



MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarter Ended March 31, 2009

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This management's discussion and analysis of the financial condition and results of operations ("**MD&A**") of FNX Mining Company Inc. ("**FNX**" or the "**Company**") was prepared to enable a reader to assess material changes in the financial condition and results of operations of FNX as at and for the three months ended March 31, 2009, in comparison to the corresponding prior-year periods. This MD&A is prepared as at May 11, 2009, and is intended to supplement and complement the unaudited interim consolidated financial statements of FNX for the three month periods ended March 31, 2009 and 2008, which are prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). This MD&A should also be read in conjunction with both the audited consolidated financial statements and MD&A for the years ended December 31, 2008 and 2007 and the most recent Annual Information Form ("**AIF**") on file with the Canadian provincial securities regulatory authorities. This MD&A contains certain forward-looking statements based on management's current expectations (please see "Cautionary Note Regarding Forward-Looking Statements" below). All references to dollars herein are in Canadian dollars unless otherwise specified.



Company Overview

FNX Mining Company Inc. (“**FNX**” or “the **Company**”) is an Ontario based company operating in Canada and the United States with consolidated assets of over \$800 million and more than 650 employees functioning within two operating segments: the Mining segment and the DMC segment (“**DMC**”). The Mining segment produces, develops and explores for copper, nickel, cobalt, platinum, palladium and gold in Canada's prolific Sudbury mining district. The DMC segment operates in both Canada and the United States providing services in contract mining, mine shaft sinking, lateral mine development, mine construction, civil underground construction, raise boring and Alimak raising.

Executive Summary

Consolidated Financial Results

Revenues totalled \$49.0 million for the first quarter of 2009, compared to \$140.7 million in 2008. After adjusting for the \$31.2 million dilution loss resulting from Gold Wheaton Gold Corp.'s (“**Gold Wheaton**”) common share issuance, the \$26.2 million loss for the first quarter of 2009 results in adjusted earnings of \$5.1 million, equal to \$0.06 per share, compared to net earnings of \$24.1 million or \$0.28 per share, during the first quarter of 2008.

Operating activity cash flow was \$10.4 million and, after \$13.1 million of cash outflow for non-cash working capital, the cash outflow from operating activities was \$2.7 million during the first quarter of 2009, or \$0.03 per share, compared to net inflows of \$55.8 million, or \$0.66 per share, during the first quarter of 2008. Cash balances and working capital were \$114.6 million and \$137.2 million, respectively, at March 31, 2009, compared to \$129.6 million and \$130.1 million, respectively, at December 31, 2008. FNX remained debt free.

Significant Events and Transactions

The decline in global economies and the current world-wide recession led to a precipitous decline in base metal prices in 2008 and, in particular, the last quarter of 2008. In response, in December of 2008, FNX implemented a strategy for 2009 comprised of carefully controlling spending to preserve cash and maintain a strong balance sheet and advancing development on the high-grade copper-nickel-precious metal LFD. Work to advance the development of the LFD remains FNX's main focus as it represents a significant portion of the future of the Company. Operating and financial results during the first quarter of 2009 confirm that spending is at or below budget, the cash balance remains strong and development of the LFD is on schedule.

In December of 2008, the Company reduced its Mining segment workforce by approximately 45% through layoffs and terminations, extended the suspension of nickel contact ore production from the Levack Mine, and suspended nickel contact ore production at the adjacent McCreedy West Mine. These deposits do not produce recoverable precious metals and are not part of the agreement with Gold Wheaton and, therefore, will not affect FNX's precious metal production. Ore continues to be mined from the Rob's Deposit, now considered to be the upper most part of the LFD, 700 and PM Deposits at the Levack Complex and the 2000 Deposit at the Podolsky Mine.

On April 28, 2009, the Company announced the sale on a private placement basis of 2,173,914 flow-through common shares of the Company at a price of \$6.90 per share for gross proceeds



of \$15.0 million. The proceeds will be used for Canadian Exploration Expenses ("CEE") related to the exploration of the Company's Canadian properties located in Ontario.

Vale Inco announced on April 16, 2009 that it will extend its planned three week scheduled maintenance shutdown in May by an additional eight weeks from June 1 to July 27, 2009. FNX will continue to deliver ore to the custom mill until the end of May. The collective agreement for much of Vale Inco's unionized labour force in Sudbury expires on May 31, 2009. FNX is considering several possible alternatives for its Sudbury mining operations and will provide more detailed guidance when it becomes available. FNX has a strong cash position and, regardless of any short-term production interruptions, is well funded to continue the planned development of the LFD for initial production in 2009. The Company could also continue with underground development and detailed definition drilling at Podolsky. FNX will also go ahead with its expanded surface exploration program utilizing the flow-through funds it received after the quarter end.

During the balance of 2009, the Company will continue to assess its plans in light of challenges and changes in the global commodity markets in general and in the Sudbury mining district in particular and make decisions consistent with its strategy for 2009. At March 31, 2009, the Company had \$114.6 million of cash and no debt, which allows FNX to continue to invest in the development of its highest grade orebody, the LFD. In addition, as evidenced by the suspension of production from the nickel contact deposits at the Levack Complex, FNX is able to decrease, increase, or suspend its production levels quickly and economically. The Company believes it is uniquely placed to weather the current economic downturn and the potential disruption on production due to the Vale Inco shutdown and is well positioned for success when commodity prices increase and debt and equity markets stabilize in the future.

Mining Operations

Production

During the first quarter a total of 105,044 tons of ore were shipped, comprised of 100,629 tons of copper ore and 4,415 tons of nickel ore from the Rob's Deposit. In addition, 74,554 tons of ore, which included normal levels of in-process inventory and amounts for a batch test conducted in early April, were stockpiled, resulting in higher in-process inventory at the end of the quarter than in any other quarter in the Company's history. In the first quarter of 2008, 284,899 tons of ore were shipped, comprised of 199,054 tons of nickel ore and 85,845 tons of copper ore. Payable copper was 9.7 million pounds, payable nickel was 1.2 million pounds and total payable platinum, palladium and gold was 7,415 ounces, compared to 11.5 million pounds of payable copper, 3.0 million pounds of payable nickel and 16,801 ounces of payable platinum, palladium and gold in the fourth quarter of 2008, and 6.9 million pounds of payable copper, 3.5 million pounds of payable nickel and 7,272 ounces of payable platinum, palladium and gold for the quarter ending March 31, 2008. The increase in payable copper reflects higher production at the Podolsky Mine, which had just commenced commercial production in the first quarter of 2008 and was therefore higher in the first quarter of 2009. The decrease in payable nickel results from the suspension of production from the nickel contact deposits.

In the first quarter of 2009, precious metal sales to Gold Wheaton totaled 5,218 gold equivalent ounces, compared to 7,951 gold equivalent ounces in the fourth quarter of 2008 and nil in the first quarter of 2008 as the Gold Wheaton transaction closed on July 15, 2008.



The average metal prices received during the first quarter were US\$5.00 per pound of nickel, US\$1.77 per pound of copper, with unusually high platinum, palladium and gold prices as a result of provisional price adjustments. Copper and nickel prices were significantly higher in the same period last year at US\$14.43 per pound of nickel and US\$3.84 per pound of copper. Provisional price adjustments in the first quarter of 2009 increased revenues by \$8.5 million while in the fourth quarter of 2008 the decline in metal prices reduced revenues by \$24.4 million and in the first quarter of 2008 increased revenues by \$10.0 million.

The relative contribution of nickel to other metals continued to decrease in the first quarter of 2009, from 55%:45% in the first quarter of 2008 to 47%:53% in all of fiscal 2008, to 20%:80% in the first quarter of 2009 (see Table 10). The decline in nickel revenues is due to both the decrease in the price of nickel, as well as the quantity of nickel produced due to the suspension of production of nickel contact deposits, while the production of other metals, particularly copper, has increased dramatically. As a result of the decrease in contribution of nickel production to FNX's overall operating results, the Company no longer provides guidance with respect to the cash operating cost per pound of nickel. FNX is a diversified metal producer with significant revenue contributions from copper, nickel and precious metals.

The average minesite revenue per ton of ore in the first quarter was positively impacted by provisional price adjustments of \$83 per ton and resulted in net minesite revenue per ton of \$366. The average cash operating cost per ton was \$218, comprised of minesite costs and processing costs at the custom processor, which vary significantly from deposit to deposit depending upon the mining scale and method and the metal content of the ore. The minesite margin during the first quarter was \$148 per ton, compared to a negative \$106 in the three months ended December 31, 2008, illustrating the positive effects of the cost-reducing measures implemented late in the fourth quarter of 2008. Guidance for the average total production costs for the remainder of 2009 remains at \$146 per ton of ore shipped with mining costs and processing costs for the rest of the year expected to be roughly equal.

Capital Expenditures and Development/Advanced Exploration

Capital expenditures of \$13.1 million during the quarter included \$9.2 million of advanced exploration at the LFD, \$3.2 million of development at Podolsky and \$0.7 million of development at the Levack Complex.

The primary focus for 2009 is the development of the LFD in preparation for initial production in the latter part of 2009 and ramp up to commercial production in 2010. The advance of the LFD access ramp during the quarter was on schedule. The quarter began with the ramp face at the 3135 Level and by the end of the quarter the ramp had reached the 3310 Level, a total vertical advance of 175 feet. The level accesses are being cut every 60 vertical feet off the ramp. During the quarter, three accesses were excavated to a distance of 40 feet from the ramp. They are positioned to allow for future access to the ore on the 3270, 3330 and 3390 Levels. Service infrastructure has followed closely behind the development including the extension of the ventilation and man-way raises. At the end of the first quarter, there were two diamond drills drilling off the upper portion of the LFD from drill platforms located off the ramp.

Progress was made on the rehabilitation of the Levack No. 2 Shaft below the 2900 Level to the 3600 Level. By the end of the quarter the rehabilitation of the shaft had advanced to within 310 feet of the 3600 Level station. Access to the 3600 Level is expected by mid-2009 to be followed by level rehabilitation, continued rehabilitation of the shaft below the 3600 Level and the installation of the rock handling system. The shaft rehabilitation also includes the completion of



the permanent mine dewatering system down to the 2650 Level and a temporary system to the 3100 Level.

Development at Podolsky during the quarter focused on advancing the main access ramp and completing related lateral development. Total advancement during the first quarter was 1,891 feet and included lateral work on the 2000, 2075, 2300 and 2375 Levels plus access ramp development downwards to the 2150 Level and upwards to the 2225 Level. The main access ramp will be connected internally later in 2009 to support ongoing stope access. The 2000 Level drift was driven through Grey Gabbro ore and development ore was stored underground until metal accountabilities are in place for this ore.

