial markets since 2007 and, particularly in the latter part of 2008, have had a profound impact on the global economy. Many industries, including the copper mining industry, were impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and metal markets, a lack of market liquidity and a decrease in access to public financing. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect Quadra FNX's growth and profitability. Specifically:

- the global credit/liquidity crisis could impact the cost and availability of debt or equity financing and Quadra FNX's overall liquidity and, further, the availability of financing on terms favourable to Quadra FNX;
- as a significant amount of Quadra FNX's copper output is sold into China, the overall state of the Chinese economy, including credit/lending levels, fluctuations in inflation and interest rates and fiscal policy would have an impact on the country's demand for copper, thereby potentially affecting the volume of the Company's copper sales to China;

- the volatility of metal prices would impact Quadra FNX’s revenues, profits, losses and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates would impact Quadra FNX’s production costs; and
- the devaluation and volatility of global stock markets would impact the valuation of Quadra FNX’s equity and other securities.

These factors could have a material adverse effect on Quadra FNX’s financial condition and results of operations.

ITEM 5: DIVIDENDS

The Company has not declared or paid any dividends on its common shares since the date of its incorporation. The Company intends to retain any earnings to finance the growth and development of its business and does not currently plan to pay dividends or to make any other distributions in the near future.

ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE

The Company’s authorized share capital consists of 1,000,000,000 common shares without par value. All of the common shares rank equally as to voting rights, participation in the distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the common shares are entitled to receive notice of all meetings of shareholders and to attend and vote the shares at the meetings. Each common share carries with it the right to one vote. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets, the holders of common shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the Company has paid its liabilities.

During the year ended December 31, 2010, the Company granted 1,275,981 stock options, of which 1,200,981 were granted conditionally upon the approval of the Company’s 2010 Stock Option Plan by the TSX and by the Company’s shareholders. Shareholder approval will be sought at the Company’s 2011 Annual and Special Meeting of Shareholders. As of March 23, 2011, 8,472,819 stock options of Quadra FNX were outstanding.

ITEM 7: MARKET FOR SECURITIES

Trading Price and Volume

Common Shares

The common shares of the Company are listed on the TSX under the symbol “QUX”. Prior to May 26, 2010 the common shares of the Company were listed on the TSX under the symbol “QUA”. The following sets out the monthly high and low closing prices and traded volumes of the common shares of the Company from January 1, 2010 to December 31, 2010, as reported by the TSX.

Month in 2010	High (C\$)	Low (C\$)	Volume Traded
January	17.81	14.25	21,835,237
February	15.64	12.85	17,864,005
March	18.57	14.35	44,408,979
April	17.07	15.42	31,962,318
May	15.43	11.13	42,445,544
June	14.50	9.70	59,034,584
July	12.83	8.98	39,732,804
August	13.25	10.08	43,917,412
September	15.39	11.95	46,556,778
October	16.16	13.98	41,604,605
November	16.99	12.96	48,468,555
December	16.96	13.99	34,472,073

Warrants

The common share purchase warrants issued in connection with Quadra FNX's 2007 unit financing were listed and posted for trading on the TSX under the symbol "QUA.WT", until they expired in May 2010. In connection with the merger with FNX, all existing FNX common share purchase warrants became exercisable for Quadra FNX common shares and are listed and posted for trading on the TSX under the symbol "QUX.WT". The following table sets out the monthly high and low closing prices and traded volume of the listed common share purchase warrants of the Company from January 1, 2010 to December, 31, 2010, as reported by the TSX.

Month in 2010	High (C\$)	Low (C\$)	Volume Traded
January	0.85	0.41	1,101,997
February	0.46	0.20	1,255,361
March	0.57	0.09	2,546,956
April	0.20	0.01	2,706,254
May	0.02	0.01	1,640,710
June	4.50	2.20	194,401
July	3.30	1.95	473,200
August	3.32	1.90	279,585
September	4.36	2.71	1,469,487
October	4.48	3.23	1,257,661
November	4.95	2.99	1,690,900
December	4.95	3.48	1,345,278

Prior Sales

During 2010, the Company granted 1,275,981 stock options as follows:

Date of Grant	Options Granted	Exercise Price
March 8	25,000	\$15.53
March 15	50,000	\$16.94
May 10	14,000	\$12.88
June 1	75,000	\$14.70
July 5	50,000	\$9.44
September 9	1,061,981	\$12.94

ITEM 8: ESCROWED SECURITIES

The Company has no escrowed securities.

