



UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

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



Consolidated Balance Sheets (in thousands of Canadian dollars)	As at	
	June 30 2007	December 31 2006
	(Unaudited)	
	\$	\$
Assets		
Current		
Cash and cash equivalents	109,851	115,117
Accounts receivable	66,456	52,082
In-process inventory	497	960
Prepaid and other assets	802	259
	177,606	168,418
Investments (note 4)	61,553	30,380
Property, plant and equipment (note 5)	704,288	625,683
Reclamation and other deposits (note 6)	6,099	6,099
	949,546	830,580
Liabilities		
Current		
Accounts payable and accrued liabilities	54,083	29,580
Deferred payment obligation	7,369	7,244
	61,452	36,824
Mine closure and site restoration	2,710	2,631
Future income and resource taxes	183,414	165,136
	186,124	167,767
	247,576	204,591
Shareholders' equity		
Share capital (note 7)	557,651	560,266
Contributed surplus (note 8)	11,348	7,710
Retained earnings	123,195	58,013
Accumulated other comprehensive income (note 3)	9,776	-
	701,970	625,989
	949,546	830,580

Subsequent events (note 14)

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



Consolidated Statements of Operations

(in thousands of Canadian dollars
except earnings per share)

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Mine operating revenues	79,187	39,981	159,660	66,780
Mine operating expenses				
Mining, excluding depreciation and amortization	24,304	15,930	48,859	31,919
Depreciation and amortization	5,951	2,878	10,830	6,027
	30,255	18,808	59,689	37,946
	48,932	21,173	99,971	28,834
Expenses				
Administration	2,177	2,362	4,470	5,275
Capital taxes	272	253	722	575
Depreciation	110	39	207	51
Stock-based compensation (note 8)	690	531	1,578	1,133
Other expenses (income) (note 9)	(6,110)	(875)	(7,377)	(2,312)
	(2,861)	2,310	(400)	4,722
Earnings before taxes	51,793	18,863	100,371	24,112
Income and resource taxes	(16,802)	6,481	(35,189)	4,425
Net earnings for the period	34,991	25,344	65,182	28,537
Basic earnings per share (note 7(b))	\$0.42	0.30	\$0.78	0.34
Diluted earnings per share (note 7(b))	\$0.41	0.30	\$0.76	0.34

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



Consolidated Statement of Comprehensive Income

(in thousands of Canadian dollars
except earnings per share)

(Unaudited)

	Three months ended June 30, 2007	Six months ended June 30, 2007
	\$	\$
Net earnings	34,991	65,182
Other comprehensive income, net of tax		
Unrealized gains (losses) on available for sale investments	(5,612)	6,034
Comprehensive income	29,379	71,216

Consolidated Statements of Retained Earnings (Deficit)

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Retained earnings (deficit) – beginning of period	88,204	(7,474)	58,013	(10,667)
Net earnings for the period	34,991	25,344	65,182	28,537
Retained earnings – end of period	123,195	17,870	123,195	17,870

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



Consolidated Statements of Cash Flow (in thousands of Canadian dollars) (Unaudited)	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Operating activities				
Net earnings for the period	34,991	25,344	65,182	28,537
Non-cash items				
Mine depreciation and amortization	5,911	2,878	10,751	6,027
Mine closure and site restoration	40	32	79	49
Depreciation	110	39	207	51
Stock-based compensation	690	531	1,578	1,133
Future income and resource taxes	10,261	(6,481)	16,776	(4,425)
Interest on deferred payment obligation	62	128	125	254
Gain on disposal of shares	(11,520)	-	(11,520)	-
Gain on sale of mineral exploration properties	(2,354)	-	(2,354)	-
Write-down of mineral exploration properties	1,077	-	1,077	-
Increase in value of investments held for trading	(934)	-	(934)	-
Other	(170)	(5)	(170)	141
	38,164	22,466	80,797	31,767
Net change in non-cash working capital (note 10)	14,189	(7,665)	7,982	(9,457)
	52,353	14,801	88,779	22,310
Financing activities				
Common shares issued	1,833	163	3,022	755
Investing activities				
Investments	(2,821)	-	(2,821)	(996)
Property, plant and equipment	(49,553)	(20,423)	(94,246)	(36,475)
Reclamation deposits	-	-	-	(410)
	(52,374)	(20,423)	(97,067)	(37,881)
Change in cash and cash equivalents for the period	1,812	(5,459)	(5,266)	(14,816)
Cash and cash equivalents – beginning of period	108,039	143,103	115,117	152,460
Cash and cash equivalents – end of period	109,851	137,644	109,851	137,644