Exploration

The annual FNX Mineral Resource/Reserve Statement to December 31, 2008 was finalized at the end of the first quarter of 2009 and was supported by the preparation of the annual technical NI 43-101 report update which can be found on SEDAR.

Exploration activities in the first quarter were focused on the upper areas of the LFD to provide geological data to assist with the definition of footwall mineralization to determine where and when it is best to access the LFD.

Detailed budgets to determine how to most effectively and efficiently invest the \$15.0 million of flow-through money in exploration expenditures on the Company's Canadian properties are being finalized.

DMC Mining Services

Revenues from DMC totaled \$13.5 million for the three months ended March 31, 2009, compared to \$49.4 million in the comparable period of 2008. The operating margin for the first quarter of 2009 was \$0.2 million, compared to \$2.4 million in the first quarter of 2008. The net loss for the period was \$1.0 million, the same as in 2008. Operating cash flow for the period was \$0.6 million, a decrease of \$1.2 million from the first quarter of 2008 and, after changes in non-cash working capital items, net cash outflow from operating activities was a net outflow of \$4.0 million. Overall the business climate in mining contracting remains positive particularly in the United States and it is anticipated that the volumes of work will increase going forward.

Other

During the first quarter of 2009, the Canadian dollar continued to depreciate in value relative to the US dollar and resulted in foreign exchange gains of \$2.5 million in the quarter, which are included in other expenses on the statements of operations.

FNX elected not to renew and cancelled its secured line of credit facility (the "LOC") effective February 5, 2009. Given the Company's strong balance sheet, the budgeted expenditure level for 2009 and the dramatically increased cost of borrowing money resulting from the current global credit crisis, FNX determined that it did not have a requirement to borrow funds under the LOC to achieve its operating plan and budget for 2009. The Company established the LOC with a consortium of major banks on April 1, 2008, which had provided the Company with the ability to borrow for working capital and general corporate purposes up to US\$100 million.



As a result of an equity issuance by Gold Wheaton on March 5, 2009 in which FNX did not participate, FNX's interest in Gold Wheaton declined from 38.1% at December 31, 2008 to 25.6% at March 31, 2009. The 12.5% dilution in FNX's ownership position in Gold Wheaton resulted in a non-taxable dilution loss of \$31.2 million. The dilution loss was based on the change in ownership and the change in net book value of Gold Wheaton and is neither a cash item to FNX nor a reflection of any change in the fair value of the Company's 360 million share investment Gold Wheaton.

FNX accounts for its investment in Gold Wheaton using the equity method and is, therefore, required to include in earnings FNX's share of Gold Wheaton's earnings or loss for the period and the Company's investment therein is adjusted by an equivalent amount. For the quarter ended March 31, 2009, FNX's 26% share of the loss of its equity investee, Gold Wheaton, was \$0.2 million, compared to \$0.6 million in the fourth quarter of 2008.

Mining segment personnel and all onsite contractors experienced zero lost time injuries in the first quarter of 2009, consistent with the first quarter of 2008, and DMC incurred one lost time injury, consistent with the first quarter of 2008. There were no reportable environmental incidents during the first quarter of 2009.

On April 2, 2009, 1,672,000 common share purchase options were granted to directors, officers and employees of the Company in accordance with the Company's Stock Option Plan, representing 2% of the issued and outstanding shares of the Company. In addition, 240,000 deferred share units were issued on April 2, 2009 to certain officers of the Company.

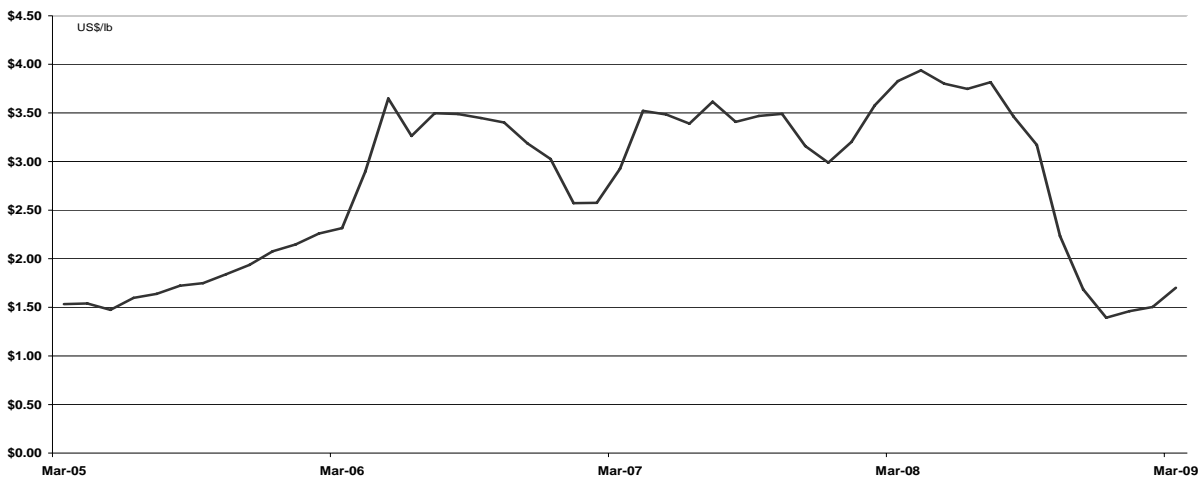
Key Economic Trends and Sensitivities

The MD&A included in FNX's 2008 Annual Report contained a discussion of the key economic trends that affect the Company and how they impact FNX's financial statements. This interim MD&A provides an update to reflect any significant changes in those trends since the preparation of the 2008 Annual MD&A. FNX's financial performance has been and is expected to continue to be closely linked to the price of copper and nickel and, to a lesser extent, the price of other metals (platinum, palladium, gold and cobalt) produced by the Company.

Metal Prices

FNX is a commodity-diversified metal mining company. Nickel accounted for approximately 20% of the Company's mine operating revenues in the first quarter of 2009, compared to 39% in the fourth quarter of 2008 and 55% in the first quarter of 2008. Copper accounted for approximately 62% of the Company's mine operating revenues in the first quarter of 2009. The percentage contribution of the various commodities is influenced by both the quantity of each metal produced and the price of each metal. The decrease in nickel's contribution as a percentage of total revenues is mainly as a result of decreased production of nickel ores and the increased production of copper ores.

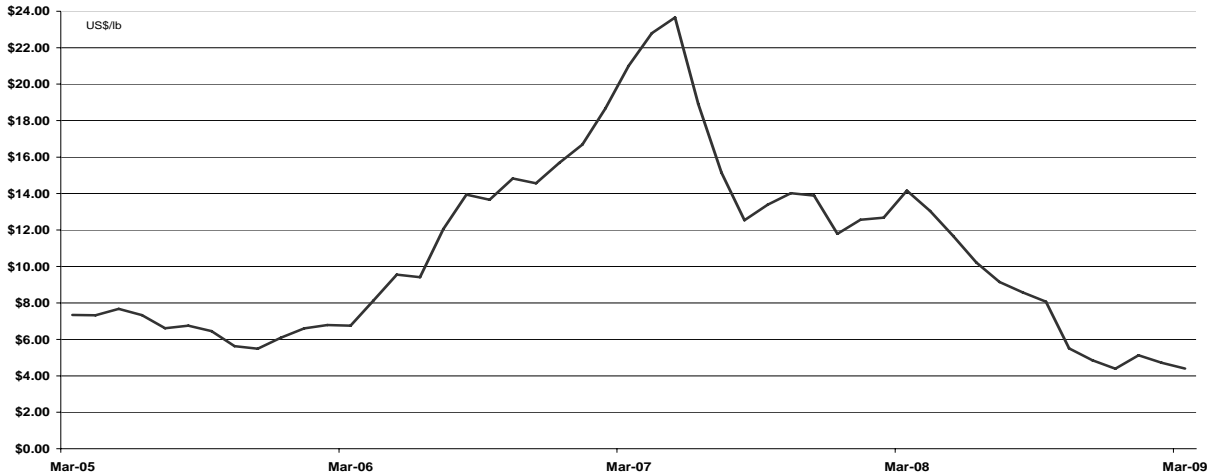
Figure 1 - Copper Prices



Source: LME monthly average cash mean per lb

Copper accounted for 62% of revenues in the first quarter of 2009, an increase of 100% and 114% over the fourth and first quarters of 2008, respectively, due to both an increase in the production of copper ores at Podolsky and the suspension of nickel contact ore production as a result of the decline in nickel prices. The London Metal Exchange ("LME") cash settlement price of copper was US\$1.32 per pound on December 31, 2008 and averaged US\$1.55 per pound the first quarter of 2009, compared to US\$1.77 per pound in the fourth quarter of 2008 and US\$3.54 per pound in the first quarter of 2008. Management is of the view that the LME cash settlement price for copper in 2009 will remain lower than in recent years, but may experience significant periodic volatility. Tables 1 and 2 at the end of this section illustrate commodity prices and FNX's sensitivity to copper prices.

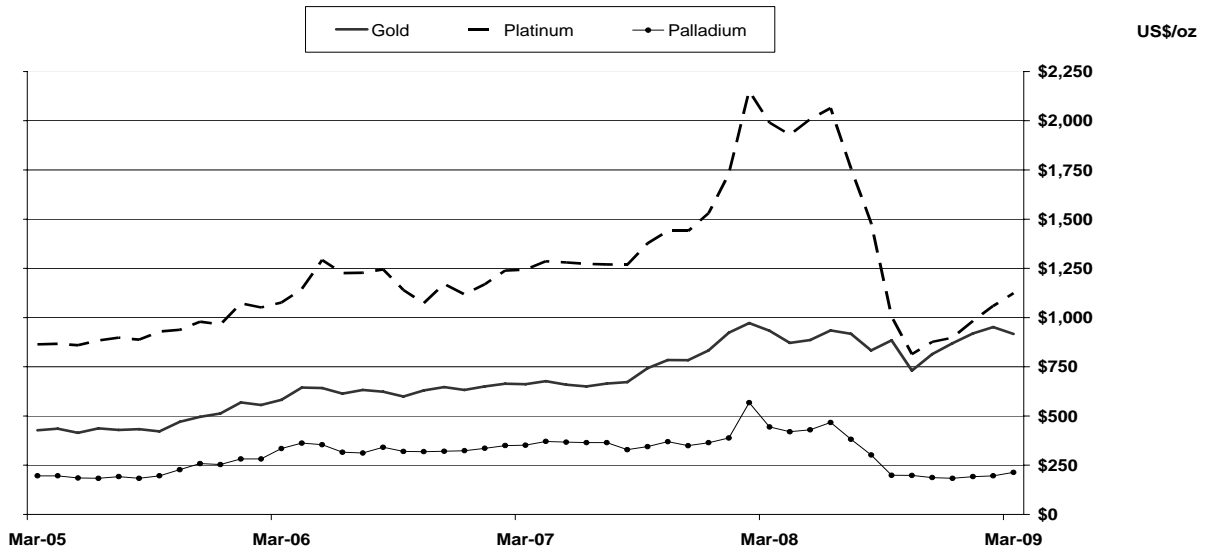
Figure 2 – Nickel Prices



Source: LME monthly average cash mean per lb

The average price per pound of nickel on the LME has remained relatively constant since December 31, 2008, averaging US\$4.75 in the first quarter of 2009 compared to US\$4.92 per pound in the fourth quarter of 2008, but has decreased significantly from the US\$13.13 average in the first quarter of 2008. The LME cash buyer monthly closing price in Figure 2 illustrates the declining price environment when comparing the March 31, 2009 closing price of US\$4.26 to the closing price on December 31, 2008 of US\$4.90. Management is of the view that the LME cash settlement price for nickel in 2009 will remain lower than in recent years, but may experience significant periodic volatility. Tables 1 and 2 at the end of this section illustrate commodity prices and FNX's sensitivity to nickel prices.

