



**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2009**

**(Expressed in thousands of Canadian dollars except where otherwise noted)**



**Consolidated Balance Sheets**

(in thousands of Canadian dollars)

(Unaudited)

As at	June 30 2009	December 31 2008
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	131,076	129,561
Accounts receivable	44,523	59,324
Inventory (note 4)	5,145	2,307
Prepaid and other assets	2,025	1,504
	<b>182,769</b>	192,696
<b>Investments (note 5)</b>	<b>8,234</b>	4,009
<b>Investment in Gold Wheaton (note 6)</b>	<b>187,846</b>	215,620
<b>Property, plant and equipment (note 7)</b>	<b>455,515</b>	435,114
<b>Reclamation deposits</b>	<b>6,485</b>	6,485
	<b>840,849</b>	853,924
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	26,858	36,136
Deferred revenue (note 8)	18,180	26,433
	<b>45,038</b>	62,569
<b>Long-term deferred revenue (note 8)</b>	<b>369,852</b>	368,969
<b>Mine closure and site restoration</b>	<b>5,554</b>	5,393
<b>Future income and resource taxes</b>	<b>56,850</b>	60,499
	<b>432,256</b>	434,861
	<b>477,294</b>	497,430
<b>Shareholders' equity</b>		
Share capital (note 9)	586,280	571,750
Contributed surplus – stock-based compensation (note 10)	16,287	13,741
Retained earnings (deficit)	(234,278)	(220,580)
Accumulated other comprehensive income (loss) (note 3)	(4,734)	(8,417)
	<b>363,555</b>	356,494
	<b>840,849</b>	853,924

See contingencies and litigation (note 15) and subsequent event (note 16).

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

**Consolidated Segmented Balance Sheets**  
(in thousands of Canadian dollars) (Unaudited)  
As at June 30, 2009

	Mining	DMC	Total
<b>Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	118,622	12,454	131,076
Accounts receivable	36,015	8,508	44,523
Other current assets	5,606	1,564	7,170
	<b>160,243</b>	<b>22,526</b>	<b>182,769</b>
<b>Investments</b>	<b>8,234</b>	<b>-</b>	<b>8,234</b>
Investment in Gold Wheaton	187,846	-	187,846
Property, plant and equipment	432,332	23,183	455,515
Reclamation deposits	6,485	-	6,485
	<b>795,140</b>	<b>45,709</b>	<b>840,849</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	20,095	6,763	26,858
Deferred revenue	18,090	90	18,180
	<b>38,185</b>	<b>6,853</b>	<b>45,038</b>
<b>Long-term deferred revenue</b>	<b>369,852</b>	<b>-</b>	<b>369,852</b>
<b>Mine closure and site restoration</b>	<b>5,554</b>	<b>-</b>	<b>5,554</b>
<b>Future income and resource taxes</b>	<b>56,017</b>	<b>833</b>	<b>56,850</b>
	<b>431,423</b>	<b>833</b>	<b>432,256</b>
	<b>469,608</b>	<b>7,686</b>	<b>477,294</b>

	Mining	DMC	Total
As at December 31, 2008			
<b>Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	120,131	9,430	129,561
Accounts receivable	44,459	14,865	59,324
Other current assets	2,823	988	3,811
	<b>167,413</b>	<b>25,283</b>	<b>192,696</b>
<b>Investments</b>	<b>4,009</b>	<b>-</b>	<b>4,009</b>
Investment in Gold Wheaton	215,620	-	215,620
Property, plant and equipment	409,718	25,396	435,114
Reclamation deposits	6,485	-	6,485
	<b>803,245</b>	<b>50,679</b>	<b>853,924</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	28,469	7,667	36,136
Deferred revenue	25,456	977	26,433
	<b>53,925</b>	<b>8,644</b>	<b>62,569</b>
<b>Long-term deferred revenue</b>	<b>368,969</b>	<b>-</b>	<b>368,969</b>
<b>Mine closure and site restoration</b>	<b>5,393</b>	<b>-</b>	<b>5,393</b>
<b>Future income and resource taxes</b>	<b>59,374</b>	<b>1,125</b>	<b>60,499</b>
	<b>433,736</b>	<b>1,125</b>	<b>434,861</b>
	<b>487,661</b>	<b>9,769</b>	<b>497,430</b>

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



**Consolidated Statements of Operations**

(in thousands of Canadian dollars  
except earnings per share)

(Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Operating revenues</b>	<b>61,869</b>	112,200	<b>110,822</b>	252,916
<b>Operating expenses</b>				
Expenses, excluding depreciation and amortization	<b>39,802</b>	86,281	<b>75,981</b>	178,497
Depreciation and amortization	<b>2,857</b>	14,826	<b>7,108</b>	25,716
	<b>42,659</b>	101,107	<b>83,089</b>	204,213
	<b>19,210</b>	11,093	<b>27,733</b>	48,703
<b>Expenses</b>				
Administration	<b>1,502</b>	4,341	<b>4,469</b>	7,016
Capital taxes	-	(1,803)	-	(1,803)
Depreciation	<b>215</b>	198	<b>449</b>	418
Stock-based compensation (note 10)	<b>2,553</b>	1,389	<b>3,906</b>	2,563
Dilution loss (note 6)	-	-	<b>31,238</b>	-
Other expenses (income) (note 11)	<b>(531)</b>	(8,017)	<b>(4,078)</b>	(10,839)
	<b>3,739</b>	(3,892)	<b>35,984</b>	(2,645)
<b>Earnings (loss) before taxes and other</b>	<b>15,471</b>	14,985	<b>(8,251)</b>	51,348
<b>Income and resource taxes recovery (expense)</b>	<b>(3,020)</b>	(3,644)	<b>(5,219)</b>	(15,944)
<b>Share of income (loss) of equity investee (note 6)</b>	<b>2</b>	-	<b>(228)</b>	-
<b>Net earnings (loss) for the period</b>	<b>12,453</b>	11,341	<b>(13,698)</b>	35,404
<b>Basic earnings (loss) per share (note 9(b))</b>	<b>\$0.14</b>	\$0.13	<b>(\$0.16)</b>	\$0.42
<b>Diluted earnings (loss) per share (note 9(b))</b>	<b>\$0.14</b>	\$0.13	<b>(\$0.16)</b>	\$0.42