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2007 and 2006
(in thousands of Canadian dollars except where otherwise noted)
(Unaudited)

1. Nature of operations

FNX Mining Company Inc. ("**FNX**" or the "**Company**") is a Canadian company active in the mineral resource business which includes the acquisition, exploration, development and mining of mineral properties. FNX's mineral properties are primarily located in the Sudbury mining district of Canada from which the Company currently produces and sells nickel, copper, platinum, palladium, gold and cobalt, with nickel being the most significant for the Company to June 30, 2007. The Company, through a wholly owned subsidiary, Aurora Platinum Corp. ("**Aurora**"), also holds base and precious metal exploration properties in various locations in Ontario.

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, 2006, except as noted below. Generally accepted accounting principles 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 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 recurring adjustments.

Effective January 1, 2007, the Company prospectively adopted the Canadian Institute of Chartered Accountants ("**CICA**") recommendations pertaining to financial instruments, which establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. These recommendations require that fair value be used to measure financial assets that are held for trading or available for sale, financial liabilities that are held for trading and all derivative financial instruments. Other financial assets, such as loans and receivables and investments that are held to maturity, and other financial liabilities are measured at their carrying value. This change in accounting policy had the following effect on the consolidated financial statements for the six months ended June 30, 2007: investments with a book value of \$30,380 were classified as available for sale and measured as of January 1, 2007, at a fair value of \$50,535 which resulted in a revaluation gain of \$16,507, net of tax. The revaluation gains have been recognized in accumulated other comprehensive income ("**OCI**") (note 3).

Effective January 1, 2007, the Company prospectively adopted the CICA recommendations pertaining to hedges, which establish standards for the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. The purpose of hedge accounting is to ensure that gains, losses, revenues and expenses from effective hedging relationships are recorded in earnings in the same period. This change in accounting policy had no effect on the consolidated financial statements for the six months ended June 30, 2007.

Effective January 1, 2007, the Company prospectively adopted the CICA recommendations regarding the reporting and disclosure of comprehensive income. Comprehensive income consists of changes in the equity of the Company from sources other than the Corporation's share owners, and includes earnings of the Company, the foreign currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses on changes in fair values of available for sale assets and effective cash flow hedging instruments. Other comprehensive income comprises revenues, expenses and gains and losses that are recognized in comprehensive income but are excluded from earnings for the period. Comprehensive income is disclosed in a separate statement in the consolidated financial statements.

Effective January 1, 2007, the Company prospectively adopted the CICA recommendations regarding the presentation of equity and changes in equity. These recommendations require separate presentation of the components of equity, including retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves, and the changes therein.

The CICA has issued several new accounting standards including: Section 1535, Capital Disclosures, Section 3031, Inventories, Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation. The Company will adopt these new standards effective January 1, 2008 and is currently assessing the impact of adoption on its consolidated financial statements.

Section 1535 specifies the requirements for the disclosure of information relating to objectives, policies and processes for managing capital.

Section 3031 relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories.

Section 3862 and Section 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation, and revise and enhance the disclosure requirements and carry forward unchanged the presentation requirements.

3. Accumulated other comprehensive income

	June 30 2007
	<u>\$</u>
Accumulated OCI as at January 1, 2007	-
Adjustment at beginning of period due to change in accounting for assets available for sale ¹	16,507
Changes in fair value of assets available for sale ²	<u>11,646</u>
Accumulated OCI as at March 31, 2007	28,153
Reclassification adjustment of gains included in net income	(12,765)
Changes in fair value of assets available for sale ³	<u>(5,612)</u>
Accumulated OCI as at June 30, 2007	<u>9,776</u>