Figure 3 – Precious Metal Prices

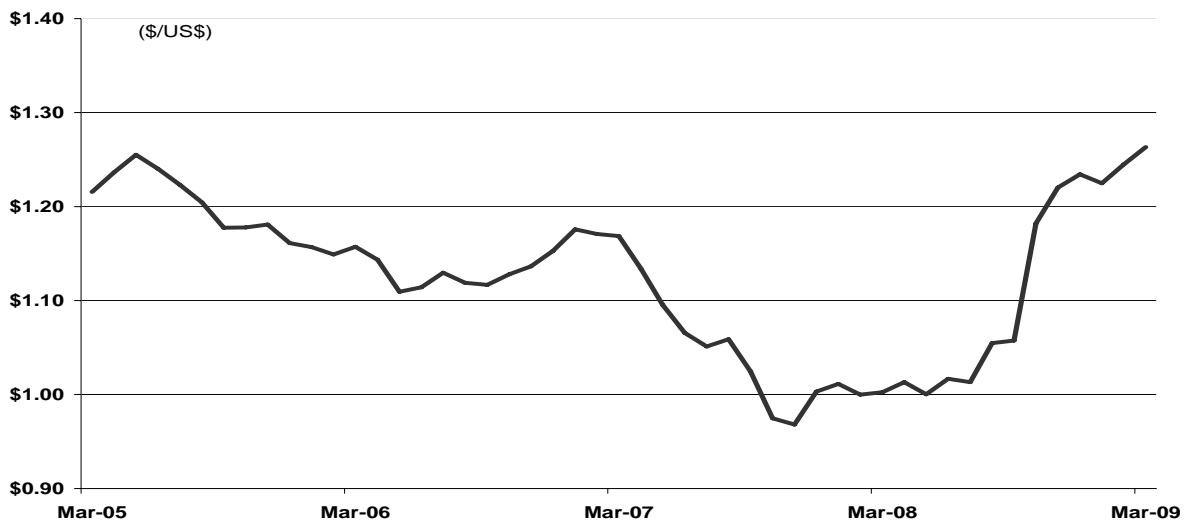


Source: metalbulletin.com monthly average price per oz

The balance of FNX's revenues comes from the production of platinum, palladium, gold and cobalt which contributed a combined 18% to FNX's revenues during the first quarter of 2009 compared to 30% and 15% during the fourth and first quarters of 2008, respectively. As at March 25, 2009 the prices of platinum, palladium and gold were US\$1,123, US\$206 and US\$929 per ounce, respectively.

The average prices for platinum, palladium and gold have shown continued volatility during the first quarter of 2009 and while both platinum and palladium prices are relatively low compared to prices in the past couple of years, the price of gold continues to be near record highs.

Figure 4 – Foreign Exchange Rate: Canadian to United States Dollar



Source: Bank of Canada's monthly average close.

FNX reports its financial results in Canadian dollars. While the Company's minesite operating costs and most exploration and administration costs are in Canadian dollars, revenues from metal sales and concentrating, smelting and refining costs are in US dollars. The Canadian dollar depreciated relative to the US dollar during the quarter as the closing rate on December 31, 2008 was 1.22 and the average rate for the first quarter of 2009 was \$1.24/US\$, compared to \$1.21/US\$ in the fourth quarter of 2008. Table 1 below illustrates FNX's sensitivity to \$/US\$ exchange rates.

Summary

The following table summarizes average commodity prices and Canadian/US dollar exchange rates over the last four years and the spot prices and exchange rate on March 31, 2009 and May 11, 2009.

Table 1 – Commodity Prices					March 31	May 11
	2005	2006	2007	2008	2009	2009
Nickel (US\$/lb)	6.68	11.00	16.88	13.04	4.75	5.79
Copper (US\$/lb)	1.67	3.05	3.22	3.15	1.55	2.05
Cobalt (US\$/lb)	14.55	15.32	28.28	36.02	13.31	15.50
Platinum (US\$/oz)	897	1,142	1,303	1,580	1,024	1,140
Palladium (US\$/oz)	202	320	355	353	199	240
Gold (US\$/oz)	445	604	697	872	909	913
Foreign exchange \$/US\$	1.21	1.13	1.07	1.07	1.24	1.17

(1) Commodity prices are based on monthly averages as published on metalbulletin.com.

(2) Foreign exchange rates as published by the Bank of Canada.

Sensitivity Analysis

Net earnings, earnings per share (“EPS”) and cash flow from operating activities are affected by external factors including fluctuations in metal prices and changes in exchange rates between the Canadian and US dollars. Table 2 illustrates the sensitivity of certain items, on an annualized basis, of the Company’s forecast 2009 results to changes in key metal prices and foreign exchange rates.

Table 2 – Sensitivity	Change in Price	Effect on Net Earnings	Effect on EPS	Effect on Cash Flow from Operating Activities
Nickel	US\$1.00 / lb	\$2.5 million	\$0.03	\$4.2 million
Copper	US\$0.25 / lb	\$6.1 million	\$0.07	\$10.1 million
\$/US\$	\$0.10 movement	\$2.2 million	\$0.03	\$3.7 million

Mining Production and Sales

Pursuant to an agreement with Vale Inco, FNX currently ships and sells all of the ore it produces to Vale Inco in Sudbury, Ontario for processing. The number of tons of ore sold was 105,044 tons in the first quarter of 2009, a 63% decrease over the first quarter of 2008 and a 61% decrease over the fourth quarter of 2008, as a result of the suspension of production at the Levack Complex nickel contact deposits. In addition, 74,554 tons of ore, which included normal levels of in-process inventory and amounts for a batch test conducted in early April, were stockpiled, resulting in higher in-process inventory at the end of the quarter than in any other quarter in the Company’s history.

In December of 2008, the Company reduced its Mining segment workforce by approximately 45% through layoffs and terminations, extended the suspension of nickel contact ore production from the Levack Mine and suspended nickel ore production at the adjacent McCreedy West Mine. These deposits do not produce recoverable precious metals and are not part of the agreement with Gold Wheaton and, therefore, will not affect FNX’s precious metal production.



Ore continues to be mined from the Rob's Deposit, now considered to be the upper most part of the LFD, 700 and PM deposits at the Levack Complex and the 2000 Deposit at the Podolsky Mine.

FNX's 2009 budget is based on preserving the Company's strong balance sheet through, among other items, focusing production on mining ore from deposits that can generate sufficient cash flow at budgeted commodity prices to be economically viable. The Company's production forecast for 2009 remains at 678,682 tons of shipped ore from its Sudbury Operations yielding 35.2 million pounds of payable copper, 3.7 million pounds of payable nickel and 58,000 ounces of payable platinum, palladium and gold. Annual production will consist of 372,049 tons from the Podolsky Mine, 279,633 tons from the McCreedy West PM and 700 deposits and 27,000 tons of transitional ore from the upper most portion of the LFD, known as the Rob's Deposit. Current plans also call for collecting 50,000 tons of low to medium grade pre-production development ore from near the top of the LFD in late 2009. Pre-production revenues from the LFD in 2009 will be credited against capital development costs and the LFD payable metals are not included in the above forecast numbers.

Vale Inco announced on April 16, 2009 that it will extend its planned three week scheduled maintenance shutdown in May by an additional eight weeks from June 1 to July 27, 2009. FNX will continue to deliver ore to the custom mill until the end of May. The collective agreement for much of Vale Inco's unionized labour force in Sudbury expires on May 31, 2009. FNX is considering several possible alternatives for its Sudbury mining operations and will provide more detailed guidance when it becomes available.

Operating plans for each of the mine sites will be reviewed and updated on an ongoing basis to ensure the continuing economic viability of the Company's deposits. Work to advance the development of the LFD continues as this high-grade copper-nickel-precious metals deposit remains FNX's main focus and represents a significant portion of the future of the Company.

Interim processing costs terms and interim payable metals terms, based on preliminary metallurgical testing, have been established for the Levack and Podolsky mines. Metallurgical testing has been and will continue to be conducted in order to determine final payable metals terms and processing cost terms for both mines. Management anticipates this to be completed during 2009. Once final payable metals and processing costs terms are determined, it is expected that they may be applied to ore shipped from Levack in prior periods. The Company cannot, at this time, determine the amount, if any, of such adjustment. Depending on the outcome of the final payable metals and costs terms there may be a material increase or decrease in payable metals and/or processing costs to be recorded.

Metal Sales

The build up of in-process inventory for the batch test reduced the number of tons of ore and the resultant metal sold in the first quarter. In-process inventory represented approximately 37% of the total tons of ore mined in the quarter. The batch test was milled in early April and the in-process inventory was reduced to normal levels. Nickel sales of 1.2 million pounds in the first quarter of 2009 were 1.8 million pounds lower than the fourth quarter of 2008, and 2.3 million pounds lower than the first quarter of 2008, as a result of the suspension of production of nickel contact ores due to the depressed price of nickel. Copper sales in the first quarter of 2009 were 9.7 million pounds, 19% lower than the fourth quarter of 2008 but 29% higher than in the first quarter of 2008. The increase in copper production for the comparable year over year periods is a result of the ramp up of production at Podolsky, which continues to improve, reaching a new



milestone of 92,349 tons in the quarter. This was the first quarter where the Podolsky mine produced the notional mine production rate of 1,000 tons per day. Precious metals sales totaled 7,415 ounces during the first quarter of 2009, down from 16,801 ounces in the fourth quarter of 2008 and up from the 7,272 ounces during the first quarter of 2008. The increase in copper and precious metals is as a result of the focus placed on mining copper-precious metal ores rather than nickel as nickel prices have decreased dramatically in the previous nine months.