ITEM 9: DIRECTORS AND OFFICERS

The following table sets out certain information about the directors and executive officers of Quadra FNX.

Name and Residence	Current Office with Quadra FNX	Principal Occupation for Five Preceding Years	Director of Quadra FNX Since⁽¹⁾	Number of Securities Owned (directly or indirectly) or Controlled
A. Terrance MacGibbon ⁵ Oakville, Ontario Canada	Chairman of the Board	Retired Businessman since May 2010. Prior to that, Chairman and Chief Executive Officer (“CEO”) of FNX.	May 21, 2010	Common Shares: 470,670 Options: 217,500
Paul M. Blythe Collingwood, Ontario Canada	Director President CEO	President and CEO of the Company, July 2006 to present. Prior to that, President of the Company.	May 15, 2002	Common Shares: 925,000 Options: 489,333
Geoffrey S. Belsher ^{3,4} New York, New York USA	Director	Partner, Blake, Cassels & Graydon (U.S.) LLP.	February 16, 2004	Common Shares: Nil Options: 160,000
Franklin L. Davis ⁴ Toronto, Ontario Canada	Director	Counsel, Fraser Milner Casgrain LLP, since February 1, 2011. Prior to that, Partner, Fraser Milner Casgrain LLP.	May 21, 2010	Common Shares: 17,400 Options: 48,198
J. Duncan Gibson ² Toronto, Ontario Canada	Director	Retired Businessman	May 21, 2010	Common Shares: 3,480 Options: 39,498
John Lydall ⁵ Oakville, Ontario Canada	Director	Retired Businessman	May 19, 2010	Common Shares: 187,050 Options: 39,498
William H. Myckatyn ⁵ Horsefly, British Columbia Canada	Director and Vice Chairman	Retired July 2006 to present. Prior to that, CEO of the Company.	May 15, 2002	Common Shares: 300,000 Options: 260,000
Gregory Van Staveren ² , CA Etobicoke, Ontario Canada	Director	President, Strategic Financial Services	June 30, 2005	Common Shares: 5,000 Options: 113,500
James Wallace ^{2,3} Copper Cliff, Ontario Canada	Director	Owner, CEO and active leader of a number of family owned private corporations involved in heavy construction, real estate and investment businesses.	May 21, 2010	Common Shares: Nil Options: 48,198
Kenneth F. Williamson ^{3,4} Dwight, Ontario Canada	Director	Retired Businessman	February 16, 2004	Common Shares: 36,000 Options: 163,000
Robert (Don) MacDonald Vancouver British Columbia Canada	Chief Financial Officer (“CFO”)	CFO of the Company since August 2010. From January 2003 to April 2010, Senior Vice President (“SVP”) and CFO of NovaGold Resources Inc. From 2003 to 2008 SVP, CFO and Secretary of NovaGold Resources Inc.	N/A	Common Shares: Nil Options: 150,000