¹ Tax impact of \$3,648

² Tax impact of \$2,574

³ Tax impact of \$3,689

4. Investments

	June 30 2007		December 31 2006	
	Shares # 000s	Amount \$	Shares # 000s	Amount \$
Lake Shore Gold Corp.	13,300	23,541	13,300	14,630
Sherritt International Corporation (note 14 (a))	1,466	21,479	-	-
INV ¹ (common shares) (note 11)	4,762	7,000	3,150	1,956
Fieldex Exploration Inc. (note 5(b))	6,500	4,225	-	-
Superior Diamonds Inc.	6,861	3,328	6,861	3,070
INV ¹ (warrants) (note 11)	3,154	1,980	2,348	692
Dynatec Corporation	-	-	7,717	10,032
		<u>61,553</u>		<u>30,380</u>

¹ International Nickel Ventures Corporation (“INV”)

Effective January 1, 2007, the Company prospectively adopted the CICA recommendations pertaining to financial instruments, which establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. These recommendations require that fair value be used to measure financial assets that are held for trading or available for sale. In accordance with the new standards, as of January 1, 2007 the Company has classified its investments in common shares as available for sale. Unrealized holding gains and losses related to available for sale investments are excluded from net income and included in OCI until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Warrants held by the Company are for long-term investment purposes, however, due to their nature they meet the definition of a derivative and are marked-to-market on a quarterly basis. Mark-to-market gains and losses relating to the warrants are included in net income in the period they occur. The Company estimates the fair value of its investment in common shares at the balance sheet date using quoted market prices for available for sale securities and a Black-Scholes option pricing model for private warrants held. Accordingly, investments with a book value of \$30,380 were classified as available for sale and measured as of January 1, 2007, at a fair value of \$50,535 which resulted in a revaluation gain of \$16,507, net of tax. During the three and six months ended June 30, 2007, the investments were measured at a fair value of \$61,553 resulting in a revaluation loss of \$5,612 and a gain of \$6,034, respectively, net of tax, recognized in accumulated OCI. Warrants with a book value of \$1,047 were measured at a fair value of \$1,981 which resulted in a revaluation gain of \$934 recognized in other expenses (income) (note 9).

On June 14, 2007, Sherritt International Corporation (“**Sherritt**”) and Dynatec Corporation (“**Dynatec**”) completed a Plan of Arrangement (the “**Sherritt-Dynatec Arrangement**”) whereby Sherritt acquired all of the issued and outstanding shares of Dynatec. Under terms of the Sherritt-Dynatec Arrangement, Dynatec and Sherritt amalgamated (and were continued under the name Sherritt), and the shareholders of Dynatec received 0.19 of a Sherritt common share and approximately 0.0635 of a common share of FNX that was owned by Dynatec for each of their Dynatec common shares. Accordingly, on June 14, 2007, FNX’s 7.717 million Dynatec common shares were exchanged for 1.466 million common shares of Sherritt (note 14(a)) and 0.490 million common shares of FNX, which were immediately cancelled. A gain has been recognized during the quarter on the disposal of the Dynatec shares in the amount of \$11,520 (note 9).

5. Property, plant and equipment

	June 30, 2007		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Mining			
Levack Complex			
Property and development	210,079	29,906	180,173
Plant and equipment	67,312	8,911	58,401
	<u>277,391</u>	<u>38,817</u>	<u>238,574</u>
Exploration	464,581	-	464,581
Corporate	1,786	653	1,133
	<u>743,758</u>	<u>39,470</u>	<u>704,288</u>
	December 31, 2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Mining			
McCreedy West			
Property and development	69,244	21,572	47,672
Plant and equipment	19,748	7,050	12,698
	<u>88,992</u>	<u>28,622</u>	<u>60,370</u>
Property under development			
Levack	136,998	-	136,998
Exploration	427,384	-	427,384
Corporate	1,376	445	931
	<u>654,750</u>	<u>29,067</u>	<u>625,683</u>

(a) Levack Complex

The Levack Complex is located in the Sudbury Basin region of Ontario and is comprised of two adjacent mining operations, the McCreedy West and Levack mines. For financial reporting purposes, 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, CVRD Inco Limited ("**CVRD Inco**").

Commencing January 1, 2007, mining revenues and expenses from ore mined and shipped from the Levack property have been included in the statement of operations. In 2006, mining revenues and expenses are only from the McCreedy West property.

FNX holds a 100% interest in the Levack Complex.