Metal sales in 2009 are expected to be lower than in 2008 as a result of the suspension of production of nickel contact ore and the planned reduction in tons of PM ore at McCreedy West.

Financial Results

Overview

The following table presents a summary of FNX's Consolidated Statements of Operations and other cash flow data for the three months ended March 31, 2009 and 2008.

Table 3 – Financial Overview	Three Months Ended March 31				
	2009			2008	
	Mining	DMC	Total	Total	Change
	\$000s	\$000s	\$000s	\$000s	\$000s
Revenues	35,485	13,468	48,953	140,716	(91,763)
Expenses ⁽¹⁾	(22,906)	(13,273)	(36,179)	(92,216)	(56,037)
Margin	12,579	195	12,774	48,500	(35,726)
Depreciation and amortization	(3,032)	(1,219)	(4,251)	(10,890)	6,639
Mining operations and services, net	9,547	(1,024)	(8,523)	37,610	(29,087)
Administration	(2,967)	-	(2,967)	(2,675)	(292)
Depreciation	(234)	-	(234)	(220)	(14)
Stock-based compensation	(1,150)	(203)	(1,353)	(1,174)	(179)
Taxes	(2,199)	-	(2,199)	(12,300)	10,101
Dilution loss	(31,238)	-	(31,238)	-	(31,238)
Other (expenses) income	3,283	264	3,547	2,822	725
Share of loss of equity investee	(230)	-	(230)	-	(230)
Net earnings (loss)	(25,188)	(963)	(26,151)	24,063	(50,214)
Basic earnings (loss) per share	(0.30)	(0.01)	(0.31)	\$0.28	(0.59)
Diluted earnings (loss) per share	(0.30)	(0.01)	(0.31)	\$0.28	(0.59)
Cash flow from operating activities			(2,673)	55,795	(58,468)
Cash flow per share from operating activities ⁽²⁾			(0.03)	\$0.66	(0.69)
Diluted cash flow per share from operating activities ⁽²⁾			(0.03)	\$0.65	(0.69)

(1) Operating expenses exclude depreciation and amortization.

(2) Cash flow per share are non-GAAP performance measures (see Non-GAAP Performance Measures below).

Mining Segment

The following table presents a summary of FNX's production and sales information for the three months ended March 31, 2009 and 2008.

Table 4 – Mining segment Production and Sales Summary	Three Months Ended March 31		
	2009	2008	Change
Ore sold (tons)			
Nickel ore	4,415	199,054	(194,639)
Copper ore	100,629	85,845	14,784
Total ore sold	105,044	284,899	(179,855)
Grade of ore sold			
Nickel ore (%Ni)	1.8	1.3	0.5
Copper ore (%Cu)	5.6	4.2	1.4
Payable metal sold			
Nickel (000s lbs)	1,177	3,492	(2,315)
Copper (000s lbs)	9,718	6,892	2,826
Gold (ozs)	337	867	(530)
Platinum (ozs)	2,779	2,746	33
Palladium (ozs)	4,299	3,659	640
Cobalt (000s lbs)	1.7	54.6	(52.9)
Metal sales revenue			
Average Ni price (US\$/lb)	5.00	14.43	(9.43)
Average Cu price (US\$/lb)	1.77	3.84	(2.07)
\$/US\$ exchange rate	1.24	1.00	0.24
Total mining revenue (\$000s)	35,485	91,323	(55,838)
Minesite revenue (\$/ton of ore sold) ⁽²⁾	366	321	17
Cash operating cost of metals sold			
Cash operating cost (\$000s)	22,906	45,232	22,326
Cash operating cost (\$/ton of ore sold)	218	159	(59)

(1) Minesite revenue per ton and cash operating costs per ton are non-GAAP performance measures (see Non-GAAP Performance Measures below).

(2) Minesite revenue per ton excludes the impact of Gold Wheaton.



The following tables present a summary of the production and sales information at the Levack Complex and Podolsky for the three months ended March 31, 2009 and 2008.

Table 5 – Production and Sales Summary (Levack Complex)	Three Months Ended March 31		
	2009	2008	Change
Ore sold (tons)			
Nickel ore	4,415	199,054	(194,639)
Copper ore	8,280	61,733	(53,435)
Total ore sold	12,695	260,787	(248,092)
Grade of ore sold			
Nickel ore (%Ni)	1.8	1.3	0.5
Copper ore (%Cu)	1.4	1.2	0.2
Payable metal sold			
Nickel (000s lbs)	378	3,150	(2,772)
Copper (000s lbs)	366	2,257	(1,891)
Gold (ozs)	429	646	(217)
Platinum (ozs)	1,208	1,607	(399)
Palladium (ozs)	1,855	2,293	(438)
Cobalt (000s lbs)	1.7	52.9	(51.2)
Minesite revenue and margin			
Minesite revenue (\$/ton) ⁽²⁾	618	251	367
Minesite margin (\$/ton) ⁽²⁾	366	111	255

Table 6 – Production and Sales Summary (Podolsky)	Three Months Ended March 31		
	2009	2008	Change
Ore sold (tons)			
Copper ore	92,349	24,112	68,237
Grade of ore sold			
Copper ore (%Cu)	6.0	11.7	(5.8)
Payable metal sold			
Nickel (000s lbs)	799	342	457
Copper (000s lbs)	9,352	4,635	4,717
Gold (ozs) ⁽²⁾	(92)	221	(313)
Platinum (ozs)	1,571	1,139	432
Palladium (ozs)	2,444	1,366	1,078
Minesite revenue and margin			
Minesite revenue (\$/ton) ⁽²⁾	331	1,068	(737)
Minesite margin (\$/ton) ⁽²⁾	118	709	(591)

(1) Minesite revenue per ton and minesite margin per ton are non-GAAP performance measures (see Non-GAAP Performance Measures below).

(2) Minesite revenue per ton and minesite margin per ton excludes the impact of Gold Wheaton.

(3) Number of ounces of gold production was overestimated and accounted for in the fourth quarter of 2008 resulting in a negative quantity adjustment in the first quarter of 2009.

Metal Sales Revenue

Revenue is recognized at the time ore is delivered to the processor, which is also the time that title transfers. Metal quantities are based on assays and when final assays are not yet available

at period end on estimated grades. The contracts under which FNX sells its ore provide for final pricing based upon quoted market prices in periods subsequent to the month of sale which, for nickel and copper, is the second month following shipment. Any variance in the price of the metals sold is adjusted in subsequent periods. The use of provisional pricing can lead to higher volatility in quarterly revenues. The nickel and copper contained in the ore that FNX sells to Vale Inco for further processing each month is priced at and ultimately paid to FNX on the basis of the lower of the month's average LME cash settlement price and the monthly average LME three month seller price. Assuming stable foreign exchange rates, the Company will realize higher metal prices than the average metal price in the period in a rising metal price environment, while the converse is true in a declining metal price environment. During 2008, metal prices trended downwards, precipitously in the fourth quarter, and FNX realized lower metal prices than the market metal prices. As metal prices have increased slightly in the first quarter of 2009, FNX realized higher metal prices than market metal prices.

FNX uses a provisional pricing method for accounting for revenues whereby revenue for each month is calculated based on estimated metal prices, tons and grades where finals are not yet available. In subsequent months, revenue for prior months is adjusted for both price and volume until metal prices, tons and grades are finalized. As a result of the foregoing provisional pricing adjustments are made for periods prior to the time that payment is made. Monthly cash payments received from the custom processor are, however, based on settled metal prices and quantities and are not adjusted after payment.

Table 7 – Average Metal Prices	Three Months Ended March 31			
	2009		2008	
	Realized Price	Market Price	Realized Price	Market Price
Nickel (US\$/lb)	5.00	4.75	14.43	13.13
Copper (US\$/lb)	1.77	1.55	3.84	3.54
Cobalt (US\$/lb)	82.01	13.31	55.54	46.36
Platinum (US\$/oz)	1,883	1,024	2,727	1,879
Palladium (US\$/oz)	278	199	630	444
Gold (US\$/oz)	1,654	909	1,013	928
\$/US\$	1.24	1.24	1.00	1.00

(1) Market prices of nickel and copper are based on the LME cash settlement price.

(2) Market prices of precious metals and cobalt are based on monthly averages as published on Metalbulletin.com.

(3) Market price of foreign exchange is as per the Bank of Canada.

Revenues were positively impacted by the increasing metal prices from the time of shipment to the time of payment. The net adjustment to revenues as a result of provisional pricing for ore shipments from prior periods that had not been settled was \$8.5 million in the first quarter of 2009, compared to \$10.0 million in the first quarter of 2008 and negative \$24.4 million in the fourth quarter of 2008.

Minesite operating revenues, including the aforementioned provisional price adjustments of \$8.5 million, totaled \$38.4 million in the first quarter of 2009, approximately 46% higher than in the fourth quarter of 2008 and 58% lower than in the first quarter of 2008. Revenues were higher in the first quarter of 2009 compared to 2008, as a result of higher grades of ore and resultant higher production of copper.

The 2% quarter over quarter depreciation in the value of the Canadian dollar relative to the US dollar in the first quarter of 2009 contributed to higher revenue in Canadian dollars than would otherwise have been realized.

The following tables show the increase (decrease) in FNX's copper and nickel sales revenue in Canadian dollars as a result of an increase (decrease) in the quantity of the respective metals sold and the realized price of each of the metals by comparing the first quarter of 2009 to the first quarter and fourth quarter of 2008, respectively.

Table 8 – Net Change in Copper Sales Revenue	Q1-2009 compared to Q1-2008	Q1-2009 compared to Q4-2008
	\$000s	\$000s
\$ Change due to quantity	10,929	(1,307)
\$ Change due to price	(15,711)	14,744
Net change in copper sales revenue	(4,782)	13,437
<i>Change in quantity sold (000s lbs)</i>	<i>2,827</i>	<i>(1,783)</i>
<i>Change in revenue (US\$/lb)</i>	<i>(2.07)</i>	<i>1.11</i>

Table 9 – Net Change in Nickel Sales Revenue	Q1-2009 compared to Q1-2008	Q1-2009 compared to Q4-2008
	\$000s	\$000s
\$ Change due to quantity	(33,588)	(6,493)
\$ Change due to price	(9,809)	3,099
Net change in nickel sales revenue	(43,397)	(3,394)
<i>Change in quantity sold (000s lbs)</i>	<i>(2,315)</i>	<i>(1,834)</i>
<i>Change in revenue (US\$/lb)</i>	<i>(9.43)</i>	<i>1.97</i>

The following table shows the composition of nickel and all other metal revenues from the Mining segment and the changes therein.