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



**Consolidated Segmented Statements of Operations**

(in thousands of Canadian dollars)

(Unaudited)

For the three months ended June 30, 2009

	<b>Mining</b>	<b>DMC</b>	<b>Total</b>
	\$	\$	\$
<b>Operating revenues</b>	50,196	11,673	61,869
<b>Operating expenses</b>			
Expenses, excluding depreciation and amortization	28,533	11,269	39,802
Depreciation and amortization	1,734	1,123	2,857
	<b>30,267</b>	<b>12,392</b>	<b>42,659</b>
	<b>19,929</b>	<b>(719)</b>	<b>19,210</b>
<b>Expenses</b>			
Administration	1,502	-	1,502
Depreciation	215	-	215
Stock-based compensation	2,385	168	2,553
Other expenses (income)	(559)	28	(531)
	<b>3,543</b>	<b>196</b>	<b>3,739</b>
<b>Earnings (loss) before taxes and other</b>	<b>16,386</b>	<b>(915)</b>	<b>15,471</b>
<b>Income and resource taxes recovery (expense)</b>	<b>(2,665)</b>	<b>(355)</b>	<b>(3,020)</b>
<b>Share of income (loss) of equity investee</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Net earnings (loss) for the period</b>	<b>13,723</b>	<b>(1,270)</b>	<b>12,453</b>

For the six months ended June 30, 2009

	<b>Mining</b>	<b>DMC</b>	<b>Total</b>
	\$	\$	\$
<b>Operating revenues</b>	85,681	25,141	110,822
<b>Operating expenses</b>			
Expenses, excluding depreciation and amortization	51,439	24,542	75,981
Depreciation and amortization	4,766	2,342	7,108
	<b>56,205</b>	<b>26,884</b>	<b>83,089</b>
	<b>29,476</b>	<b>(1,743)</b>	<b>27,733</b>
<b>Expenses</b>			
Administration	4,469	-	4,469
Depreciation	449	-	449
Stock-based compensation	3,535	371	3,906
Dilution loss	31,238	-	31,238
Other expenses (income)	(3,842)	(236)	(4,078)
	<b>35,849</b>	<b>135</b>	<b>35,984</b>
<b>Earnings (loss) before taxes and other</b>	<b>(6,373)</b>	<b>(1,878)</b>	<b>(8,251)</b>
<b>Income and resource taxes recovery (expense)</b>	<b>(4,864)</b>	<b>(355)</b>	<b>(5,219)</b>
<b>Share of income (loss) of equity investee</b>	<b>(228)</b>	<b>-</b>	<b>(228)</b>
<b>Net earnings (loss) for the period</b>	<b>(11,465)</b>	<b>(2,233)</b>	<b>(13,698)</b>

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



**Consolidated Segmented Statements of Operations**

(in thousands of Canadian dollars)

(Unaudited)

For the three months ended June 30, 2008

	<b>Mining</b>	<b>DMC</b>	<b>Total</b>
	\$	\$	\$
<b>Operating revenues</b>	75,192	37,008	112,200
<b>Operating expenses</b>			
Expenses, excluding depreciation and amortization	51,066	35,215	86,281
Depreciation and amortization	12,520	2,306	14,826
	63,586	37,521	101,107
	11,606	(513)	11,093
<b>Expenses</b>			
Administration	4,341	-	4,341
Capital taxes	(1,803)	-	(1,803)
Depreciation	198	-	198
Stock-based compensation	832	557	1,389
Other expenses (income)	(8,017)	-	(8,017)
	(4,449)	557	(3,892)
<b>Earnings before taxes</b>	16,055	(1,070)	14,985
<b>Income and resource taxes</b>	3,098	546	3,644
<b>Net earnings (loss) for the period</b>	12,957	(1,616)	11,341

For the six months ended June 30, 2008

	<b>Mining</b>	<b>DMC</b>	<b>Total</b>
	\$	\$	\$
<b>Operating revenues</b>	166,515	86,401	252,916
<b>Operating expenses</b>			
Expenses, excluding depreciation and amortization	96,298	82,199	178,497
Depreciation and amortization	21,113	4,603	25,716
	117,411	86,802	204,213
	49,104	(401)	48,703
<b>Expenses</b>			
Administration	7,016	-	7,016
Capital taxes	(1,803)	-	(1,803)
Depreciation	418	-	418
Stock-based compensation	1,430	1,133	2,563
Other expenses (income)	(10,192)	(647)	(10,839)
	(3,131)	486	(2,645)
<b>Earnings before taxes</b>	52,235	(887)	51,348
<b>Income and resource taxes</b>	14,507	1,437	15,944
<b>Net earnings (loss) for the period</b>	37,728	(2,324)	35,404