(b) 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. Mineral exploration properties are not being amortized. FNX's mineral exploration properties are comprised as follows:

	<u>June 30</u> <u>2007</u>	<u>December 31</u> <u>2006</u>
	\$	\$
Levack Footwall	248,518	231,008
Podolsky	112,736	92,327
Aurora Properties	94,635	96,134
Victoria	6,245	6,235
Kirkwood	2,447	1,680
	<u>464,581</u>	<u>427,384</u>

As at June 30, 2007, FNX held a 100% interest in the Levack Footwall, Podolsky, Victoria and Kirkwood mineral exploration properties, all of which are located in the Sudbury Basin region of Ontario.

The Aurora Properties are located in the Sudbury Basin region, Timmins and northwestern Ontario. All of the Aurora Properties are in the exploration stage and there can be no assurance that commercially viable mineral deposits or reserves exist on them.

The most material mineral properties that are included in the Aurora Properties are located in the Sudbury Basin region and are pursuant to a joint venture agreement (the "**Falconbridge Joint Venture**") with Xstrata Nickel ("**Xstrata Nickel**"). As at December 31, 2006, the Company and Xstrata Nickel held a 74% and 26% interest, respectively, in the Falconbridge Joint Venture and, as Xstrata Nickel is not participating in the 2007 exploration program, Xstrata Nickel's interest continues to be diluted. The Company is the operator of the Falconbridge Joint Venture. FNX holds between 50% and 100% interests in the remaining mineral exploration properties included in the Aurora Properties.

On April 30, 2007, the Company sold its interest in its four Quebec based copper-nickel Aurora Properties to Fieldex Exploration Inc. ("**Fieldex**") in exchange for 6.5 million common shares of Fieldex and a 2% net smelter royalty, which can be purchased by Fieldex at any time for \$1,500 (the "**Fieldex Transaction**"). A gain in the amount of \$2,354 has been recognized on the sale during the quarter in other expense (income) (note 9). Concurrent with the Fieldex Transaction, FNX and Fieldex entered into a Standstill Agreement for a period of one year, whereby FNX is prohibited from acquiring any additional Fieldex shares, making a proposal or extraordinary offer for Fieldex or disposing of its Fieldex shares without the consent of Fieldex.

The Company also wrote-down certain other non-Sudbury Aurora Properties and \$1,077 was charged to earnings during the quarter (note 9).

(c) 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.

6. Reclamation and other deposits

	June 30	December 31
	2007	2006
	\$	\$
Reclamation term deposits	3,699	3,699
Deposit with mine contractor	2,400	2,400
	6,099	6,099

Reclamation term deposits include various amounts with CVRD Inco and government agencies in the Province of Ontario in connection with Podolsky and the Levack Complex.

Deposit with mine contractor relates to amounts advanced to Sherritt as a deposit on mining contractor services to be provided by Sherritt in connection with a Mining Services Agreement entered into on October 21, 2005. The deposit will ultimately be applied against Sherritt's final invoice for mine contractor services to FNX, which will be no later than December 2007 (note 14).

7. Share capital and earnings per share

(a) Common shares issued and outstanding

	2007		2006	
	Shares	Amount	Shares	Amount
	# 000s	\$	# 000s	\$
Balance – beginning of year	83,736	560,266	83,530	558,947
Stock options exercised	489	3,022	182	755
From contributed surplus (note 8)	-	1,174	-	342
Share cancellation (note 8)	(490)	(6,811)	-	-
Balance – June 30	83,735	557,651	83,712	560,044

(b) Earnings per share

	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Net earnings available to shareholders (\$)				
Basic and diluted	34,991	25,344	65,182	28,537
Weighted average shares outstanding (#000s)				
Basic	84,109	83,693	84,009	83,673
Effect of dilutive stock options	1,384	1,096	1,244	1,195
Diluted	85,493	84,789	85,253	84,868
Stock options excluded from dilution	24	617	98	263
Earnings per share				
Basic	\$0.42	\$0.30	\$0.78	\$0.34
Diluted	\$0.41	\$0.30	\$0.76	\$0.34

8. Contributed surplus

The following table summarizes information regarding FNX's contributed surplus as at and for the six month period ended June 30:

