FNX MINING CO INC
Form 40-F
May 14, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003 Commission File Number 001-31704

FNX MINING COMPANY INC.
(Exact name of Registrant as specified in its charter)

Ontario	1000, 1098	Not Applicable
(Province or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

55 University Avenue
Suite 700, Toronto, Ontario
M5J 2H7
(416) 628-5929
(Address and telephone number of Registrants' principal executive offices)

CT Corporation System
111 Eighth Avenue
New York, NY 10011
(212) 894-8940
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each Exchange on which Registered:
Common Shares, No Par Value	American Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

For annual reports, indicate by check mark the information filed with this Form:

[X] Annual information form [X] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by this annual report.

The Registrant had 47,415,169 Common Shares
outstanding as at December 31, 2003

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the registrant in connection with such Rule.

Yes _____ 82-_____ No __X__

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No _____

DOCUMENTS FILED UNDER COVER OF THIS FORM

Document No. 1: Annual Information Form for the year ended December 31, 2003, dated March 23, 2004.

Document No. 2: Audited Financial Statements for the financial year ended December 31, 2003, prepared in accordance with Canadian generally accepted accounting principles, and reconciled to United States generally accepted accounting principles in accordance with Item 17 of Form 20-F.

Document No. 3: Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2003.

Document No. 1

FNX MINING COMPANY INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2003

DATED MARCH 23, 2004

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks, may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may", "will" "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

Forward-looking statements and other information contained herein concerning the mining industry and our general expectations concerning the mining industry are based on estimates prepared by us using data from publicly

available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which we believe to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While we are not aware of any misstatements regarding any industry data presented herein, the industries involve risks and uncertainties and are subject to change based on various factors.

CERTAIN HISTORICAL INFORMATION CONTAINED IN THIS ANNUAL INFORMATION FORM HAS BEEN PROVIDED BY, OR DERIVED FROM INFORMATION PROVIDED BY, CERTAIN THIRD PARTIES. ALTHOUGH THE CORPORATION HAS NO KNOWLEDGE THAT WOULD INDICATE THAT ANY SUCH INFORMATION IS UNTRUE OR INCOMPLETE, THE CORPORATION ASSUMES NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF SUCH INFORMATION OR THE FAILURE BY SUCH THIRD PARTIES TO DISCLOSE EVENTS WHICH MAY HAVE OCCURRED OR MAY AFFECT THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION BUT WHICH IS UNKNOWN TO THE CORPORATION.

GLOSSARY OF TERMS

The following capitalized terms used herein have the meanings set out below:

AG	Silver.
AS	Arsenic
AU	Gold.
BHID	Borehole Identification Number.
BLEBBY	Containing blebs, or characterized by blebs which are globul
BQ	Diamond drill core diameter 1 7/16" (36.5 mm)
BRECCIA	A rock dominated with angular fragments within a finer grain usually a product of faulting.
CHALCOPYRITE	Copper Iron Sulphide - CuFeS2. The main ore of copper.
CLOSURE PLAN	An environmental plan covering the closure of a mining opera
CO	Cobalt.
CONTACT DEPOSITS	In the Sudbury Camp these are deposits occurring at the cont Sudbury Igneous Complex (SIC) and the footwall country rocks
CU	Copper.
DEPOSIT	A mineralized body which has been physically delineated by s drilling, trenching, and/or underground work, and found to c sufficient average grade of metal or metals to warrant furth exploration and/or development expenditures; such a deposit qualify as a commercially mineable ore body or as containing reserves.
DEVELOPMENT	The preparation of a known commercially mineable deposit for
DEVELOPMENT STAGE	A company is in the development stage when it is engaged in preparation of an established commercially mineable deposit for its extraction which is not in the production stage.
DIORITE	Fine grained basic igneous rock. Usually intruded as a dyke.
DIP	The inclination of a geologic structure (bed, vein, fault, e horizontal; dip is always measured downwards at right angles strike.
DISSEMINATIONS	Mineralization distributed between the grains in a rock.
DOWN DIP	Down the plane of the dip; opposite to up dip.
DYKE	A long mass of eruptive rock.
EM	Electromagnetic
EMBAYMENT	A topographic irregularity in the footwall in which minerali solutions may pond and give rise to orebodies.
EXPLORATION STAGE	A company is in the exploration stage when it is engaged in for mineral deposits which are not in either the development