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

<b>Consolidated Statements of Cash Flow</b> (in thousands of Canadian dollars) (Unaudited)	<b>Three months ended</b> <b>June 30</b>		<b>Six months ended</b> <b>June 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>				
Net earnings (loss) for the period	12,453	11,341	(13,698)	35,404
Non-cash items				
Depreciation and amortization	3,072	15,024	7,557	26,134
Stock-based compensation	1,382	1,389	2,565	2,563
Future income and resource taxes	(5,670)	1,523	(3,471)	10,497
Amortization of Gold Wheaton deferred revenue	(4,344)	-	(6,483)	-
Gain on disposal of shares	-	(8,461)	-	(8,461)
Gain on disposal of fixed assets	(3)	-	(3)	(94)
Mark-to-market and accretion of Gold Wheaton note receivable	(3,004)	-	(3,692)	-
(Increase) decrease in value of investments held -for-trading	(120)	215	(117)	253
Share of (income) loss of equity investee	(2)	-	228	-
Dilution loss	-	-	31,238	-
Other	(18)	143	2	(101)
	<b>3,746</b>	<b>21,174</b>	<b>14,126</b>	<b>66,195</b>
Net change in non-cash working capital (note 12)	<b>14,330</b>	<b>(7,643)</b>	<b>1,277</b>	<b>3,132</b>
	<b>18,076</b>	<b>13,531</b>	<b>15,403</b>	<b>69,327</b>
<b>Financing activities</b>				
Common shares issued	15,063	301	15,063	641
Transaction costs on shares issued	(752)	-	(752)	-
Bank indebtedness – advance	-	45,837	-	45,837
Bank indebtedness – payment	-	(25,465)	-	(25,465)
	<b>14,311</b>	<b>20,673</b>	<b>14,311</b>	<b>21,013</b>
<b>Investing activities</b>				
Investments	-	-	-	(10,000)
Property, plant and equipment	(14,663)	(45,741)	(27,774)	(98,401)
Proceeds from disposal of investments	-	21,441	-	21,441
	<b>(14,663)</b>	<b>(24,300)</b>	<b>(27,774)</b>	<b>(86,960)</b>
<b>Effect of exchange rate changes on cash</b>	<b>(1,220)</b>	<b>431</b>	<b>(425)</b>	<b>932</b>
<b>Change in cash and cash equivalents for the period</b>	<b>16,504</b>	<b>10,335</b>	<b>1,515</b>	<b>4,312</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>114,572</b>	<b>29,137</b>	<b>129,561</b>	<b>35,160</b>
<b>Cash and cash equivalents – end of period</b>	<b>131,076</b>	<b>39,472</b>	<b>131,076</b>	<b>39,472</b>

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

**Consolidated Segmented Statements of Cash Flow**

(in thousands of Canadian dollars) (Unaudited)

For the three months ended June 30, 2009

	Mining	DMC	Total
<b>Operating activities</b>	\$	\$	\$
Net earnings (loss) for the period	13,723	(1,270)	12,453
Non-cash items			
Depreciation and amortization	1,949	1,123	3,072
Stock-based compensation	1,214	168	1,382
Future income and resource taxes	(5,378)	(292)	(5,670)
Amortization of Gold Wheaton deferred revenue	(4,344)	-	(4,344)
Mark-to-market and accretion of Gold Wheaton note	(3,004)	-	(3,004)
Share of (income) loss of equity investee	(2)	-	(2)
Other	(136)	(5)	(141)
	4,022	(276)	3,746
Net change in non-cash working capital	6,587	7,743	14,330
	10,609	7,467	18,076
<b>Financing activities</b>			
Common shares issued	14,311	-	14,311
<b>Investing activities</b>			
Property, plant and equipment	(14,602)	(61)	(14,663)
Effect of exchange rate changes on cash	-	(1,220)	(1,220)
<b>Change in cash and cash equivalents for the period</b>	<b>10,318</b>	<b>6,186</b>	<b>16,504</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>108,304</b>	<b>6,268</b>	<b>114,572</b>
<b>Cash and cash equivalents – end of period</b>	<b>118,622</b>	<b>12,454</b>	<b>131,076</b>

For the six months ended June 30, 2009

	Mining	DMC	Total
<b>Operating activities</b>	\$	\$	\$
Net earnings (loss) for the period	(11,465)	(2,233)	(13,698)
Non-cash items			
Depreciation and amortization	5,215	2,342	7,557
Stock-based compensation	2,194	371	2,565
Future income and resource taxes	(3,179)	(292)	(3,471)
Amortization of Gold Wheaton deferred revenue	(6,483)	-	(6,483)
Mark-to-market and accretion of Gold Wheaton note	(3,692)	-	(3,692)
Share of (income) loss of equity investee	228	-	228
Dilution loss	31,238	-	31,238
Other	(261)	143	(118)
	13,795	331	14,126
Net change in non-cash working capital	(1,833)	3,110	1,277
	11,962	3,441	15,403
<b>Financing activities</b>			
Common shares issued	14,311	-	14,311
<b>Investing activities</b>			
Property, plant and equipment	(27,785)	11	(27,774)
Effect of exchange rate changes on cash	-	(425)	(425)
<b>Change in cash and cash equivalents for the period</b>	<b>(1,509)</b>	<b>3,024</b>	<b>1,515</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>120,131</b>	<b>9,430</b>	<b>129,561</b>
<b>Cash and cash equivalents – end of period</b>	<b>118,622</b>	<b>12,454</b>	<b>131,076</b>

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

### Consolidated Segmented Statements of Cash Flow

(in thousands of Canadian dollars) (Unaudited)