Name and Residence	Current Office with Quadra FNX	Principal Occupation for Five Preceding Years	Director of Quadra FNX Since⁽¹⁾	Number of Securities Owned (directly or indirectly) or Controlled
Michael Winship Oakville, Ontario Canada	Chief Operating Officer (“COO”)	COO since September 2010. From October 2008 to November 2009, President and COO of Hudbay Minerals Inc. From July 2007 to October 2008, SVP and COO of PT International Nickel Tbk. Prior to that, VP Mining and Milling of Vale.	N/A	Common Shares: 3,700 Options: 150,000
Mark E. Blakely Boise, Idaho United States	Executive Vice President (“EVP”), Sierra Gorda Project	EVP, Sierra Gorda Project since September 2010. From June 2009 to September 2010, SVP, Project Services. From November 2008 to June 2009, General Manager, Projects Operations. From September 2006 to November 2008, Project Manager, Carlota Construction. Prior to that, Director of Strategic Planning and Development of the Leducor Group of Companies.	N/A	Common Shares: Nil Options: 80,638
Catharine E. Farrow Hanmer, Ontario Canada	EVP, Technical Services and Project Evaluation	EVP, Technical Services and Project Evaluation since May 2010. From December 2008 to May 2010, Senior Vice President, Corporate Development and Technical Services of FNX Mining Company Inc. Prior to that, Director of Exploration of FNX Mining Company Inc.	N/A	Common Shares: Nil Options: 114,267
Gordon J. Morrison Field, Ontario Canada	EVP, Geoscience	EVP, Geoscience since May 2010. From December 2008 to May 2010, Senior Vice President, Exploration of FNX Mining Company Inc. Prior to that, Senior Vice President, Corporate Development of FNX Mining Company Inc.	N/A	Common Shares: 4,748 Options: 127,317
William M. Shaver Oakville, Ontario Canada	EVP, President and CEO DMC Mining Services	EVP, President and CEO, DMC Mining Services since May 2010. From October 2008 to May 2010, SVP, COO of FNX Mining Company Inc. From 2006 to 2008, EVP, Mine Development and Canadian Operations of Denison Mines. Prior to that, President of Shaver Engineering Limited.	N/A	Common Shares: 87,000 Options: 192,675
Derek White West Vancouver, British Columbia Canada	EVP, Corporate Development	EVP, Corporate Development since November 2, 2007. CFO of the Company from April 2004 to November 2007.	N/A	Common Shares: Nil Options: 177,900

Notes:

- ¹ Each director is appointed for a term of one year which expires on the date of the annual meeting of shareholders of the Company following his appointment.
- ² Member of the Audit Committee.
- ³ Member of the Compensation Committee.
- ⁴ Member of the Corporate Governance and Nominating Committee.
- ⁵ Member of the Environmental and Safety Committee.

As of December 31, 2010 the percentage of common shares of Quadra FNX beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of Quadra FNX as a group was approximately 1.1%.

Corporate Cease Trade Orders and Bankruptcies

No director or executive officer of Quadra FNX is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Quadra FNX) that was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation that was (i) in effect for a period of 30 consecutive days, (ii) issued while the director or executive officer was acting in that capacity, or (iii) issued after that person ceased to act in that capacity but which resulted from an event that occurred while that person was acting in that capacity.

No director or executive officer of Quadra FNX or, to the knowledge of Quadra FNX, any shareholder holding a sufficient number of securities of Quadra FNX to affect materially the control of Quadra FNX:

- (a) is, as of the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including Quadra FNX) that, while that person was acting in that capacity, or within a year of ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this AIF, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a material interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a material interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

One of the directors of the Company, Geoffrey Belsher, is a partner of an affiliate of Blake, Cassels & Graydon LLP. For the year ended December 31, 2010, the Company incurred legal fees of \$1,291,167 to Blake, Cassels & Graydon LLP, which were on normal business terms.

Committees of the Board of Directors

The board of directors has established four committees: the Audit Committee, the Governance and Nominating Committee, the Compensation Committee and the Safety, Health and Environmental Committee. All of the members of the Audit Committee are independent within the meaning of National Instrument 52-110 ("NI 52-110"). In addition, all of the members of the Governance and Nominating Committee and the Compensation Committee, and a majority of the members of the Safety, Health and Environmental Committee are independent within the meaning of NI 52-110.

Composition of the Audit Committee

The Audit Committee is made up of Gregory Van Staveren (Chairman), Duncan Gibson and James Wallace. The composition of the Audit Committee complies with NI 52-110. All members of the Audit Committee are considered financially literate and independent as those terms are defined in NI 52-110.

Audit Committee Charter

The complete text of the Audit Committee's charter is attached as Schedule "B" to this AIF.

Authority

The Audit Committee has the authority:

- (a) for the purpose of performing its duties, to inspect all of the books and records of the Company and its affiliates and to discuss such accounts and records and any matters relating to the financial position or condition of the Company with the officers and internal (if any) and external auditors of the Company and its affiliates;
- (b) to engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (c) to set and pay the compensation for any advisors employed by the Audit Committee, including without limitation compensation to any public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- (d) to set and pay the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties; and
- (e) to communicate directly with the internal (if any) and external auditors.