	production stage.
FE	Iron
FELSIC (NORITE)	An iron/silica rich rock.
FOOTWALL DEPOSITS	Mineralization in the footwall below the contact with the SI fracture and vein type of mineralization.
FRACTURE FILLINGS	Material infilling fractures.
GABBRO	A coarse grained calcic igneous rock.
GEOLOGICAL SURVEY	The exploration of an area through the use of physical prope relating to geology i.e. mapping. Geophysical methods includ magnetic, gravity, induced polarization and other techniques
GNEISS	A metamorphic rock showing banding and resulting from region
GNEISSIC	Term applied to the texture of gneiss.
GRADE	The amount of valuable metal in each tonne of ore, expressed base metals and as grams per tonne for precious metals.
GRANITIC PLUTONS	Large intrusions of acid igneous rocks.
GRANODIORITE	A quartz rich diorite with >10% K feldspar.
GRAVITY ANOMALY	A geophysical anomaly based on density differences.
GREYWACKE SANDSTONES	A green/grey, granular sedimentary rock.
HAULAGE DRIFT	An underground tunnel for hauling materials and rock.
IDX	Inverse distance grade inter-polation as used in 3D block mo
IN-FILL DRILLING	More detailed drilling generally used to follow up a discove
JOINT FILLINGS	The material infilling joints in rocks.
MA	Time measure. Millions of Years ago.1825 Ma=1.825 billion ye
MAFIC INTRUSIVE	An intrusion rich in iron and magnesia and low in silica.
METAGABBRO	Metamorphosed gabbro.
METASEDIMENTARY	Metamorphosed sedimentary rock.
MICROPEGMATITE	A pegmatite (dyke rock) with small fragments and inclusions.
MIGMATITES	A textural term describing rocks of mixed igneous and metamo such as bands, veins and pods of igneous rocks in a metamorp
MINERALIZATION	A natural aggregate of one or more metallic minerals.
MINERALIZED	Mineral-bearing; the minerals may have been either a part of rock unit or injected at a later time.
MINERAL RESERVES AND MINERAL RESOURCES	Have the meaning ascribed to such terms by the Canadian Inst Mining, Metallurgy and Petroleum, as the CIM Standards on Mineral Re Reserves Definitions and Guidelines adopted by CIM Council o 2000 as those definitions may be amended from time to time b Canadian Institute of Mining, Metallurgy and Petroleum.
MINING CLAIM/MINERAL CLAIM	That portion of public or private mineral lands which a part or marked out in accordance with federal, provincial or stat to acquire the right to explore for and exploit the minerals surface.
MRI	Mineral Resource Inventory (internally generated Inco docume
NET SMELTER RETURN ROYALTY/NSR	A phrase used to describe a royalty payment made by a produc based on gross metal production from the property, less dedu certain limited costs including smelting, refining, transpor insurance costs.
NI	Nickel.
NI-CU-PGM	Nickel-copper-platinum group metals.
NORITE	A dark coloured igneous rock with pyroxene.
NQ	Diamond drill core diameter 1 7/8" (47.6 mm)
ORE	A metal or mineral or combination of these of sufficient val quality and quantity to enable it to be mined at a profit.
ORE BODY (IES)	A body(ies) of rock containing economically extractable ore
PD	Palladium.
PENTLANDITE	Iron-nickel-sulphide.
PGE	Platinum Group Elements
PGM	Platinum Group Metals.
PIPE	A rod shaped ore shoot.
PLUNGE	The angle between any inclined plane and the horizontal plan is used to designate the inclination of the axis of an oresh
PT	Platinum.