For the three months ended June 30, 2008

	Mining	DMC	Total
	\$	\$	\$
<b>Operating activities</b>			
Net earnings (loss) for the period	12,957	(1,616)	11,341
Non-cash items			
Depreciation and amortization	12,718	2,306	15,024
Stock-based compensation	1,048	557	1,605
Future income and resource taxes	1,523	-	1,523
Other	(8,319)	-	(8,319)
	19,927	1,247	21,174
Net change in non-cash working capital	(9,013)	1,370	(7,643)
	10,914	2,617	13,531
<b>Financing activities</b>			
Bank indebtedness – net	20,372	-	20,372
Common shares issued	301	-	301
<b>Investing activities</b>			
Proceeds from disposal of investments	21,441	-	21,441
Property, plant and equipment	(45,711)	(30)	(45,741)
<b>Effect of exchange rate changes on cash</b>	-	431	431
<b>Change in cash and cash equivalents for the period</b>	7,317	3,018	10,335
<b>Cash and cash equivalents – beginning of period</b>	18,957	10,180	29,137
<b>Cash and cash equivalents – end of period</b>	26,274	13,198	39,472

For the six months ended June 30, 2008

	Mining	DMC	Total
	\$	\$	\$
<b>Operating activities</b>			
Net earnings (loss) for the period	37,728	(2,324)	35,404
Non-cash items			
Depreciation and amortization	21,531	4,603	26,134
Stock-based compensation	1,673	1,133	2,806
Future income and resource taxes	10,497	-	10,497
Other	(8,552)	(94)	(8,646)
	62,877	3,318	66,195
Net change in non-cash working capital	3,190	(58)	3,132
	66,067	3,260	69,327
<b>Financing activities</b>			
Bank indebtedness – net	20,372	-	20,372
Common shares issued	641	-	641
<b>Investing activities</b>			
Investments	(10,000)	-	(10,000)
Property, plant and equipment	(96,494)	(1,907)	(98,401)
Proceeds from disposal of investment	21,441	-	21,441
<b>Effect of exchange rate changes on cash</b>	-	932	932
<b>Change in cash and cash equivalents for the period</b>	2,027	2,285	4,312
<b>Cash and cash equivalents – beginning of period</b>	24,247	10,913	35,160
<b>Cash and cash equivalents – end of period</b>	26,274	13,198	39,472

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

**Consolidated Statements of Retained Earnings (Deficit)**

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Retained earnings (deficit) – beginning of period</b>	<b>(246,731)</b>	192,023	<b>(220,580)</b>	167,960
<b>Net earnings (loss) for the period</b>	<b>12,453</b>	11,341	<b>(13,698)</b>	35,404
<b>Retained earnings (deficit) – end of period</b>	<b>(234,278)</b>	203,364	<b>(234,278)</b>	203,364

**Consolidated Statements of Comprehensive Income (Loss)**

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Net earnings (loss) for the period</b>	<b>12,453</b>	11,341	<b>(13,698)</b>	35,404
<b>Other comprehensive income, net of tax</b>				
Unrealized gains (loss) on available for sale investments (note 3)	<b>3,515</b>	(5,727)	<b>4,108</b>	(7,802)
Cumulative translation adjustment (note 3)	<b>(1,220)</b>	(109)	<b>(425)</b>	561
<b>Comprehensive income (loss)</b>	<b>14,748</b>	5,505	<b>(10,015)</b>	28,163

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2009 and 2008  
(amounts in thousands of Canadian dollars except where otherwise noted)  
(Unaudited)

### 1. Nature of operations

FNX Mining Company Inc. ("FNX" or the "Company") is an Ontario based company operating in Canada and the United States with two operating segments: the Mining segment and the DMC segment. The mining segment is active in the mineral resource business which includes the acquisition, exploration, development and mining of mineral properties. FNX's mineral properties are located in the Sudbury mining district of Ontario, Canada from which the Company currently produces and sells copper, nickel, platinum, palladium, gold and cobalt. 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.

### 2. Accounting policies and basis of presentation

The unaudited interim consolidated financial statements of FNX have been prepared in accordance with accounting principles generally accepted in Canada using the same accounting policies as those disclosed in note 2 to FNX's audited consolidated financial statements for the year ended December 31, 2008, except as noted below. Generally accepted accounting principles ("GAAP") for interim consolidated financial statements do not conform in all respects to the disclosures required for annual consolidated financial statements and, accordingly, these unaudited interim consolidated financial statements should be read in conjunction with FNX's audited annual consolidated financial statements and accompanying notes. In the opinion of management, all adjustments considered necessary for the fair presentation of results for the periods presented have been reflected in these unaudited interim consolidated financial statements. These adjustments consist only of normal and recurring adjustments. The interim results are not necessarily indicative of results for the full year.

#### (a) Changes in accounting policies

In February 2008, the CICA issued *Section 3064, Goodwill and Intangible Assets*, which replaced *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. Application of this standard did not have an impact on the Company's consolidated financial statements.

#### (b) 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 was 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 is currently engaged in the scoping phase of the project, which includes the determination of any necessary changes to accounting policies under IFRS.