Table 10 – Composition of Sales Revenue	March 31 2009	March 31 2008	Change
	\$000s	\$000s	\$000s
Nickel	7,267	50,664	(43,397)
Copper	21,865	26,647	(4,782)
Other	6,353	14,012	(7,659)
	35,485	91,323	(55,838)

The average metal prices received during the first quarter were US\$5.00 per pound of nickel, US\$1.77 per pound of copper, and unusually high platinum, palladium and gold prices as a result of provisional price adjustments. Copper and nickel prices were significantly higher in the same period last year, however, at US\$14.43 per pound of nickel and US\$3.84 per pound of copper. Provisional price adjustments in the first quarter of 2009 increased revenues by \$8.5 million while in the fourth quarter of 2008 the decline in metal prices reduced revenues by \$24.4 million and in the first quarter of 2008 increased revenues by \$10.0 million.



The relative contribution of nickel to other metals continued to decrease in the first quarter of 2009, from 55%:45% in the first quarter of 2008 to 47%:53% in 2008, to 20%:80% in the first quarter of 2009 (see Table 10). The year over year decline in nickel revenues is due to the both the decrease in the price of nickel as well the quantity of nickel produced due to the suspension of production of nickel contact ore deposits, while the production of other metals, particularly copper, has increased dramatically.

The following table shows the composition of precious metal sales to Gold Wheaton and Vale Inco for the first quarter of 2009.

Table 11 – Precious Metal Sales in the quarter ended March 31, 2009	Sold to Gold Wheaton	Sold to Vale Inco	Total
	\$000s	\$000s	\$000s
Gold	859	(575)	284
Platinum	5,647	(1,155)	4,492
Palladium	1,217	(242)	975
	7,723	(1,972)	5,751

The revenue from the gold equivalent ounces sold to Gold Wheaton has two components from an accounting perspective: (i) the cash amounts due by FNX to Gold Wheaton are based upon the price of gold above US\$400 per ounce, which amount is deducted from revenue; and, (ii) the deferred revenue balance being amortized into mining revenue on the Statement of Operations. The amortization is based on the proportion of gold equivalent ounces sold to Gold Wheaton to the total gold equivalent ounces in the life of mine plans for the Gold Wheaton deposits. Minesite revenue for the quarter totaled \$38.4 million. The cash component above US\$400 per ounce that is to Gold Wheaton's account totalled \$5.0 million, while the amount amortized into revenue from deferred revenue totalled \$2.1 million, resulting in mining revenue of \$35.5 million as per the statement of operations.

Mining Cost of Sales

Mine operating expenses, excluding mine depreciation and amortization costs, ("cash operating costs") were \$23.0 million in the first quarter of 2009, \$33.1 million lower than in the fourth quarter of 2008, and \$22.3 million lower than the first quarter of 2008. Total cash operating costs are expected to be lower in 2009 due to lower tonnages mined and ore sold this year due to the recent decrease in commodities prices.

Minesite Margin Per Ton of Ore Sold

While the cash operating cost per pound of nickel sold is an important industry benchmark, the decreasing significance of nickel to FNX's overall operating results has led the Company to no longer provide guidance with respect to the cash operating cost per pound of nickel. FNX considers the cash operating cost per ton of ore sold and the minesite margin per ton of ore sold (which excludes the impact of Gold Wheaton), both non-GAAP performance measures (see discussion under Non-GAAP Performance Measures below), to be more relevant benchmarks in evaluating costs and profitability for the Company's operating mines.

The minesite margin per ton of ore sold was \$148 in the first quarter of 2009. Reduced costs and slightly higher realized metal prices caused minesite margins to increase 240% over the fourth quarter of 2008. On a year over year basis, the minesite margin per ton of ore sold



decreased due to record high realized nickel prices in the first quarter of 2008. The average mining revenue per ton of ore in the first quarter of 2009 was positively impacted by provisional price adjustments of \$83 per ton and resulted in minesite revenue per ton of \$366. The average mine operating cost per ton was \$218, comprised of minesite costs and processing costs at the custom processor, which vary significantly from deposit to deposit depending upon the mining scale and method and the metal content of the ore. The minesite cash operating costs in the first quarter were higher mainly due to the higher processing and refining charges associated with the high-grade copper ores from Podolsky. In addition, the Company reduced the amount of development work in order to focus on operations, thereby resulting in more of the fixed mining costs being allocated to operating activities than development activities. The minesite margin during the first quarter was \$148 per ton, compared to a negative \$106 in the three months ended December 31, 2008, illustrating the positive effects of the cost-reducing measures implemented late in the fourth quarter of 2008.

The following table presents the calculation of the minesite margin per ton of ore sold for the periods indicated.

Table 12 – Minesite Margin Per Ton ⁽¹⁾	Three months ended March 31	
	2009	2008
	\$/ton	\$/ton
Minesite revenue	366	321
Minesite expenses ⁽²⁾	(218)	(159)
Minesite margin per ton of ore sold	148	162

(1) Components of the minesite margin per ton of ore sold are calculated by dividing each of minesite revenue (which is before adjusting for the Gold Wheaton revenue impact) and mine operating expenses as per the Statements of Operations, by tons of ore sold.

(2) Minesite expenses exclude mine depreciation and amortization.

With metal prices continuing to be volatile and grades forecast to remain stable, FNX anticipates that the minesite margin per ton of ore sold will continue to fluctuate. Mine operating expenses per ton were lower in the first quarter of 2009 relative to the fourth quarter of 2008 as a direct result of the cost cutting solutions put in place in late 2008. In addition, due to the high grade nature of the Podolsky copper ores, the processing cost per ton of ore will be higher than those at the Levack Complex. Guidance for combined mining operations' production costs for the three remaining quarters of 2009 is budgeted to average \$146 per ton of ore shipped with mining costs and processing costs expected to be roughly equal.

Mine Depreciation and Amortization

Mine depreciation and amortization expense was \$3.0 million in the first quarter of 2009, \$9.5 million lower than in the fourth quarter of 2008, and \$5.6 million lower than during the first quarter of 2008. Reserve and resource estimates are re-evaluated annually at the end of each fiscal year and in December 2008 resulted in a reduction of the total tonnages to be used in the determination of the depreciation and amortization base for the 2009 fiscal year. Mine depreciation and amortization expense is anticipated to decrease in 2009 as a result of lower production and the asset impairments that took place in December of 2008 which resulted in lower asset values and lower future depreciation and amortization.



DMC Segment

Revenues from the DMC segment for the three months ended March 31, 2009 totaled \$13.5 million, compared to \$21.5 million during the fourth quarter of 2008, and \$49.4 million in the first quarter of 2008. Contract costs for the first quarter of 2009 totaled \$13.3 million, compared to \$21.8 million during the fourth quarter of 2008, and \$47.0 million in the first quarter of 2008. Depreciation and amortization expenses totaled \$1.2 million, compared to \$1.7 million during the fourth quarter of 2008 and \$2.3 million in the first quarter of 2008.

Cash operating margin, a non-GAAP performance measure (see discussion under Non-GAAP Performance Measures below), calculated as the operating revenues of the DMC segment less operating costs excluding depreciation and amortization, was \$0.2 million during the first quarter of 2009, compared to a loss of \$0.3 million for the fourth quarter of 2008, and a positive \$2.4 million in the first quarter of 2008. Overall, the DMC segment incurred a loss of \$1.0 million in the first quarter of 2009, compared to a loss of \$6.0 million in the fourth quarter of 2008 and a loss of \$1.0 million in the first quarter of 2008. As at March 31, 2009, DMC had a backlog of work to be completed of approximately \$36.8 million, with \$24.6 million to be earned in 2009. As part of the normal course of business, DMC regularly sources new clients and new contracts to replace expiring contracts and management continues to pursue new opportunities on an ongoing basis.

DMC made significant changes to the structure of the organization late in the fourth quarter of 2008 to ensure that operating costs of the organization were appropriate for the volume of business expected in 2009. These changes have been effective in containing costs and should allow DMC to break even on a cash flow basis going forward with the work backlog that is now in place.

Health, Safety, Environment and Community

Health and Safety

The health and safety of employees, contractors and visitors are held as a core value of FNX. A major focus is placed on the development and implementation of strategies and standards designed to minimize occupational health and safety risks and continually improve performance.

In the first quarter of 2009, FNX continued the implementation of Safety, Health and Environment Management systems, modeled on both the ISO 14001 Environmental and OHSAS 18001 Occupational Health and Safety Management Systems international standards.

Employees and contractors in the Mining segment experienced zero Lost Time Injuries (“**LTI**”) and eight Medical Aid Injuries (“**MAI**”) during the quarter. The Lost Time Injury Frequency Rate (“**LTIFR**”) for the quarter was zero and the Total Medical Injury Frequency Rate (“**TMIFR**”) was 6.88, compared to zero and 6.95 respectively for the first quarter of 2008. This compares to the average LTIFR and TMIFR for Ontario nickel mines for the first quarter of 2009 of 0.74 and 8.76 respectively and for the first quarter of 2008 of 0.68 and 8.74 respectively.

Employees in the DMC segment experienced one LTI and two MAI during the period. The LTIFR for the quarter was 1.54 and the TMIFR was 4.62, compared to 0.44 and 3.48 respectively for the first quarter of 2008. This compares to the average LTIFR and TMIFR for Ontario mine contractors for the first quarter of 2009 of 0.16 and 5.40 respectively and for the first quarter of 2008 of 0.40 and 7.63, respectively.



The LTIFR and TMIFR for the quarter for the combined Mining segment, including contractors, and DMC were 0.55 and 6.07, respectively, compared to 0.19 and 5.41, respectively, for the first quarter of 2008.

As at March 31, 2009, the Mining segment had 365 direct employees and 24 employees of contractors, compared to 405 and 34, respectively, at December 31, 2008. As at March 31, 2009, the DMC segment had 250 direct employees and 4 contractors, including 121 in Canada and 129 in the US, compared to 271 employees as at December 31, 2008, including 169 in Canada and 102 in the US.

Environment

There were no reportable environmental incidents in the first quarter of 2009, compared to 39 reportable incidents in the first quarter of 2008.