Reporting

The Audit Committee has a duty to report to the board of directors all matters that it considers to be important for the board of directors consideration. All minutes of the Audit Committee should be attached to the board of directors minutes and forwarded to each member of the board of directors by the Secretary in a timely manner.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on any exemption from NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors.

Pre-Approval Policies and Procedures

All of the audit-related, tax and other fees were approved by the Audit Committee.

External Auditor Service Fees

Fees paid to the Company's external auditors during 2010 and 2009 were as follows (all amounts are in Canadian dollars):

C\$	2010	2009
Audit Fees ¹	461,268	466,707
Audit-Related Fees ²	133,733	243,612
Tax Fees	127,412	-
All Other Fees ³	294,972	-

Notes:

- ¹ Includes services that are provided by the Company's independent auditors in connection with the audit of the financial statements.
- ² Includes the aggregate fees billed by auditors for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements and were not reported under Audit Fees. The services related to reviews of interim financial statements and services related to prospectuses and acquisitions.
- ³ Includes professional fees in connection with due diligence assistance, CPAB fee, and disbursements.

Audit Committee Members' Experience and Education

Mr. Van Staveren CA, Chairman of the Audit Committee, is currently the President of Strategic Financial Services, a private company providing business advisory services. From February 1998 until September 2001, Mr. Van Staveren was the Chief Financial Officer of Martinrea International Inc., a TSX traded automotive parts company, and prior to that he was partner in the mining group of KPMG, a professional services firm. He had been with KPMG since 1980. Mr. Van Staveren currently sits on the board of directors and audit committees of two public companies, and acts as the Chief Financial Officer of Starfield Resources Inc. (SRV:TSX) and AIM Health Group (AHG:TSX-V). Mr. Van Staveren is a Chartered Accountant and a Certified Public Accountant and holds a Bachelor of Math (Honours) degree from the University of Waterloo.

Mr. Gibson has over 27 years of experience as a senior bank executive with the Toronto-Dominion Bank, including nine years in Corporate Banking in the U.S.A., and as Vice-Chairman with responsibility for the Commercial Banking Business in Canada. Mr. Gibson has a Bachelor of Commerce degree and a Masters of Business Administration degree.

Mr. Wallace Mr. Wallace is the owner, CEO and active leader of a number of family owned private corporations including in the heavy construction, real estate and investment business. He has dedicated time and financial support to medical, educational, cultural and sports related community efforts. Mr. Wallace possesses a broad experience in mining, finance and heavy construction. He also has extensive merger and acquisition experience chairing the Independent Committee for CTV, Rio Algom, Falconbridge and Osprey Media. Mr. Wallace previously was a director of Rio Algom, Baton Broadcasting Corporation, CTV, Falconbridge, Noranda and Board Chairman of Osprey Media Group. Mr. Wallace has a B.Sc., M.B.A., C.M.A. and F.C.A.

Other Matters relating to the Audit Committee

The Audit Committee meets with management and Quadra FNX's external auditors to review matters affecting financial reporting, the system of internal accounting and financial controls and procedures and the audit procedures and audit plans. The Audit Committee reviews Quadra FNX's significant financial risks, is involved in the appointment of senior financial executives and annually reviews Quadra FNX's insurance coverage and any off-balance sheet transactions.

The Audit Committee has adopted specific policies regarding the non audit related services so that the external auditors are only engaged for pre-approved services that are not considered to conflict with their duties and independence as the external auditors

The Audit Committee is mandated to monitor Quadra FNX's audit and the preparation of financial statements and to review and recommend to the board of directors all financial disclosure contained in Quadra FNX's public disclosure. The Audit Committee is also mandated to appoint external auditors, monitor their qualifications and independence and determine the appropriate level of their remuneration. The external auditors report directly to the Audit Committee and to the board of directors. The Audit Committee and board of directors each have the authority to terminate the external auditor's engagement (subject to confirmation by shareholders). The Audit Committee also approves in advance any services to be provided by the external auditors, which are not related to the audit.

ITEM 10: LEGAL PROCEEDINGS

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 sought to invalidate certain of the option agreements under which the Company acquired mining tenements that comprise a significant part of the Sierra Gorda Project. MQCL is aware that the same plaintiffs are attempting to initiate additional lawsuits seeking to declare null and void the option agreements relating to the mineral properties that are already the subject of the first case. Based on advice of Chilean counsel, Quadra believes that the option agreements are valid and that the lawsuits are without merit.