**3. Accumulated other comprehensive income (loss)**

The following table summarizes information regarding FNX’s accumulated other comprehensive income (loss) (“**OCI**”) as at and for the six months ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
	\$	\$
Balance – beginning of period	(8,417)	5,565
Reclassification adjustment of gains included in net income <sup>1</sup>	-	(7,145)
Changes in fair value of available-for-sale assets <sup>2</sup>	4,108	(7,802)
Cumulative translation adjustment	(425)	561
Balance – end of period	<u>(4,734)</u>	<u>(8,821)</u>

<sup>1</sup> Tax impact of \$nil (2008 - (\$1,115))

<sup>2</sup> Tax impact of \$nil (2008 - (\$1,218))



**4. Inventory**

	<b>June 30</b>	December 31
	<b>2009</b>	2008
	<u>\$</u>	<u>\$</u>
In-process		
Cash costs	<b>4,385</b>	1,530
Non-cash costs	<b>586</b>	465
	<u><b>4,971</b></u>	<u>1,995</u>
Supplies	<b>174</b>	312
	<u><b>5,145</b></u>	<u>2,307</u>

Mining in-process inventory represents the lower of cost or net realizable value of the ore that has been mined and stockpiled for future concentrating, smelting and refining as at the balance sheet date. Cash costs include mining costs and all costs up to and including crushing but not haulage to the concentrator. Non-cash costs represent the amount of mine depreciation and amortization deferred to in-process inventories as at the balance sheet date. The mine depreciation and amortization included in the carrying value of in-process inventories is charged to mining depreciation and amortization expense on the statement of operations as the ore is delivered and treated.

DMC supplies inventory includes non-capital spare parts, consumable operating supplies, as well as the cost of inventory held on sites for installation at customers' facilities.

**5. Investments**

	<b>June 30</b>		December 31	
	<b>2009</b>		2008	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
	# 000s	\$000s	# 000s	\$000s
Lake Shore Gold Corp.	<b>1,500</b>	<b>4,095</b>	1,500	2,130
INV <sup>1</sup> (common shares)	<b>7,662</b>	<b>2,682</b>	7,662	1,226
Northern Superior Resources Inc.	<b>6,861</b>	<b>686</b>	6,861	241
Fieldex Exploration Inc.	<b>6,500</b>	<b>455</b>	6,500	293
Visible Gold Mines Inc.	<b>1,066</b>	<b>160</b>	1,066	80
INV (common share purchase warrants)	<b>2,348</b>	<b>156</b>	2,348	39
		<u><b>8,234</b></u>		<u>4,009</u>

<sup>1</sup> International Nickel Ventures Corporation ("INV")

During the six months ended June 30, 2009, the investments were measured at a fair value of \$8,234 resulting in a revaluation gain of \$4,225, net of tax, for the first six months of 2009, recognized in accumulated OCI. Warrants were measured at a fair value of \$156, an increase of \$117 from December 31, 2008, which was recognized in other expenses (income).



## 6. Investment in Gold Wheaton

The following table summarizes information regarding FNX's investment in Gold Wheaton Gold Corp. ("**Gold Wheaton**") as at and for the six month period ended June 30, 2009 and as at and for the year ended December 31, 2008:

	<b>June 30</b>	December 31
	<b>2009</b>	2008
	<u>\$</u>	<u>\$</u>
Balance – beginning of period	<b>180,466</b>	-
Acquired in period	-	182,066
Dilution loss	<b>(31,238)</b>	-
Share of income (loss) of equity investee	<b>(228)</b>	(1,600)
Balance – end of period	<b>149,000</b>	180,466
Note receivable	<b>38,846</b>	35,154
	<b>187,846</b>	215,620

On July 15, 2008, FNX entered into an agreement with Gold Wheaton whereby the Company agreed to sell 50% of the gold equivalent ounces of gold, platinum and palladium metal contained in ore mined, shipped and delivered from certain of the Company's deposits.

The note receivable with a face value of \$50,000 was renegotiated on December 8, 2008 and the due date 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, the carrying value of the note receivable at June 30, 2009 was \$38,846.

On March 5, 2009, Gold Wheaton closed an equity financing for gross proceeds of \$115,000. The offering consisted of 460 million units priced at \$0.25 per unit. Each unit was made up of one common share and one half common share purchase warrant. At December 31, 2008, FNX owned 360 million Gold Wheaton common shares, representing 38% ownership in Gold Wheaton. FNX elected not to participate in Gold Wheaton's equity issuance and, consequently, FNX's ownership interest in Gold Wheaton declined to 26% resulting in a dilution loss. Measurement of the dilution loss is calculated based on the change in ownership and the change in net book value of Gold Wheaton. Accordingly, FNX recognized a dilution loss of \$31,238 at March 31, 2009.

As at June 30, 2009 the market value of FNX's 360,000,000 Gold Wheaton shares was approximately \$97,200.



**(a) 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. The two adjacent properties are considered to be one mining operation as they are integrated from an operational perspective, produce similar ore and sell all production to the same purchaser.

As at December 31, 2008, certain long-lived assets were transferred from the Levack Complex to the LFD. An impairment test was performed by FNX at December 31, 2008 and the carrying values of the remaining long-lived assets at the Levack Complex were written down to their then fair values.

**(b) Podolsky**

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

An impairment test was performed by FNX at December 31, 2008 and the carrying value of Podolsky was written down to its then fair value.

**(c) Property under development – LFD**

The LFD is located on the Levack property and is connected to the Rob's Deposit, which is considered to be the uppermost part of the LFD. The transitional ore at the uppermost extent of the LFD is currently in commercial production while the main body of the LFD is being developed for commercial production.

The accumulated mineral property and exploration capital costs to date, net of \$5,854 of pre-production revenue credits, were transferred from mineral exploration properties to property under development during the first quarter of 2009. Once the LFD achieves commercial production, the accumulated capital costs will be transferred to the appropriate categories of mining property and development and plant and equipment.

**(d) Mineral exploration properties**

The carrying value of the mineral exploration properties represents the accumulated costs to date for the acquisition and exploration costs incurred by FNX on its non-producing mineral exploration properties net of write-downs. Mineral exploration properties are not amortized.