On March 26, 2009 the Ministry of the Environment issued a Notice of Intention to Issue Environmental Penalty Order as a result of two reportable environmental incidents at Podolsky Mine in the fourth quarter of 2008. In subsequent discussions with the Ministry, FNX was successful in reducing the amount of the penalties for each of the two penalties to a total of \$17,200.

In an effort to further enhance its environmental management system, FNX engaged a consultant to conduct an independent compliance audit at all three minesites in third and fourth quarters of 2008. The audit findings indicated that there were no high priority items to address but there were several medium and low level items. All of the audit findings have been addressed at McCreedy West and Levack mines, and the Podolsky mine has fully addressed 25% of findings and is actively working on the remainder, which are expected to be completed in the second quarter of 2009.

Community

FNX is committed to working in partnership with our local communities and First Nations in a manner which fosters active participation and mutual respect. FNX's employees live and work in the communities in which FNX operates. The Company regularly consults with communities proximal to the Company's operations to advise them of plans and answer any questions they may have about current and future activities. For procurement of services and supplies, FNX's purchasing policy is directed, wherever practical, to look locally for solution providers.

FNX also supports certain selected charities and sponsorships, both at the local community level and within Ontario.



Other Items in the Statements of Operations

Administration

Administration expenses were \$3.0 million in the first quarter of 2009, compared to \$2.4 million and \$2.7 million in the fourth and first quarter of 2008, respectively. Administration expense was in line with comparative periods and budget.

Depreciation

Depreciation expense for the Toronto head office and Sudbury exploration office equipment, furniture and fixtures was not significant and is not budgeted to be significant in 2009.

Stock-based Compensation

Stock-based compensation expense was \$1.4 million in the first quarter of 2009, compared to \$0.6 million and \$1.2 million during in the fourth and first quarter of 2008, respectively. The reduction in staff employees in December 2008, resulted in the reversal of stock-based compensation expense on unvested share purchase options, along with FNX's declining share price in the fourth quarter of 2008 which resulted in a negative mark-to-market of the deferred share units ("DSU") thereby reducing the stock-based compensation expense for the quarter. In the first quarter of 2009, no options to purchase common shares were granted, compared to 99,000 in the first quarter of 2008, and no options were exercised, compared to 24,000 in the first quarter of 2008, and 107,168 options were cancelled, compared to 62,000 in the first quarter of 2008. Stock-based compensation expense is based upon the Black-Scholes option pricing model.

Other Expenses (Income)

Other expenses (income) resulted in net income of \$3.5 million in the first quarter of 2009, compared to a net expense of \$0.1 million and net income of \$2.8 million during in the fourth and first quarter of 2008, respectively. Other income primarily consists of \$2.5 million of foreign exchange gains resulting from the depreciation of the Canadian dollar during the quarter, \$0.7 million accretion and mark-to-market gain on the Gold Wheaton derivative note receivable and \$0.3 million of interest income on cash and cash equivalents of the Company. As at March 31, 2009, the Company had \$114.6 million of cash and cash equivalents on hand and will continue to earn interest income from conservative deposits with a major Canadian bank in 2009. Although financial markets and corporate credit were adversely affected in the latter half of 2008 by defaults in the asset backed commercial paper market ("ABCP"), FNX was not affected by this situation as the Company did not hold ABCP or other exotic investments in its portfolio of interest earning investments.

Provision for Income and Resource Taxes

Income and resource tax expense was recorded at a rate of 29.3% on earnings excluding the dilution loss, compared to 34% in 2008. The current portion was \$nil and the future income tax expense was \$2.2 million. The future income tax liability increased to \$62.5 million at March 31, 2009.

Hedging

As a result of the Gold Wheaton transaction, 50% of the gold equivalent ounces of the precious metals contained in ore that FNX produces from certain deposits in Sudbury are effectively sold at a price of US\$400 per gold equivalent ounce (subject to a 1% annual inflationary adjustment commencing July 1, 2011) plus the applicable amortization of the deferred revenue balance. Other than the Gold Wheaton arrangements, FNX does not currently have any commodity or foreign exchange hedging or other derivative instruments and there are currently no plans to enter into any such contracts.

EBITDA

Earnings before interest income and expense, income taxes and depreciation and amortization (“**EBITDA**”) and adjusted for stock-based compensation and certain other items including unusual items (“**Adjusted EBITDA**”), are considered to be non-GAAP performance measures (please see discussion under Non-GAAP Performance Measures below). Adjusted EBITDA was \$12.4 million in the first quarter of 2009, compared to a loss of \$28.6 million and earnings of \$48.3 million in the fourth and first quarter of 2008, respectively. The following table presents the calculation of EBITDA and Adjusted EBITDA for the three months ended March 31, 2009 and 2008.

Table 13 – EBITDA and Adjusted EBITDA	March 31 2009	March 31 2008
	\$000s	\$000s
Earnings (loss) before taxes and equity investee	(23,722)	36,363
Interest income	(284)	(311)
Depreciation and amortization	4,485	11,110
EBITDA	(19,521)	47,162
Adjustments:		
Stock-based compensation	1,353	1,174
Dilution loss	31,238	-
(Gain) loss on sale of PP&E	-	(94)
Mark-to-market and accretion of Gold Wheaton note	(688)	-
Mark-to-market of investments held-for-trading	3	38
Adjusted EBITDA	12,385	48,280

Financial Condition and Liquidity

Cash and Cash Flows

Operating activity cash flow was \$10.4 million and, after \$13.1 million of cash outflow for non-cash working capital, net cash outflow from operating activities was \$2.7 million during the first quarter of 2009, or \$0.03 per share, compared to net inflows of \$55.8 million, or \$0.66 per share, during the first quarter of 2008. Cash balances and working capital were \$114.6 million and \$137.2 million, respectively, at March 31, 2009, compared to \$129.6 million and \$130.1 million, respectively, at December 31, 2008. FNX remained debt free during the quarter. Operating cash flows were lower in 2009 due to lower metal prices and greater quantities of ore mined and sold in 2008.

Financing activities resulted in net cash inflows of \$nil in the first quarter of 2009, compared to \$0.3 million and \$nil during the first and fourth quarter of 2008, respectively, from the issuance of common shares for stock options exercised under the Company’s stock option plan.



Investing activities for the first quarter of 2009, resulted in a net cash outflow of \$13.1 million, compared to a net cash outflow of \$28.1 million and \$62.7 million during the fourth and first quarter of 2008, respectively. Development, equipment and exploration expenditures are budgeted to be \$64 million in 2009 and although the first quarter expenditures were below this rate due to the deferral of certain capital projects, capital expenditures are expected to be in line with budget for the year.

The net change in cash balances as a result of operating, financing and investing activities was a net cash outflow of \$15.0 million since December 31, 2008, compared to a net cash outflow of \$6.0 million during the first quarter of 2008. FNX remained debt free as at March 31, 2009.

Working Capital

Working capital increased \$7.1 million during the first quarter of 2009 to \$137.2 million, primarily due to the decrease in the current portion of the deferred revenue balance, the decrease in accounts payable and the increase in inventory as a result of the April batch test, somewhat offset by the reduction in accounts receivable in the quarter.

While FNX does not receive provisional payments for the metal in the ore it sells to Vale Inco, the account receivable at March 31, 2009 can be impacted by changes in metal prices and the foreign exchange rate until final settlement and payment in future periods. Management estimates that each US\$1.00 change in the price per pound of nickel or US\$0.25 change in the price per pound of copper would impact the March 31, 2009 trade accounts receivable from Vale Inco and Gold Wheaton and earnings before tax by approximately \$1.1 million and \$3.9 million, respectively. In addition, management estimates that each \$0.10 change in the value of the Canadian/US dollar exchange rate would impact US dollar denominated financial instruments at March 31, 2009 and earnings before tax by approximately \$2.1 million.

FNX elected not to renew and cancelled its LOC effective February 5, 2009. Given the Company's strong balance sheet and the budgeted expenditure level for 2009 and the dramatically increased cost of borrowing money resulting from the current global credit crisis, FNX determined that it did not have a requirement to borrow funds under the LOC to achieve its operating plan and budget for 2009. The Company established the LOC with a consortium of major banks on April 1, 2008, which had provided the Company with the ability to borrow for working capital and general corporate purposes up to US\$100 million.

The Company had \$114.6 million of cash and \$189.4 million carrying value of investments at March 31, 2009. The Company's liquid assets and cash flow generating capabilities from its existing and planned operating activities are expected to provide FNX with sufficient liquidity to manage its business affairs in 2009.

Reclamation and Other Deposits

Reclamation deposits remain unchanged from the fourth quarter of 2008 at \$6.5 million and include various amounts with Vale Inco and the Province of Ontario in connection with the Levack, McCreedy West and Podolsky properties. Reclamation deposits are subject to re-assessment based upon changes in the underlying mine reclamation and site restoration obligation as a result of updated environmental plans and changes in environmental laws and regulations.



Investment in Gold Wheaton

On July 15, 2008, FNX and Gold Wheaton entered into an agreement whereby Gold Wheaton purchased 50% of the gold equivalent ounces of gold, platinum and palladium metal contained in ore mined and shipped from the Company's PM and 700 Deposits at the McCreedy West Mine, LFD, Rob's and 1900 Deposits at the Levack Mine, and 2000 and North Deposits at the Podolsky Mine, for \$400 million of upfront proceeds plus a cash payment equal to the lesser of (a) US\$400 per gold ounce equivalent (subject to a 1.0% annual inflationary adjustment commencing July 1, 2011) and (b) the then prevailing market price per ounce of gold. The gold equivalent ounces delivered to Gold Wheaton are calculated based on the gold, platinum, and palladium prices prevailing at the time of delivery.

FNX produces more gold equivalent ounces than the 50% being sold to Gold Wheaton and will, therefore, continue to have full market exposure to these excess ounces.

As a result of an equity issuance by Gold Wheaton on March 5, 2009 in which FNX did not participate, FNX's interest in Gold Wheaton declined from 38.1% at December 31, 2008 to 25.6% at March 31, 2009. The 12.5% dilution in FNX's ownership position in Gold Wheaton resulted in a non-taxable dilution loss of \$31.2 million. The dilution loss was based on the change in ownership and the change in net book value of Gold Wheaton and is neither a cash item to FNX nor a reflection of any change in the fair value of the Company's 360 million share investment in Gold Wheaton.