	<u>2007</u>	<u>2006</u>
	\$	\$
Balance – beginning of year	7,710	5,677
Stock-based compensation	1,052	1,187
Transfer of exercised options to share capital	(1,174)	(342)
Receipt and cancellation of shares	<u>3,760</u>	<u>-</u>
Balance – June 30	<u><u>11,348</u></u>	<u><u>6,522</u></u>

The following table summarizes information regarding FNX's stock-based compensation expense for the periods ended June 30:

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$
Stock options	463	612	1,052	1,187
Deferred share units	<u>227</u>	<u>(81)</u>	<u>526</u>	<u>(54)</u>
	<u><u>690</u></u>	<u><u>531</u></u>	<u><u>1,578</u></u>	<u><u>1,133</u></u>

Pursuant to the Sherritt-Dynatec Arrangement (note 4), on June 14, 2007, FNX received and cancelled 0.490 million common shares with a market value of \$16,895. The cancelled shares were originally issued to Dynatec in October 2005 at \$13.90 per share as part of an acquisition by FNX of certain assets of Dynatec. The difference of \$3,760, net of \$3,051 of tax, has been recorded as contributed surplus.

(a) Stock option plan

Until March 16, 2005, FNX had only one stock-based compensation plan, a stock option plan (the "**Option Plan**"). The Board of Directors has implemented a policy requiring all directors and executive officers to hold a minimum of 5,000 common shares and/or deferred share units ("**DSUs**") within five years of their appointment to qualify for membership on the Board or appointment as an executive officer of the Company.

The Option Plan is for directors, officers, employees and certain individuals that provide ongoing services to FNX. Under the Option Plan, options are typically granted for a five year period and in such numbers as reflects the level of responsibility of the particular optionee and his or her contribution to the business and activities of FNX. Options granted under the Option Plan prior to 2004 vested at the discretion of the Board of Directors, while options granted in 2004 vest 50% after one year from the date of grant with the balance vesting after two years from the date of grant. Effective January 1, 2005, options granted under the Option Plan have a five year term and vest 33.3% on the anniversary date of each of the first three years following the grant date. Except in specified circumstances, options are not assignable and terminate upon the optionee ceasing to be employed by or associated with FNX. The terms of the Option Plan further provide that the price at which shares may be

issued under the Option Plan cannot be less than the market price of the shares when the relevant options are granted.

The following table summarizes information regarding FNX's outstanding and exercisable stock options as at June 30, 2007:

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	\$
5.04 to 6.85	583	10	6.49	583	6.49
7.40	225	33	7.40	115	7.40
8.15 to 12.99	747	28	9.67	576	9.27
13.00	184	42	13.00	97	13.00
13.17 to 13.83	215	44	13.53	102	13.63
14.01 to 18.04	185	50	15.60	16	14.89
18.05 to 29.32	147	57	22.83	-	-
30.20 to 34.65	56	59	31.53	-	-
	2,342		11.10	1,489	

The following table summarizes information regarding FNX's stock options as at and for the periods ended June 30, 2007:

	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	2,479	8.05	2,672	9.15
Granted	113	29.17	209	25.00
Exercised	(206)	8.90	(489)	6.17
Forfeited/cancelled	(44)	13.43	(50)	13.30
Balance – end of period	2,342		2,342	

(b) Deferred share units plan

On March 16, 2005, as amended, the Board of Directors approved the implementation of a deferred share unit plan (the “**DSU Plan**”), effective July 1, 2005. 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 bonuses 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 management bonus in the form of DSUs rather than by way of cash. Under the terms of the DSU Plan, the number of DSUs granted is based upon the fair market value of FNX's common shares at that time. DSUs are only paid out upon the Director's or executive employee's death or resignation from the Board or the Company. Included in accrued liabilities is \$1.1 million related to 41,473 DSUs.