FNX's mineral exploration properties are comprised as follows:

	<b>June 30 2009</b>	December 31 2008
	\$	\$
LFD <sup>1</sup>	-	362,301
Victoria	<b>764</b>	-
Podolsky Nickel Ramp	<b>38</b>	-
Foy-Offset	<b>29</b>	-
Falconbridge Footwall	<b>44</b>	-
Kirkwood	-	-
Other Properties	<b>22</b>	-
	<b>897</b>	<b>362,301</b>

<sup>1</sup> The accumulated net capital costs were transferred to property under development during the first quarter of 2009.



As at June 30, 2009, FNX held a 100% interest in the Podolsky Nickel Ramp, Victoria and Kirkwood mineral exploration properties, all of which are located in the Sudbury mining district of Ontario, Canada.

The Falconbridge Footwall, Foy-Offset and Other Properties are located in the Sudbury mining district of Ontario, Canada. FNX holds between 30% and 100% interests in the mineral exploration properties included in the Other Properties.

The Falconbridge Footwall and Foy-Offset are subject to a joint venture agreement with Xstrata Nickel ("Xstrata Nickel"), a business unit of Xstrata Canada Corporation (the "Falconbridge Joint Venture"). As at December 31, 2008, the Company and Xstrata Nickel held a 79% and 21% interest, respectively, in the Falconbridge Joint Venture. There was no exploration planned for the joint venture in 2009; however, upon the issuance of flow-through common shares on April 28, 2009, \$1,132 was budgeted for spending on renounceable Canadian Exploration Expenses as defined by the Income Tax Act (Canada) ("CEE") on the Falconbridge Joint Venture in 2009. The Company is the operator of the Falconbridge Joint Venture.

An impairment test was performed by FNX at December 31, 2008 on all of its mineral exploration properties and the carrying value of all exploration properties, other than the LFD, was written down to \$nil. Subsequent to year end, the LFD was approved for development for commercial production by the Company's Board of Directors and the accumulated net costs were transferred from mineral exploration properties to property under development – LFD.

All mineral exploration properties are in the exploration stage and there can be no assurance that commercially viable mineral deposits or reserves exist on them.

**(e) Corporate**

Corporate assets consist of vehicles, computer hardware and software, office equipment, and furniture and fixtures at the Toronto head office and the Sudbury exploration office.

**(f) DMC**

DMC assets consist of mining equipment, computer hardware and software, office equipment, furniture and fixtures at the Richmond Hill and Sudbury, Canada and Salt Lake City, USA offices and at the various contract mining services job sites in North America.

**8. Deferred revenue**

The following table summarizes information regarding FNX's deferred revenues as at and for the six months ended June 30, 2009 and 2008:

	<b>June 30, 2009</b>		
	<b>Mining</b>	<b>DMC</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance – beginning of period	<b>394,425</b>	<b>977</b>	<b>395,402</b>
Received in period	-	-	-
Recognized in period	<b>(6,483)</b>	<b>(887)</b>	<b>(7,370)</b>
Balance – end of period	<b>387,942</b>	<b>90</b>	<b>388,032</b>
Current portion	<b>(18,090)</b>	<b>(90)</b>	<b>(18,180)</b>
	<b>369,852</b>	-	<b>369,852</b>



	June 30, 2008		
	Mining	DMC	Total
	\$	\$	\$
Balance – beginning of period	-	975	975
Received in period	-	-	-
Recognized in period	-	(825)	(825)
Balance – end of period	-	150	150
Current portion	-	(150)	(150)
	-	-	-

On July 15, 2008, Gold Wheaton paid FNX up-front amounts totaling \$400,000, which amount was included in deferred revenue (note 6). Deferred revenue is amortized into revenues on the basis of the proportion of gold equivalent ounces sold to Gold Wheaton to the total gold equivalent ounces in the life of mine plans for the deposits subject to the Gold Wheaton agreement. Current and long-term deferred revenue amounts for Gold Wheaton were allocated based on the proportion of estimated production of gold equivalent units in the next year to the total expected production over the life of the deposits subject to the Gold Wheaton agreement.

## 9. Share capital and earnings (loss) per share

The following tables summarize information regarding FNX's share capital and earnings (loss) per share as at and for the six months ended June 30, 2009 and 2008:

### (a) Common shares issued and outstanding <sup>1</sup>

	2009		2008	
	Shares # 000s	Amount \$	Shares # 000s	Amount \$
Balance – beginning of period	84,877	571,750	84,564	567,700
Stock options exercised	12	63	145	1,643
From contributed surplus (note 10)	-	19	-	641
Flow-through common shares issued	2,174	14,448	-	-
Balance – end of period	87,063	586,280	84,709	569,984

<sup>1</sup> FNX is authorized to issue an unlimited number of common shares.

On April 28, 2009, the Company issued through a private placement 2,173,914 flow-through common shares of the Company at a price of \$6.90 per share for gross proceeds of \$15,000. The proceeds will be used for CEE related to the exploration of the Company's Canadian properties in Ontario. The Company incurred \$752 of transaction costs associated with the issue that have been charged to share capital. A future income tax asset of \$200 was recognized relating to the transaction costs.

In the second quarter of 2009, the Company incurred \$600 of CEE that will be renounced, effective December 31, 2009 pursuant to the flow-through common share issuance, leaving a balance of \$14,400 to be spent by December 31, 2010. The ultimate renunciation of \$15,000 of CEE will result in a future income tax liability of approximately \$4,800.

Flow-through shares are issued and the proceeds are used to fund qualifying exploration expenditures within a defined period. The resource expenditures are renounced to investors in accordance with tax legislation. Share capital is reduced and a future tax liability is



increased for the amount of the renounced tax deduction when the renouncement is made. Transaction costs related to the issue are charged to share capital.