FNX accounts for its investment in Gold Wheaton using the equity method and is, therefore, required to include in earnings FNX's share of Gold Wheaton's earnings or loss for the period and the Company's investment therein is adjusted by an equivalent amount. For the quarter ended March 31, 2009, FNX's 26% share of the loss of its equity investee, Gold Wheaton, was \$0.2 million, compared to \$0.6 million in the fourth quarter of 2008.

The note receivable for \$50 million was renegotiated on December 8, 2008 and the due date of the note was extended to July 16, 2010. Due to the nature of the renegotiated note receivable, both a call and put option exist on the derivative which must be fair valued at each balance sheet date with any changes thereto charged or credited to earnings. As a result of the above, the carrying value of the note receivable at March 31, 2009 was \$35.8 million.

As at March 31, 2009, the market value of FNX's 360 million Gold Wheaton shares was approximately \$90.0 million.

Property, Plant and Equipment

(i) Summary

Expenditures on property, plant and equipment ("PP&E") totaled approximately \$13.1 million during the first quarter of 2009 compared to \$28.1 million during the fourth quarter of 2008 and \$52.7 million during the first quarter of 2008. The cash expenditures consisted of drilling and underground development at the LFD, drilling and underground development, including raise development, at Podolsky and the purchase of certain mining equipment. Table 14 shows the net increase in PP&E expenditures for the three months ended March 31, 2009, by property location and 2009 annual budget.

Table 14 – PP&E Expenditures	Three months ended March 31, 2009	Annual budget 2009
	\$000s	\$000s
LFD	9,234	44,332
Podolsky Mine	3,190	14,684
Levack Complex	654	4,412
Victoria	45	44
Podolsky Nickel Ramp	37	-
Corporate	13	-
Other Properties	10	163
Kirkwood	-	35
DMC	(72)	500
	13,111	64,170

The decline in global economies and the current world-wide recession led to a precipitous decline in base metal prices in 2008 and, in particular, the last quarter of 2008. These events were considered to be triggering events for accounting purposes and, accordingly, FNX performed asset impairment tests at December 31, 2008 on its PP&E, resulting in significant write-downs at December 31, 2008. The LFD was not impaired and continues to be carried at its historic costs.

The 2009 approved capital, mine development and exploration budget totals \$64.2 million and consists of \$54.0 million for capital equipment, mine development and advanced exploration programs and \$10.2 million for general exploration and other. The expenditures are budgeted to be incurred as follows: \$44.3 million on the LFD; \$14.7 million at Podolsky; \$3.8 million at McCreedy West; \$0.6 million at Levack; \$0.2 million on other exploration properties; and, \$0.5 million in the DMC segment.

(ii) *Levack Complex*

FNX holds a 100% interest in the Levack Complex, which is located in the Sudbury mining district of Ontario and is comprised of two adjacent mining operations, McCreedy West and Levack. For reporting purposes, the two adjacent properties are considered to be one operating segment as they are integrated from an operational perspective, produce similar ore and ship all production, including the precious metals sold to Gold Wheaton, to the same processor, Vale Inco.

At the Levack Mine, the primary focus for 2009 is the development of the LFD in preparation for production start up in 2010. The advance of the LFD access ramp during the quarter was on schedule. The quarter began with the ramp face at the 3135 Level and by the end of the quarter the ramp had advanced to the 3310 Level, a total vertical advance of 175 feet. The Level accesses are being cut every 60 vertical feet off the ramp. During the quarter, three accesses were excavated to a distance of 40 feet from the ramp. They are positioned to allow for future access to the ore on the 3270, 3330 and 3390 Levels. Service infrastructure has followed closely behind the development including the extension of the ventilation and man-way raises. At the end of the first quarter, there were two diamond drills drilling off the upper portion of the LFD from drill platforms located off the ramp.

Progress was made on the rehabilitation of the Levack No. 2 Shaft below the 2900 Level to the 3600 Level. By the end of the quarter, the rehabilitation of the shaft had advanced to within 310 feet of the 3600 Level station. Access to the 3600 Level is expected by mid-2009 to be followed

by level rehabilitation, continued rehabilitation of the shaft below the 3600 Level and the installation of the rock handling system. The shaft rehabilitation also includes the completion of the permanent mine dewatering system down to the 2650 Level and a temporary system to the 3100 Level.

(iii) Podolsky

FNX holds a 100% interest in Podolsky, which is located in the Sudbury mining district of Ontario.

Development at Podolsky during the quarter focused on advancing the main access ramp and completing related lateral development. Total advancement during the first quarter was 1,891 feet and included lateral work on the 2000, 2075, 2300 and 2375 Levels plus access ramp development downwards to the 2150 Level and upwards to the 2225 Level. The main access ramp will be connected internally later in 2009 to support ongoing stope access. The 2000 Level drift was driven through Grey Gabbro ore and development ore was stored underground until metal accountabilities are in place for this ore.

(iv) Property Under Development – LFD

As at March 31, 2009, FNX held a 100% interest in the LFD (located on the Levack Complex property) and now considered to be connected to the Rob's Deposit. Development work on the LFD was focused in the first quarter on extending the ramp in order to provide access to the LFD. Development plans for 2009 include the rehabilitation of the Levack No. 2 shaft below the 2650 Level to the 3600 Level which will allow connection to the LFD at a lower level and will facilitate materials handling.

Exploration activities in the first quarter were focused on the upper areas of the LFD to provide geological data to assist with the definition of footwall mineralization to determine where and when is best to access the LFD.

(iv) Exploration Properties

The carrying value of the mineral exploration properties represents the accumulated costs to date for the acquisition of and exploration costs incurred by FNX on its non-producing mineral exploration properties, less impairments booked at December 31, 2008. Mineral exploration properties are not amortized. FNX's mineral exploration properties at March 31, 2009, are all located in the Sudbury mining district and are shown in the following table.

Table 15 – Accumulated Costs of Exploration Properties	March 31 2009	December 31 2008
	\$000s	\$000s
LFD	-	362,301
Victoria	45	-
Podolsky Nickel Ramp	37	-
Foy-Offset	8	-
Falconbridge Footwall	2	-
Kirkwood	-	-
Other Properties	-	-
	92	362,301

⁽¹⁾ Accumulated net capital costs for LFD were transferred to property under development during the first quarter of 2009.



The annual FNX Mineral Resource/Reserve Statement to December 31, 2008 was finalized at the end of the first quarter of 2009 and was supported by the preparation of the annual technical NI 43-101 report update which can be found on SEDAR. FNX reserves decreased in the year ending December 31, 2008 from 3.6 million tons to 2.6 million tons. The decrease is primarily due to the reduction in the Levack contact nickel reserves from the reserve profile due to lower metal prices and the interim metal accountabilities and off-take terms provided by Vale Inco in 2008.

In 2009, exploration at Podolsky will focus predominantly on a new offset environment, drilling access to which during the first quarter was physically limited by the Post Creek. A temporary bridge will be installed over the Post Creek which will allow access to 2,500 additional feet of untested footwall proximal to the contact and along strike from the quartz diorite that was tested in 2008.

As at March 31, 2009, FNX held a 100% interest in the Podolsky Nickel Ramp (located on the Podolsky property), Kirkwood and Victoria mineral properties. FNX holds between a 30% and 100% interest in the mineral exploration properties included in the Other Properties. The Falconbridge Footwall, Foy-Offset, and Other Properties at March 31, 2009, are located in the Sudbury mining district of Ontario.

The Falconbridge Footwall and Foy-Offset properties are subject to a joint venture agreement with Xstrata Nickel, a business unit of Xstrata Nickel Canada (the "**Falconbridge Joint Venture**"). As Xstrata Nickel elected not to participate in the 2008 exploration program, Xstrata Nickel's interest continued to be diluted, such that, as at December 31, 2008, the Company and Xstrata Nickel held 80% and 20% interests, respectively, in the Falconbridge Joint Venture. The Company is the operator of the Falconbridge Joint Venture.

Detailed budgets to determine how to most effectively and efficiently invest the \$15.0 million of flow-through money raised in April of 2009 in exploration expenditures on the Company's Canadian properties are being finalized.

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

Mine Closure and Site Restoration

FNX estimates the total future mine closure and site reclamation costs (also known as asset retirement obligations) associated with the Sudbury operations to be \$6.5 million, unchanged from 2008. Management anticipates that such obligations will substantially be settled at or near the closure of its mining operations.

Deferred Revenue

Pursuant to an agreement with Gold Wheaton, dated July 15, 2009, FNX sells to Gold Wheaton 50% of the gold equivalent ounces of the gold equivalent ounces contained in each shipment of crushed ore it produces from certain of its deposits and delivers to a third party processor. Revenue is recognized at the time title passes to Gold Wheaton for Gold Wheaton's share of gold equivalent ounces which is immediately prior to delivery to the third party processor and is comprised of a fixed amount per gold equivalent ounce and the applicable amortization of deferred revenue balance per gold equivalent ounce which is based on the proportion of gold



equivalent ounces sold to Gold Wheaton to the total gold equivalent ounces in the life of mine plans for the Gold Wheaton deposits.

Current and long-term deferred revenue balances for Gold Wheaton were allocated based on the estimated production of gold equivalent units in the next year expressed as a percentage of total expected production over the life of the deposits subject to the Gold Wheaton agreement.

Share Capital

During the first quarter of 2009, share capital remained the same at 84,876,776 common shares issued and outstanding as no shares were issued and no options were exercised. During the first quarter of 2008, share capital increased \$0.5 million as a result of the exercise of 24,000 stock options. As at March 31, 2009, stock options to purchase 2.0 million common shares at a weighted average of \$23.06 per share were outstanding.

On April 2, 2009, 1,672,000 share purchase options were granted to directors, officers and employees of the Company in accordance with the Company's Stock Option Plan, representing 2% of the issued and outstanding shares of the Company.

Under the terms of a deferred share unit plan (the "DSU Plan"), the number of DSUs granted to directors and executive employees is based upon the fair market value of FNX's common shares at that time. DSUs are only paid out in cash upon the director's or executive employee's death or resignation from the Board of Directors or the Company. On April 2, 2009, an additional 240,000 DSUs were awarded to certain officers in settlement of prior period bonus liabilities accrued at March 31, 2009. Included in accrued liabilities at March 31, 2009 is \$1.5 million related to 313,249 outstanding DSUs (including the aforementioned 240,000).

Post-Retirement Benefits

FNX does not currently have any post-retirement benefit plans for its employees, officers or directors. The Company does, however, match contributions made by employees and officers to their registered retirement savings plans to a maximum of the lesser of 6% of base salary and the maximum permitted by regulation.