PYRRHOTITE	Magnetic iron sulphide. The process by which lands disturbed of mining activity are reclaimed back to a beneficial land u Reclamation activity includes the removal of buildings, equi machinery and other physical remnants of mining, closure of impoundments, leach pads and other mine features, and contou covering and re-vegetation of waste rock piles and other dis
RECOVERY	A term used in process metallurgy to indicate the proportion material obtained in the processing of ore. It is generally percentage of valuable metal in the ore that is recovered co total valuable metal present in the ore.
REFINING	The final stage of metal production in which impurities are metal.
RILL	Irregular furrow-like physical feature.
S	Sulphur.
SCHISTOZE	The cleavage in rocks that are sufficiently recrystallized t schist or gneiss. Usually in metamorphic rocks.
SEDIMENTARY ROCK	Rocks formed from material derived generally by erosion of down by a chemical or mechanical process i.e., limestone, sh
SHAFT	A vertical or steeply inclined passageway to an underground moving personnel, equipment, supplies and material including waste rock.
STRIKE	The direction of the line of intersection of a bed or vein w horizontal plane. The strike of a bed is the direction of a that connects two points of equal elevation on the bed.
STRINGERS	Narrow mineralized veins usually indicating proximity to lar
TAILINGS	The material that remains after all metals considered econom removed from ore during milling.
TPM	Total Precious Metals. In this case Platinum+ Palladium+Gold
TURBIDITE SEQUENCE	Sediment deposited as a result of an underwater slump or ava
ULTRAMAFIC	Rocks which are very basic (high in magnesia and iron) in co opposed to acidic. Usually host to nickel deposits.
UTEM	University of Toronto Electro-Magnetic.
XENOLITH	A foreign piece of rock that became enclosed in igneous rock solidification, thus forming an inclusion.
ZN	Zinc.

The terms "associate", "affiliate" and "subsidiary" have the meanings ascribed to such terms in the Securities Act (Ontario).

The following abbreviations of measurements are used herein:

cm = centimetres	kv = kilivolts (1000 volts)
Ha = hectares	m = metres
Km = kilometres	Mamsl = metres above mean sea level
ppm = parts per million	ml - millilitres
ft = feet	mm = millimetres
yd3 = yards cubed	LHD = load haul dump
psi = pounds per square inch	cfm = cubic feet per minute

Conversion into imperial equivalents is as follows:

TO CONVERT FROM	TO	MULTIPLY BY
Centimetres	Inches	0.394
Metres	Feet	3.218
Kilometres	Miles	0.621
Hectares	Acres	2.471
Tonnes	short tons	1.102

Grams	ounces (Troy)	0.032
grams per tonne	ounce (Troy) per ton	0.029

The factor used to convert ounces (troy) per short ton (oz/t) to grams per short ton (g/t) is 31.1048 grams.

All intersection lengths referred to are lengths of drill core and should not be interpreted as being true widths.

CORPORATE STRUCTURE

NAME AND CORPORATION

FNX Mining Company Inc. (the "Corporation") was incorporated under the Business Corporations Act (Ontario) as "Fort Knox Gold Resources Inc." by articles of incorporation dated June 26, 1984. The Corporation became a reporting issuer in the Province of Ontario following the filing of an exchange offering prospectus dated November 26, 1984. The Corporation is also a reporting issuer in the Provinces of British Columbia, Alberta, Manitoba and Quebec. By articles of amendment effective June 20, 2002, the Corporation changed its name to "FNX Mining Company Inc."

The registered office of the Corporation is located at 200 King Street West, Suite 2300, Toronto, Ontario, M5H 3W5 and the principal office of the Corporation is located at 55 University Avenue, Suite 700, Toronto, Ontario M5J 2H7.