**(b) Earnings (loss) per share**

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
<b>Net earnings (loss) available to shareholders (\$)</b>				
Basic and diluted	<u>12,453</u>	<u>11,341</u>	<u>(13,698)</u>	<u>35,404</u>
<b>Weighted average shares outstanding (#000s)</b>				
Basic	<u>86,409</u>	<u>84,672</u>	<u>85,647</u>	<u>84,625</u>
Effect of dilutive stock options	<u>-</u>	<u>467</u>	<u>-</u>	<u>473</u>
Diluted	<u>86,409</u>	<u>85,139</u>	<u>85,647</u>	<u>85,098</u>
Stock options excluded from dilution	<u>1,987</u>	<u>824</u>	<u>1,987</u>	<u>815</u>
<b>Earnings (loss) per share</b>				
Basic	<u>\$0.14</u>	<u>\$0.13</u>	<u>(\$0.16)</u>	<u>\$0.42</u>
Diluted	<u>\$0.14</u>	<u>\$0.13</u>	<u>(\$0.16)</u>	<u>\$0.42</u>

**10. Contributed surplus**

The following table summarizes information regarding FNX's contributed surplus as at and for the six months ended June 30, 2009 and 2008:

	2009	2008
	\$	\$
Balance – beginning of period	13,741	9,816
Stock-based compensation	2,565	2,806
Transfer of exercised options to share capital (note 9)	(19)	(641)
Balance – end of period	<u>16,287</u>	<u>11,981</u>

The following table summarizes information regarding FNX's stock-based compensation expense for the three and six months ended June 30, 2009 and 2008:

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Stock options	1,382	1,605	2,565	2,806
Deferred share units	1,171	(216)	1,341	(243)
	<u>2,553</u>	<u>1,389</u>	<u>3,906</u>	<u>2,563</u>

FNX has two stock-based compensation plans: a stock option plan (the “**Option Plan**”); and a deferred share unit plan (the “**DSU Plan**”).

In March of 2009, the Company increased the minimum number of FNX Common Shares and/or deferred share units (“**DSUs**”) each director is required to hold within five years of their appointment as a director from 5,000 FNX common shares and/or DSUs to the lesser of (i) the number of FNX common shares and/or DSUs having a value of \$150 and (ii) 25,000 FNX common shares and/or DSUs. The Chief Executive Officer is required to own that number of FNX common shares and/or DSUs that represents two times the value of his base salary



which is to be achieved within five years of becoming Chief Executive Officer. The Chief Financial Officer is required to own a minimum of 5,000 FNX common shares and/or DSUs.

**(a) Stock option plan**

The maximum number of FNX common shares that may be reserved for issuance under the Option Plan is 5% of all issued and outstanding FNX common shares at the time of the grant (on a non-diluted basis). As at June 30, 2009, an aggregate of 3,654,833 FNX common shares (representing approximately 4.2% of the issued and outstanding FNX common shares) were reserved for issuance under the Option Plan.

The following table summarizes information regarding FNX's outstanding and exercisable stock options as at June 30, 2009:

Range of exercise prices per share	Outstanding			Exercisable	
	Shares	Weighted average months remaining	Weighted average exercise price per share	Shares	Weighted average exercise price per share
\$	# 000s	#	\$	# 000s	\$
5.00	1,668	58	5.00	-	-
7.40	195	9	7.40	195	7.40
8.15 to 12.99	354	25	11.19	246	10.86
13.00	48	18	13.00	48	13.00
13.01 to 13.83	124	20	13.74	106	13.74
14.01 to 18.04	119	26	15.70	88	15.55
18.05 to 29.66	869	43	25.07	342	25.36
30.20 to 34.65	44	35	31.22	29	31.22
37.53	234	41	37.53	81	37.53
	<u>3,655</u>			<u>1,135</u>	

The following table summarizes information regarding FNX's stock options as at and for the three and six months ended June 30, 2009:

	Three months ended		Six months ended	
	Shares	Weighted average exercise price per share	Shares	Weighted average exercise price per share
	# 000s	\$	# 000s	\$
Balance – beginning of period	2,023	13.65	2,130	20.91
Granted	1,672	5.00	1,672	5.00
Exercised	(13)	5.04	(13)	5.04
Forfeited/Cancelled	(27)	25.47	(134)	18.76
Balance – end of period	<u>3,655</u>		<u>3,655</u>	

For purposes of stock-based compensation, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the year to date weighted average assumptions used for grants as follows: dividend yield of 0% (2008 - 0%), expected volatility of 51% (2008 - 45%), risk-free interest rate of 1.6% (2008 - 3.2%) and expected life of 36 months (2008 - 36 months).

**(b) Deferred share units plan**

The purpose of the DSU Plan is to promote a greater alignment of interests between shareholders and directors and executive employees by linking a portion of director compensation and executive employee incentive plan awards to the future value of FNX's common shares. The DSU Plan is only eligible to directors and executive employees of FNX and is to allow directors and executive employees the choice to receive, in increments of 25%, up to 100% of their director compensation or incentive plan awards in the form of DSUs rather than by way of cash. The number of DSUs granted is equal to the amount of the payment awarded or elected to be received in DSUs, divided by the market value of an FNX common share at that time. Each DSU vests immediately and represents the right of the director or executive employee (or his or her estate) to receive, after his or her resignation or termination (or death), a cash payment equal to the market value of an FNX Common Share on the date of such resignation, termination or death multiplied by the number of DSUs then held. On April 2, 2009, 240,000 DSU were awarded to certain officers of the Company. Included in accrued liabilities at June 30, 2009 is \$2,636 related to 320,146 outstanding DSUs.