The plaintiffs in the lawsuits are or were shareholders in the "sociedades legales mineras" ("SLM") or legal mining companies that owned certain of the mining tenements that were optioned to the Company in 2004. The Company believes it fully complied with the terms of all option agreements and the plaintiffs accepted all option payments until April 2008. In 2009 the Company settled one case for an immaterial sum and recently a court dismissed the plaintiffs appeal in another case. In another case an arbitrator found that the contracts were valid and in a further case the court ruled in favour of MQCL and awarded MQCL costs. The plaintiffs are appealing or attempting to appeal certain decisions. Although the Company believes, based on advice from Chilean counsel, that the disputed option agreements are valid and that the legal claims are without merit, the outcome is uncertain. These lawsuits are subject to the procedural and substantive laws of Chile and the allegations are based on the actions of the SLM management, in respect of which MQCL has no direct knowledge. MQCL is vigorously defending these lawsuits; however, there is no assurance that it will be successful.

The Company is also subject to other lawsuits from time to time which the Company believes are not material.

ITEM 11: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company believes no director or executive officer of the Company or any person or company that is the direct or indirect beneficial owner of, or who exercise control or direction over, more than 10% of any class or series of the Company's outstanding voting securities or any associate or affiliate of any of the persons or companies referred to above has any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Company or any of its subsidiaries, occurring during the year ended December 31, 2010.

ITEM 12: TRANSFER AGENTS AND REGISTRARS

Computershare Investor Services Inc.
510 Burrard Street, 3rd Floor
Vancouver, B.C. V6C 3B9
Tel: 604-661-0276
Fax: 604-661-9401

ITEM 13: MATERIAL CONTRACTS

Reference is made to the material contracts that the Company has filed with Canadian securities regulatory authorities on the SEDAR website at www.sedar.com.

We have entered into and are currently party to the following material contracts:

1. Amended and Restated Shareholders Rights Plan Agreement (the "**Rights Plan**") dated May 19, 2010 between the Company and Computershare Investor Services Inc., as Rights Agent. The purpose of the Rights Plan is to: (a) to prevent creeping acquisitions of control; (b) to give adequate time for the board of directors and shareholders to properly assess a take-over bid without undue pressure; (c) to provide the board of directors and shareholders adequate time to consider the value of all assets of the Company and

for the Company to undertake a value recognition program if necessary to demonstrate the value of one or more assets; (d) to provide the board time to consider value-enhancing alternatives to a take-over bid and to possibly allow competing bids to emerge; and (e) to ensure that shareholders of the Company are provided equal treatment under a take-over bid. The Rights Plan is not intended to prevent take-over bids that treat shareholders fairly and has not been adopted in response to any proposal to acquire control of the Company.

2. Royalty Agreements between the Company and BHP Copper, Royal Gold Inc. and Franco Nevada U.S. Corporation, respectively. See “Item 4 – Description of the Business – Robinson Mine – Royalties and the Trust Agreement”.
3. Arrangement Agreement dated March 23, 2010 among the Company, 2237836 Ontario Inc. and FNX (the “**Arrangement Agreement**”). See “Item 3 – General Development of the Business – Recent Developments” and “Item 4 – Description of the Business – Merger with FNX”.
4. Warrant Indenture dated September 9, 2009 between the FNX and CIBC Mellon Trust Company governing the Company’s listed warrants.
5. Supplemental Warrant Indenture dated May 21, 2010 among Quadra FNX Mining Ltd., FNX Mining Company Inc. and CIBC Mellon Trust Company entered into in connection with the Arrangement Agreement.
6. Vale Offtake Agreement dated May 14, 2004 between FNX and Inco Limited – See “Item 3 – General Development of the Business – Vale Offtake Agreement”.

ITEM 14: INTEREST OF EXPERTS

The following “qualified persons” named herein are “independent” of Quadra FNX, as defined in NI 43-101: Thomas A. Henricksen, Ph.D, P. Geo, Rodrigo Mello, B.Sc. (Geology), Walter Segsworth, P.Eng. and Steven Ristorcelli, P.Geo. The following “qualified persons” named herein are employees of Quadra FNX: Scott Hardy, P.E., David Newhook, P. Eng, Patrick Fahey, P. Geo, John O. Everest, P. Geo., Kevin Brown, P.E., Dave King, P.Geo., Brock Johnson, P.Eng., Mark Frayne, P.Eng., and Catherine E.G. Farrow, Ph.D, P. Geo.