Non-GAAP Performance Measures

Minesite revenue per ton of ore sold, cash operating cost, cash operating cost per ton of ore sold, minesite expenses per ton of ore sold, minesite margin per ton of ore sold, cash flow per share, cash operating margin for DMC, EBITDA and Adjusted EBITDA are included in this MD&A because these statistics are key performance measures that management uses to monitor performance. Management uses these statistics to assess how well the Company is performing compared to plan and to assess the overall effectiveness and efficiency of its mining operations. Management believes that the inclusion of these statistics in the MD&A helps an investor to assess performance "through the eyes of management" and that certain investors use these statistics to assess the Company's performance. These performance measures do not have a meaning within GAAP and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Outstanding Share Data

As at March 31, 2009, stock options to purchase 2.0 million common shares at a weighted average price of \$23.06 per share were outstanding. The number of stock options outstanding at March 31, 2009 represents 2.4% of the issued and outstanding common shares at that time. From April 1, 2009 to May 11, 2009, 1,672,000 stock options were granted, 23,334 were cancelled and none have been exercised. As at May 11, 2009, the Corporation had 84.9 million common shares outstanding and stock options to purchase 3.7 million (or 4.5% of the issued and outstanding) common shares had been granted and were outstanding.

Adoption of New Accounting Standards

FNX monitors the recently issued Canadian Institute of Chartered Accountants (“CICA”) accounting pronouncements to assess the applicability and impact, if any, of these pronouncements on the Company’s consolidated financial statements and note disclosures.

Changes in Accounting Policies

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This section provides more specific guidance on the recognition of internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. The section standardizes Canadian GAAP with International Financial Reporting Standards (“IFRS”) and applies to interim and annual statements relating to fiscal years beginning on or after October 1, 2008. This standard did not have an impact on the Company’s consolidated financial statements.

New Accounting Pronouncements

- (i) *Section 1582, Business Combinations; Section 1601, Consolidated Financial Statements; and Section 1602, Non-controlling Interests*

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations; Section 1601, Consolidated Financial Statements; and Section 1602, Non-controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011 and earlier adoption is permitted as of the beginning of a fiscal year. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, Business Combinations, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations.

Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements.

(ii) Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The Emerging issues committee (“**EIC**”) reached a consensus that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This accounting treatment should be applied retrospectively without restatement of prior periods. This standard did not have an impact on the Company’s consolidated financial statements.

(iii) IFRS

In February 2008, the Canadian Accounting Standards Board confirmed that use of IFRS will be required for publicly accountable profit-oriented enterprises. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company continues to evaluate the impact of adopting IFRS.

Quarterly Metal Production and Sales Statistics

Table 16 – 2009 Statistics	Q1	Q2	Q3	Q4	Total
Ore sold (tons)					
Nickel ore	4,415				4,415
Copper ore	100,629				100,629
Total ore sold	105,044				105,044
Grade of ore sold					
Nickel ore (%Ni)	1.8				1.8
Copper ore (%Cu)	5.6				5.6
Payable metal sold					
Nickel (000s lbs)	1,177				1,177
Copper (000s lbs)	9,718				9,718
Gold (ozs)	337				337
Platinum (ozs)	2,779				2,779
Palladium (ozs)	4,299				4,299
Cobalt (000s lbs)	1,668				1,668
Metal sales revenue					
Average Ni price (US\$/lb)	5.00				5.00
Average Cu price (US\$/lb)	1.77				1.77
\$/US\$ exchange rate	1.24				1.24
Total mining revenue (\$000s)	35,485				35,485
Minesite revenue (\$/ton of ore sold) ⁽²⁾	366				366
Cash operating cost of metals sold					
Operating cost (\$000s)	22,906				22,906
Operating cost (\$/ton of ore sold)	218				218

(1) Minesite revenue per ton and cash operating costs per ton are non-GAAP performance measures (see Non-GAAP Performance Measures below).

(2) Minesite revenue per ton excludes the impact of Gold Wheaton.

Table 17 – 2008 Statistics	Q1	Q2	Q3	Q4	Total
Ore (tons)					
Nickel ore	199,054	220,579	159,419	103,629	682,681
Copper ore	85,845	132,186	187,568	167,707	573,306
Total ore sold	284,899	352,765	346,987	271,336	1,255,987
Grade of ore sold					
Nickel ore (%Ni)	1.3	1.1	1.2	1.5	1.2
Copper ore (%Cu)	4.2	2.6	3.0	5.3	3.7
Payable metal sold					
Nickel (000s lbs)	3,492	3,491	3,146	3,011	13,140
Copper (000s lbs)	6,892	7,262	9,558	11,501	35,213
Gold (ozs)	867	1,793	3,573	3,124	9,357
Platinum (ozs)	2,746	4,294	5,635	5,820	18,495
Palladium (ozs)	3,659	5,495	7,171	7,857	24,182
Cobalt (000s lbs)	54.6	54.0	37.6	19.8	166.0
Metal sales revenue					
Average Ni price (US\$/lb)	14.43	9.21	6.61	3.02	8.56
Average Cu price (US\$/lb)	3.84	3.70	2.93	0.66	2.53
\$/US\$ exchange rate	1.00	1.01	1.04	1.21	1.07
Total mining revenue (\$000s)	91,323	75,192	51,178	27,265	244,958
Minesite revenue (\$/ton of ore sold) ⁽²⁾	321	213	147	100	195
Cash operating cost of metals sold					
Operating cost (\$000s)	45,232	51,067	48,288	55,983	200,570
Operating cost (\$/ton of ore sold)	159	145	139	206	160

(1) Minesite revenue per ton and cash operating costs per ton are non-GAAP performance measures (see Non-GAAP Performance Measures below).

(2) Minesite revenue per ton excludes the impact of Gold Wheaton.

Table 18 - Consolidated Quarterly Statements of Operations					
2009	Q1	Q2	Q3	Q4	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
Mining revenues	35,485				35,485
DMC revenues	13,468				13,468
	48,953				48,953
Mining expenses	22,906				22,906
DMC expenses	13,273				13,273
Depreciation and amortization	4,251				4,251
	40,430				40,430
	8,523				8,523
Administration	2,967				2,967
Stock-based compensation	1,353				1,353
Depreciation	234				234
Dilution loss	31,238				31,238
Other expenses (income)	(3,547)				(3,547)
	32,245				32,245
Earnings (loss) before tax and other	(23,722)				(23,722)
Income tax (expense) recovery	(2,199)				(2,199)
Share of loss of equity investee	(230)				(230)
Net earnings (loss)	(26,151)				(26,151)
Basic earnings (loss) per share	(0.31)				(0.31)
2008	Q1	Q2	Q3	Q4	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
Mining revenues	91,323	75,192	51,178	27,265	244,958
DMC revenues	49,393	37,008	25,245	21,458	133,104
	140,716	112,200	76,423	48,723	378,062
Mining expenses	45,232	51,066	48,289	55,983	200,570
DMC expenses	46,984	35,215	25,063	21,769	129,031
Depreciation and amortization	10,890	14,826	16,233	14,202	56,151
	103,106	101,107	89,585	91,954	385,752
	37,610	11,093	(13,162)	(43,231)	(7,690)
Administration	2,675	4,341	4,896	2,436	14,348
Capital taxes	-	(1,803)	-	-	(1,803)
Stock-based compensation	1,174	1,389	856	637	4,056
Depreciation	220	198	206	229	853
Asset impairments	-	-	14,128	487,362	501,490
Other expenses (income)	(2,822)	(8,017)	99	(74)	(10,814)
	1,247	(3,892)	20,185	490,590	508,130
Earnings (loss) before tax and other	36,363	14,985	(33,347)	(533,821)	(515,820)
Income tax (expense) recovery	(12,300)	(3,644)	7,814	137,010	128,880
Share of loss of equity investee	-	-	(1,009)	(591)	(1,600)
Net earnings (loss)	24,063	11,341	(26,542)	(397,402)	(388,540)
Basic earnings (loss) per share	0.28	0.13	(0.31)	(4.68)	(4.59)

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and similar Canadian legislation, concerning the business, operations and financial performance and condition of FNX. These forward looking statements are based on current expectations and involve risks and uncertainties, referred to herein and/or in FNX's most recent Annual Information Form (“AIF”), filed with Canadian provincial securities regulatory authorities and available at www.sedar.com, that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward looking statements. Forward-looking statements include, but are not limited to, statements regarding FNX's financial results and expectations for 2009, interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, forecast levels of production of ore and/or metals, metal prices, demand for metals, currency exchange rates, cash operating margins, cash operating cost (including processing costs) per pound of metals sold, costs per ton of ore, expenditures on property, plant and equipment, increases and decreases in production, mineral reserves and/or mineral resources and anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled estimates”, “forecasts”, “intends”, “anticipates”, “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will” or “will be taken”, “occur”, or “be achieved”. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of FNX to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks associated with the mining industry in general relating to the exploration for, development and mining of mineral deposits and the commercial viability of such deposits; risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations; the results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with FNX's expectations; the uncertainty of mineral reserve and mineral resource estimates; FNX's ability to replace depleted mineral reserves; the reliance of FNX on commercial contracts; current global financial conditions; FNX's dependence on its key management, personnel and executives; hedging considerations; governmental regulation; environmental risks and liabilities and hazards associated with mining in general and with respect to the Properties; competition within the mining industry generally and for mining services contracts; foreign investments and operations; sufficiency of internal controls; FNX's dependence on good relations with employees; the costs of compliance with climate change initiatives; uninsured risks; conflicts of interest; First Nations consultations; joint ventures; reclamation funds and mine closure costs; the potential refund obligations of FNX under its agreement with Gold Wheaton; risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined; mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development; the potential for delays in exploration or development activities or the completion of feasibility studies; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; risks related to commodity price and foreign exchange rate fluctuations; FNX's reliance on Vale Inco for ore processing and that future payments for



provisional payable metal terms for such ore processing may differ from those made in the past; the uncertainty of profitability based upon the cyclical nature of the industry in which FNX operates; risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities; risks related to FNX's ability to successfully integrate acquisitions; risks related to adverse changes to FNX's credit rating; risks related to contests over title to FNX's properties, particularly title to undeveloped properties; political and regulatory risks associated with mining and exploration; and other risks and uncertainties related to FNX's prospects, properties and business strategy, as well as those factors discussed herein or referred to in the AIF.

Although management of FNX has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Many of such factors are beyond FNX's ability to control or predict. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. FNX does not undertake to update any forward-looking statements that are incorporated herein, except in accordance with applicable securities laws. Additional information, including quarterly and annual consolidated financial statements, AIF, Management Information Circular and other disclosure documents, may be obtained through the Internet by accessing the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.com.