**11. Other expenses (income)**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	\$	\$	\$	\$
Mark-to-market and accretion of Gold				
Wheaton note receivable (note 6)	<b>(3,004)</b>	-	<b>(3,692)</b>	-
Interest income	<b>(132)</b>	(181)	<b>(416)</b>	(491)
(Gain) loss on investments held-for-trading	<b>(120)</b>	215	<b>(117)</b>	253
Gain on sale of fixed assets	<b>(3)</b>	-	<b>(3)</b>	(94)
Foreign exchange (gain) loss	<b>2,890</b>	275	<b>369</b>	(2,113)
Gain on disposal of investments	-	(8,461)	-	(8,461)
Interest on bank indebtedness	-	213	-	213
Miscellaneous	<b>(162)</b>	(78)	<b>(219)</b>	(146)
	<b><u>(531)</u></b>	<b><u>(8,017)</u></b>	<b><u>(4,078)</u></b>	<b><u>(10,839)</u></b>

**12. Supplementary cash flow information**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	\$	\$	\$	\$
Net change in non-cash working capital				
Accounts receivable	<b>6,530</b>	17,365	<b>14,801</b>	(1,276)
Inventory	<b>2,532</b>	732	<b>(2,838)</b>	3,030
Prepaid and other assets	<b>(254)</b>	(161)	<b>(521)</b>	(143)
Accounts payable and accrued liabilities	<b>5,654</b>	(25,579)	<b>(9,278)</b>	1,521
Deferred revenue – DMC	<b>(132)</b>	-	<b>(887)</b>	-
	<b><u>14,330</u></b>	<b><u>(7,643)</u></b>	<b><u>1,277</u></b>	<b><u>3,132</u></b>
Other information				
Interest paid	-	213	-	213
Income and resource taxes paid	<b>165</b>	1,148	<b>165</b>	1,496

**13. Related party transactions**

Upon signing the Gold Wheaton agreement on July 15, 2008, Gold Wheaton became a significantly-influenced investee of FNX and thus became a related party. All transactions conducted with Gold Wheaton are measured at the exchange amount. Sales to Gold Wheaton in the second quarter of 2009 totaled \$2,422, year to date sales were \$5,339, and accounts receivable from Gold Wheaton totaled \$7,007 as at June 30, 2009.

**14. Segmented information**

FNX has two operating segments: Mining and DMC. The Mining segment operates in one geographic location, Ontario, Canada, and is responsible for mineral exploration, development and mining. The DMC segment, comprised of the Canadian mining services division and a wholly-owned subsidiary in the United States, provides mining and civil underground construction services in Canada and the United States.

The following table summarizes information regarding FNX's operations by geographic location as at and for the three months ended June 30, 2009 and 2008.

	<b>Three months ended</b>		
	<b>June 30, 2009</b>		
	<b>Canada</b>	<b>United States</b>	<b>Total</b>
	\$	\$	\$
Operating revenues	<u>52,355</u>	<u>9,514</u>	<u>61,869</u>
Operating expenses			
Expenses, excluding depreciation and amortization	31,224	8,578	39,802
Depreciation and amortization	2,474	383	2,857
Other expenses (income)	3,637	102	3,739
	<u>37,335</u>	<u>9,063</u>	<u>46,398</u>
Earnings (loss) before taxes	<u>15,020</u>	<u>451</u>	<u>15,471</u>
Capital expenditures	15,032	(369)	14,663



	<b>Six months ended June 30, 2009</b>		
	<u>Canada</u>	<u>United States</u>	<u>Total</u>
	\$	\$	\$
Operating revenues	<u>92,718</u>	<u>18,104</u>	<u>110,822</u>
Operating expenses			
Expenses, excluding depreciation and amortization	59,721	16,260	75,981
Depreciation and amortization	6,324	784	7,108
Other expenses (income)	<u>35,938</u>	<u>46</u>	<u>35,984</u>
	<u>101,983</u>	<u>17,090</u>	<u>119,073</u>
Earnings (loss) before taxes	<u>(9,265)</u>	<u>1,014</u>	<u>(8,251)</u>
Accounts receivable	37,624	6,899	44,523
Accounts payable and accrued liabilities	42,061	2,977	45,038
Property, plant and equipment	445,553	9,962	455,515
Capital expenditures	28,204	(430)	27,774

## 15. Contingencies and litigation

### (a) DMC

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

From time to time, DMC is involved in litigation which arises in the normal course of operations. For certain claims, the Company has recorded a sufficient provision. With respect to the remaining claims, the Company believes the claims are without merit and that any impact on the operations of the Company will not be material. The Company's policy is to recognize losses, if any, on any such litigation when the outcome becomes reasonably determinable.

### (b) Mining

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

Interim processing costs terms and interim payable metals terms, based on preliminary metallurgical testing, have been established by Vale Inco Limited ("Vale Inco") 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 costs 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.

On April 16, 2009, Vale Inco announced that its processing facilities will suspend operations beyond the normal May maintenance period until July 27, 2009 and, therefore, will not be accepting the Company's ore for processing after May 2009. In addition, much of Vale Inco's labour force in Sudbury is unionized and their collective agreement ended on May 31, 2009. Effective July 13, 2009, the union commenced strike action against Vale Inco that, to date, has not been settled. FNX continues to mine and stockpile ore (note 16).

**16. Subsequent event**

Subsequent to quarter end, the Company concluded an agreement with Xstrata Nickel to initially process up to 150,000 tonnes of the Company's stockpiled ore at their Strathcona Mill in Sudbury, Ontario. The final terms of the Xstrata Nickel processing agreement will remain confidential.