Each of the aforementioned “qualified persons” owns, or has the right to acquire, less than one percent of the outstanding securities of Quadra FNX.

The Company’s auditors are KPMG LLP, Chartered Accountants, and they have advised Quadra FNX that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

ITEM 15: ADDITIONAL INFORMATION

Additional information, including details as to directors’ and officers’ remuneration, principal holders of Quadra FNX shares, options to purchase Quadra FNX shares and certain other matters is contained in the Management Information Circular of Quadra FNX dated March 23, 2011. Additional financial information is provided in Quadra FNX’s audited consolidated financial statements and related Management’s Discussion and Analysis for its year ended December 31, 2010. A copy of the above and other disclosure documents may be examined and/or obtained through the Internet by accessing Quadra FNX’s website at www.quadrafnx.com or by accessing the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

**SCHEDULE “A”
GLOSSARY OF TECHNICAL TERMS**

“actinolite”	a green mineral of the amphibole group; calcium magnesium iron silicate.
“Ag”	is the chemical symbol for silver.
“assay”	an analysis to determine the presence, absence and quantity of one or more components.
“Au”	is the chemical symbol for gold.
“batholith”	is a large body of igneous rock that intrudes older rock.
“biotite”	is a black, platy, micaceous mineral.
“blending”	thoroughly intermingling different grades of ore to improve recoveries.
“BLM”	the US Bureau of Land Management.
“Bornite”	a copper ore mineral (Cu ₅ FeS ₄), coloured brownish-red commonly referred to as “peacock ore” when it tarnishes to an iridescent blue color.
“breccia”	is a geological term referring to a rock made of fragments of one or more rock types that has formed as a result of movement along faults, or the activity of fluids that may carry mineralization.
“calcite”	a common mineral consisting of crystallized calcium carbonate; a major constituent of limestone.
“calc-silicate”	a rock consisting mainly of calcium-bearing silicates.
“carbonate”	a salt or ester of carbonic acid. Carbonate salts contain the divalent ion CO ₃ ²⁻ .
“cathode”	electrolytically refined copper that has been deposited on the cathode in an electrolytic bath of acidified copper sulfate solution.
“chalcocite”	is a dark gray mineral copper mineral, ideally Cu ₂ S.
“Chalcopyrite”	a copper iron sulphide (CuFeS ₂) mineral with a brassy yellow color. A common copper ore.
“chlorite”	a generally green or black mineral; it occurs as a constituent of many rocks typically in the form of a flat crystal.
“churn drill”	a portable drill rig using a bit fashioned on a massive steel cylinder that is alternately lifted and dropped to drill a hole in earth and rock.
“clastic”	belonging to or being a rock composed of fragments of older rocks (e.g., conglomerates or sandstone).
“Co”	is the chemical symbol for cobalt.
“concentrate”	the desired minerals that are left after impurities have been removed from mined ore through standard flotation techniques.
“core drill”	a drill that removes a cylindrical core of rock from the drill hole.
“Cu”	is the chemical symbol for copper.
“CuEq”	is copper equivalent.
“DDH”	diamond drill hole or core hole.
“diorite”	a granular igneous rock consisting essentially of plagioclase feldspar and hornblende.
“dyke”	a vertical or near-vertical wall-like body of igneous rock intruded into cracks in older rock.
“epidote”	a mineral, commonly of a yellowish green color, occurring granular, massive, columnar, and in monoclinic crystals. It is a silicate of alumina, lime, and oxide of iron, or manganese.
“facies”	is a collection of characteristics that define a geological rock event.
“fault”	is a geological term that refers to a fracture or zone of fractures in the earth’s crust along which the rock units on each side of the fracture have moved relative to one another.
“feasibility study”	a study with a goal to assess the economic viability of a proposed business / mining property. The feasibility study needs to answer the question: “Does the idea / property make economic sense?”
“feldspar”	is a common rock forming silicate mineral.
“felsic”	is a description of a quartz and/or feldspar-rich igneous rock.
“foliated”	especially of metamorphic rock, having thin leaf-like layers or cleavage.
“Graben”	a down-dropped block of rock between two up-lifted blocks. Block movement occurs along normal faults.
“g/t”	means grams per tonne.
“ha”	hectare.
“highwall”	the unexcavated face of exposed overburden and ore in a surface mine.
“hypabyssal”	at a high level in the earth’s crust.