9. Other expenses (income)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Gain on disposal of Dynatec shares (note 4)	(11,520)	-	(11,520)	-
Gain on sale of mineral exploration properties (note 5(b))	(2,354)	-	(2,354)	-
Gain on investments held for trading	(934)	-	(934)	-
Interest income	(1,042)	(1,424)	(2,237)	(2,879)
Management fees	(33)	(32)	(63)	(62)
Foreign exchange	8,634	452	8,594	377
Write-down of mineral exploration properties (note 5(b))	1,077	-	1,077	-
Interest on deferred payment obligation	62	128	125	254
Miscellaneous	-	1	(65)	(2)
	<u>(6,110)</u>	<u>(875)</u>	<u>(7,377)</u>	<u>(2,312)</u>

10. Supplementary cash flow information

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Net change in non-cash working capital				
Accounts receivable	11,417	(5,663)	(14,374)	(17,348)
In-process inventory	(102)	176	463	433
Prepaid and other assets	47	(204)	(543)	(120)
Accounts payable and accrued liabilities	2,827	(1,974)	22,436	7,578
	<u>14,189</u>	<u>(7,665)</u>	<u>7,982</u>	<u>(9,457)</u>
Other information				
Interest paid	-	-	-	-
Income and resource taxes paid	7,338	-	7,338	-

11. Related party transactions

Under the terms of an agreement between FNX and INV, dated January 1, 2006, FNX has agreed to provide certain administrative services and facilities to INV as well as the non-exclusive services of certain personnel, all in consideration of a flat fee of \$10 per month. These services and facilities include commercially reasonable office facilities and communication equipment and the non-exclusive services of certain FNX personnel, including the Senior Vice President and Chief Financial Officer of FNX (who also served as the Vice President and Chief Financial Officer of INV until May 31, 2007), as well as accounting and administrative staff as required by INV. The services provided by these personnel are limited to 20% of the time of each such individual per week on the basis of a 40 hour work week. In addition, the non-exclusive services of the former Vice President Business Development of FNX (who also served as the President and Chief Executive Officer of INV until February 5, 2007) and the Vice President Investor Relations and Corporate Secretary of FNX (who also serves as the Director of Investor Relations for INV), are provided to INV pursuant to the agreement in consideration of the reimbursement to FNX

of an amount equal to the salary and benefits paid by FNX to each such officer, multiplied by the percentage of their respective time spent providing services to INV. The services provided by the Vice President Investor Relations and Corporate Secretary of FNX are limited to 20% of the time of such individual per week on the basis of a 40 hour work week. No similar limitations applied to the services provided by the former Vice President Business Development of FNX. The agreement may be terminated by either party at any time upon the provision of 30 days written notice to the other party, at nominal cost. During the three and six months ended June 30, 2007, FNX invoiced INV \$60 and \$122, respectively, for services provided under the agreement.

On May 18, 2007, INV closed a bought deal financing and a concurrent private placement raising funds at \$1.75 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one additional common share at a price of \$2.25 until November 18, 2008. FNX participated in the financing and acquired 1.612 million units (1.612 million common shares and 0.806 million warrants) for \$2,821. Based on INV's prospectus disclosure, INV used the Black-Scholes option pricing model to assign the warrants a value and, therefore, FNX's cost basis is equal to \$355, or \$0.44 per warrant.

12. Fair value of financial instruments

The carrying amount of accounts receivable and current liabilities approximate their fair value due to the short-term maturities of these instruments. The company has a deferred payment obligation to its mining contractor, which is carried at fair market value, as the discount rate on the acquisition date approximates the current discount rate. FNX does not currently have any commodity or foreign exchange hedging or other derivative instruments.

13. Segmented information

The Company operates in one geographic location, Sudbury, Ontario, Canada, and one segment, mineral exploration, development and mining. The Levack Complex, comprised of the McCreedy West and Levack properties, is not considered to be a separate segment.

The Company sells all of ore it produces to CVRD Inco under the terms of an off-take agreement and, accordingly, CVRD Inco is currently FNX's sole customer. CVRD Inco has agreed to concentrate, smelt and refine all of FNX's ore produced through to December 31, 2007.

14. Subsequent events

(a) Investment in Sherritt

In July 2007, the Company disposed of its 1.466 million shares of Sherritt at \$17.40 per share for net proceeds of \$25,512.

(b) Mining services division

Concurrent with the Sherritt-Dynatec Arrangement (note 4), on April 20, 2007, Sherritt entered into an agreement with FNX, whereby FNX was granted the right to purchase the Dynatec Mining Services Division from Sherritt for cash at a price to be determined based upon independent valuations. The valuation process is expected to be completed before the end of the third quarter.