The business of the Corporation consists of all phases of mineral exploration, development and mining with a particular emphasis on exploration, development and mining for commercial deposits of base and precious metals, including platinum-palladium and gold. The Corporation does not have any material subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

The Corporation was founded in 1984 as Fort Knox Gold Resources Inc. The Corporation became a reporting issuer in the Province of Ontario following the filing of an exchange offering prospectus dated November, 1984. Effective June 20, 2002 the Corporation changed its name to "FNX Mining Company Inc."

SIGNIFICANT ACQUISITIONS - ACQUISITION OF SUDBURY BASIN PROPERTIES

On November 29, 2001 the Corporation and Inco Ltd. ("Inco") entered into a definitive agreement (the "Option to Purchase Agreement") to acquire a 100% interest in the mineral rights to five Inco mineral properties located in the Sudbury Basin, Ontario (collectively, the "Properties"), and the right to use such part of the surface rights and on-site facilities as are required to permit exploration, development and mining operations to be conducted on the Properties. The Option to Purchase Agreement became effective January 10, 2002 (the "Effective Date"). The Corporation entered into a joint venture arrangement with Dynatec Corporation ("Dynatec") which also became effective on the Effective Date, pursuant to which Dynatec acquired 25% of the Corporation's interest in the Option to Purchase Agreement and Dynatec and the Corporation formed the "Sudbury Basin Joint Venture".

All requirements to exercise the Option to Purchase Agreement were met and the option to acquire the mineral rights for the Properties (the "Option") was exercised by the Sudbury Basin Joint Venture on December 1, 2003 resulting

in the acquisition by the Sudbury Basin Joint Venture of a 100% interest in the mineral rights to the Properties. As a result, the Sudbury Basin Joint Venture holds a 100% interest in fee simple to the mineral rights to the Properties and the right to access and use such part of the surface rights and on-site facilities as are specified from time to time to permit exploration, development facilities and mining to be completed in, on or under the Properties.

The Option to Purchase Agreement includes the following additional terms:

- In order to exercise the Option, the Sudbury Basin Joint Venture incurred exploration expenditures totalling Cdn. $30 million (the "Expenditure Requirement") on the Properties over a 23 month period commencing the Effective Date. The Corporation satisfied the Expenditure Requirement on December 1, 2003 as an aggregate of $33.9 million was spent on the Properties from January 10, 2002, to November 30, 2003. To March 1, 2004, $43 million in expenditures had been spent on the Properties by the Sudbury Basin Joint Venture of which $28.8 million had been spent by the Corporation.

- If the Corporation discovers a New Deposit (as defined in the Option to Purchase Agreement) on any of the Properties that contains mineral resources having a value (based on then current metal prices) of at least 600 million pounds of nickel, Inco has a right to reacquire a 51% interest in such a New Deposit (the "Back-in Right") by bringing the New Deposit into commercial production without recourse to the Corporation. Until Inco achieves payback, it shall receive 80% of net revenues from production from the New Deposit. If Inco retains or reacquires a 51% interest in a New Deposit, Inco and the Sudbury Basin Joint Venture will form a joint venture, with Inco as the operator, to hold and operate the New Deposit.

- Inco continues to be responsible for all environmental liabilities existing on the Properties at the Effective Date. The Sudbury Basin Joint Venture is responsible for all environmental liabilities incurred on the Properties that result from the actions of the Sudbury Basin Joint Venture after the Effective Date. Processing environmental obligations cease on delivery of ore to Inco.

- Inco has a right of first offer to purchase any interest in the Properties that the Sudbury Basin Joint Venture proposes to sell to an arm's-length third party (the "Right of First Offer"). Inco's Right of First Offer does not apply to any transfer of interest in the Properties between the Corporation and Dynatec.