“hypogene”	is a mineral occurrence that has been formed by the effects of ascending mineralizing solutions.
“hydrothermal alteration”	is a change in minerals caused by the activity of hot solutions.
“ICP”	Inductively Coupled Plasma, an analytical technique.
“kt”	thousands of metric tonnes.
“kV”	thousands of volts, kilo-volt.
“lbs”	pounds.
“Lacustrine”	refers to formation in a lake environment. For example, lacustrine sediments are understood to have been deposited in a fresh water lake setting.
“leach”	is the dissolution of soluble constituents from a rock or orebody by the natural or artificial action of percolating solutions.
“LME”	London Metal Exchange
“L/s”	litres per second. It is a measure used for water flow.
“m”	metres.
“Ma”	million years.
“Magnetite”	a black, magnetic, iron oxide (Fe ₃ O ₄) mineral.
“masl”	meters above sea level.
“mill”	a place or set of machinery for crushing and/or concentrating ore.
“mineralization”	refers to the presence of a mineral in a rock, typically of economic interest.
“Mo”	is the chemical symbol for molybdenum.
“monzonite”	any of a group of granular igneous rocks having approximately equal amounts of orthoclase and plagioclase feldspar, intermediate in composition between syenite and diorite.
“Mt”	millions of metric tonnes.
“MVA”	megavolt-amperes.
“net smelter return royalty”	is a royalty payment made by a producer of metals, usually to a previous property owner, based on gross mineral production from the property, less deductions of certain limited costs including smelting, refining, transportation and associated insurance costs.
“NDEP”	Nevada Division of Environmental Protection
“Ni”	is the chemical symbol for nickel.
“NSR”	net smelter return royalty.
“open pit”	a surface working pit open to daylight, such as a quarry.
“ore”	a natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.
“orthoclase”	is a potassium-rich, feldspathic mineral.
“Ounce” or “oz”	is a troy ounce which is a unit of imperial measure most commonly used to gauge the weight of precious metals. One troy ounce is equivalent to 31.103476 grams.
“Pd”	is the chemical symbol for palladium
“phyllitic”	is a descriptive term for platy minerals.
“porphyry”	is a general term for a type of intrusive rock.
“potassic”	is a rock containing a lot of potassium.
“POW”	Plan of Work.
“prefeasibility study”	for large projects, a preliminary study undertaken to determine if it would be worthwhile to proceed to the feasibility study stage.
“Pt”	is the chemical symbol for platinum
“pyrite”	is a yellow iron sulphide mineral (FeS ₂), typically of little value. It is sometimes referred to as “fool’s gold”.
“Qualified Person”	means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these; has experience relevant to the subject matter of the mineral project and the technical report; and is a member or licensee in good standing of a professional association.
“QP”	means Qualified Person.
“quartz”	one of the most common minerals, SiO ₂ ,
“RC drilling”	reverse circulation drilling.
“Refinery”	a factory for the purification of some crude material, such as ore or concentrate.
“RC”	refining charge
“RNMC”	Robinson Nevada Mining Company