On the Effective Date, the Corporation and Inco agreed to a form of off-take agreement (the "Off-take Agreement") which forms the basis of separate Off-take Agreements to be entered into between the Sudbury Basin Joint Venture and Inco as the Sudbury Basin Joint Venture commences mining any deposits found on each of the Properties. As of March 23, 2004, the Sudbury Basin Joint Venture had entered into an Off-take Agreement with Inco for the McCreedy West Property. Under each Off-take Agreement, Inco is granted the right (the "Purchase Right") to purchase all mineral products produced by the Sudbury Basin Joint Venture on the relevant Property. Pursuant to each Off-take Agreement, Inco is required to pay the Sudbury Basin Joint Venture for recovered accountable metals derived from the Properties, less applicable milling, smelting and refining charges. Inco has the right to refuse to purchase any mineral products that are unsuitable for treatment or if Inco does not have sufficient processing capacity to handle such mineral products, in which case, the Sudbury Basin Joint Venture is entitled to have such mineral products processed by a third party whereby Inco will be entitled to be paid a

2% net smelter royalty for nickel, copper and cobalt and a net smelter royalty ranging from 2.5% to 5% for precious metals.

Production on the McCreedy West Property commenced in the second quarter of 2003, with commercial production declared November 1, 2003. Revenue from commercial production in November and December, 2003 and January 2004 is recognized in January, February and March 2004 due to the two month delay in setting the commodity prices under the terms of the Off-take Agreement with Inco. The Corporation expects that capital invested in the McCreedy West Property will be paid back within the first 12 months of commercial production.

TECHNICAL REPORT

Dr. James M. Patterson, BA (Hons. Geology), Ph.D., P. Geo., DIC. ("Patterson") prepared a report for the Corporation dated March 23, 2004, relating to the Properties, entitled "Property Report, Sudbury, Ontario Cu-Ni-PGE Properties (Victoria, McCreedy West, Levack, Norman and Kirkwood)" (such report is referred to herein as the "Property Report"). Set forth as Appendix A to this annual information form is a summary of the Property Report which has been prepared under the authority, and with the consent of Patterson and in some cases is an extract from the Property Report. The full text of the Property Report will be available on SEDAR.

TRENDS

The Corporation is engaged in the acquisition, exploration and development of mineral properties with an emphasis on the exploration of base and precious metal deposits, including platinum-palladium and gold.

Nickel prices increased significantly in 2003, starting at US$3.24 per pound and finishing at US$7.55 per pound. Nickel demand grew 7% in 2003 and is expected to grow at the same 7% rate in 2004. Strong economic growth around the world, led by China, is expected to provide support for nickel demand. Management of the Corporation believes that little shutdown capacity exists and substantial new mines will not be providing significant material to market before 2006. Accordingly, substantial supply increases are not expected by management in the near term. Prices are expected by management to stay firm for the next few years.

Copper prices rose on demand during 2003, created by a strong world economy and particularly by US housing starts. Copper prices started 2003 at US$0.70 per pound and rose to US$1.05 per pound by year end.

Gold prices started 2003 at US$343 per ounce and increased to US$417 per ounce by year end. Weakness in the US dollar against many other world currencies over the period was largely credited with the price increase.

Platinum prices increased from US$598 per ounce to US$814 per ounce over 2003, on tight supply. Palladium prices decreased from US$233 per ounce to US$193 per ounce over 2003 on oversupply and a thin market.

NARRATIVE DESCRIPTION OF THE BUSINESS

PRINCIPAL PROPERTIES

The Corporation's current business is conducted primarily in Ontario, Canada. As at the date hereof, the Properties constitute the only material properties of the Corporation. During 2003, the Corporation sold its other non-material properties as described below:

Canwell Property, Alaska

On August 22, 2001, the Corporation announced that it had optioned the Canwell property (comprising 44 state claims, or 2.75 square miles) of three groups of contiguous claims totalling 827 mining claims in the State of Alaska to Nevada Star Resources Corp. ("Nevada Star"). Nevada Star had the right to acquire a 60% interest in the Canwell property by spending U.S. $600,000 and issuing 200,000 Nevada Star common shares to the Corporation over a four year period. During 2003, Nevada Star purchased the Corporation's remaining interest in the property for 150,000 Nevada Star common shares and 300,000 share purchase warrants of Nevada Star. Share purchase warrants are exercisable at prices between $0.32 and $0.42 per share expiring during periods between July 2004 and July 2006.