“ROM”	run-of-mine, the rock received from a mine before processing such as crushing or grinding.
“scoping study”	a preliminary study to define the scope of a project.
“SCu”	soluble copper.
“sedimentary”	a rock formed from cemented or compacted sediments.
“sericite”	a fine-grained, mica.
“shaft”	a vertical or sloping passageway leading to the surface from underground mining.
“silicic”	of, concerned with, or containing silicon or an acid obtained from silicon.
“skarn”	is a mineralizing event or rock type containing lime-bearing silicates.
“smelter”	a furnace used for heating rock to remove the metal that it contains, or a factory where this is done.
“Specular hematite”	a black to gray colored iron oxide (Fe ₂ O ₃) mineral with a metallic luster and characteristic red streak.
“stratigraphy”	the study of the composition, relative positions, etc., of rock strata in order to determine their geological history, paragenesis or reference to the rock strata.
“strip ratio”	is the ratio of waste removed to ore extracted.
“supergene”	is a mineral occurrence that has been formed by the effects (usually oxidization and secondary sulphide enrichment) of descending ground water.
“SAG Mill”	semi-autogenous grinding, a method of grinding rock into fine particles in which the rock itself performs some of the function of size reduction in conjunction with an external grinding medium, such as steel balls.
“SX”	solvent extraction, a process in which copper is extracted chemically from copper bearing solutions from heap leaching and placed into a copper solution suitable for electrowinning.
“SX/EW”	the combination of solvent-extraction and electrowinning, the latter a process by which copper is plated from solution onto cathodes and then stripped from the cathodes as a saleable product.
“TC”	treatment charge.
“TCu”	total copper
“tonne”	metric tonne, being 1,000 kilograms (2,205 lbs).
“ton”	dry short ton (2,000 lbs).
“tpd”	tonnes per day.
“Tpd”	tons per day.
“vein”	an opening in a rock that has been filled by minerals.
“veinlet”	a small vein.

**SCHEDULE “B”
AUDIT COMMITTEE CHARTER**

As adopted by the Board of Directors of the Company on March 30, 2005 and amended effective May 10, 2006.

Purpose

The purpose of the Audit Committee is to:

- (a) Assist the Board in its oversight of:
 - (i) The integrity of the Company’s financial statements;
 - (ii) The Company’s compliance with legal and regulatory requirements;
 - (iii) The independent auditors’ qualifications and independence;
 - (iv) The Company’s financial internal controls; and
 - (v) The performance of the Company’s independent auditor;
- (b) Assist the Board in its oversight of other financial matters affecting the Company.

Composition

- (a) The Audit Committee shall consist of a minimum of three directors of the Company; and
- (b) All members of the Audit Committee shall be independent directors.

Qualifications and Experience

At the time of appointment or within a reasonable period of time following appointment, each member of the Committee must be financially literate, having the ability to read and understand a set of financial statements that present the breadth and level of complexity or accounting issues that are generally comparable to the breadth and complexity of the issues that can be reasonably be expected to be raised by the Company’s financial statements.

- (a) At least one member (the “Financial Expert”) of the Committee shall have:
 - An understanding of financial statements and accounting principles used by the Company to prepare its financial statements
 - The ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves
 - Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activities
 - An understanding of internal controls and procedures for financial reporting; and
 - An understanding of audit committee functions;
- (b) The Financial Expert must have acquired the foregoing attributes through one or more of the following:
 - Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
 - Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
 - Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
 - Other relevant experience.

Member Appointment and Removal

- (a) The Audit Committee members are appointed by the Board on the recommendation of the Governance and Nominating Committee after consultation with the Chairman and the CEO and with consideration of the desires of individual Board members;
- (b) Consideration will be given to rotating the Audit Committee members periodically;

- (c) The Audit Committee Chairman is selected by the Board on the recommendation of the Governance and Nominating Committee; and
- (d) The Board may at any time remove a member from the Audit Committee.

Position Description and Responsibilities for Chairman

The Chairman of the Audit Committee shall be an independent director appointed by the Board on the recommendation of the Governance and Nominating Committee on an annual basis following the election of the directors at the Company's Annual General Meeting of shareholders.

The Chairman shall:

- (a) Work with the Chairman of the Board, the CEO and the CFO and manage the Audit Committee, in an effective and efficient manner which furthers the best interests of the Company;
- (b) Act as the principal sounding board and counsel for the Chairman of the Board, the CEO and the CFO with respect to audit and financial reporting issues;
- (c) Ensure that the Chairman of the Board and, if appropriate, the CEO and the CFO are aware of concerns of the Audit Committee;
- (d) Provide strong leadership of the Audit Committee;
- (e) Work closely with the Chairman of the Board to coordinate matters to be brought forth to Board meetings from the Audit Committee;
- (f) Communicate with the Board to keep it current on all major developments involving audit and financial reporting matters;
- (g) Set the frequency of the Audit Committee meetings and reviews such frequency as appropriate; and
- (h) Chair and manage meetings of the Audit Committee.