Larder Lake Property, Ontario

In October of 1998 the Corporation entered into an option/joint venture agreement on the Cheminis, Bear Lake, and Fernland mineral properties, held by NFX Gold Inc. ("NFX") in the Larder Lake area of northeastern Ontario (collectively called the "Larder Lake Property"). The Larder Lake Property covers 4.5 km of strike length of the Larder Lake Break. In 1999, the Corporation earned an undivided 25% interest in the Larder Lake Property after making a cash payment of $12,500 and expending $1 million on exploration on the property. NFX and the Corporation subsequently formed a joint venture to manage the Larder Lake Property. During 2003, NFX purchased the Corporation's interest in the Larder Lake Property in exchange for 2,000,000 NFX common shares.

Gunsite Property, Alaska

During 2003, the Corporation sold its 100% interest in the 7,560 acre Gunsite property located about 90 miles north of Anchorage, Alaska in exchange for a 1.5% net smelter royalty.

EMPLOYEES

The Corporation had 41 full-time employees as at March 23, 2004. The Corporation also engages independent contractors and consultants from time to time to carry on business. The Corporation anticipates hiring additional people as its infrastructure requirements increase as it further explores and develops the Properties.

COMPETITIVE CONDITIONS

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Corporation competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Corporation, the Corporation may be unable to acquire attractive properties in the future on terms it considers acceptable. As well, the Corporation competes with other companies for the recruitment and retention of qualified employees. Finally, the Corporation competes with other resource companies, many of whom have greater financial resources and/or more advanced properties, in attracting equity and other capital.

The ability of the Corporation to acquire properties depends on its ability to develop its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Corporation may affect the marketability of base metals and precious metals mined or discovered by the Corporation. Base metal and precious metal prices have historically been subject to fluctuations and are affected by numerous factors beyond the control of the Corporation. See "Risk Factors".

RISK FACTORS

Mining Industry

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Corporation will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital.

Mining operations generally involve a high degree of risk. The Corporation's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of ore, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The Corporation's activities are directed towards the search, evaluation and development of mineral deposits. Some of the mineral properties in which the Corporation has an interest contain no known body of commercial ore and any exploration programs thereon are exploratory searches for ore while other properties in which the Corporation has an interest are subject to preliminary stages of exploration and development programs only. There is no certainty that the expenditures to be made by the Corporation as described herein will result in discoveries of commercial quantities of ore. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Corporation will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

Government Regulation

The exploration activities of the Corporation are subject to various federal, provincial and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Although the Corporation's exploration activities

are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Corporation.

Government approvals and permits are currently, and may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

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

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Permits and Licences

The exploitation and development of mineral properties may require the Corporation to obtain regulatory or other permits and licences from various governmental licensing bodies. There can be no assurance that the Corporation will be able to obtain all necessary permits and licences that may be required to carry out exploration, development and mining operations on its properties.

Environmental Risks and Hazards

All phases of the Corporation operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. Environmental hazards may exist on the properties on which the Corporation holds interests which are unknown to the Corporation at present which have been caused by previous or existing owners or operators of the properties. The Corporation may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability.

Production of mineral properties may involve the use of dangerous and hazardous substances such as sodium cyanide. While all steps will be taken to prevent discharges of pollutants into the ground water the environment, the Corporation may become subject to liability for hazards that cannot be insured against.

Commodity Prices

The profitability of the Corporation will be significantly affected by changes in market price for nickel and by changes in the US:Canadian exchange rate. See "General Development of the Business - Trends". During 2004, a US$1 per pound change in the price of nickel will generate a CDN$7 million change on the Corporation's income statement. Each $0.05 change in exchange rates will generate a change of $1.5 million on the Corporation's income statement.

The Corporation has not entered into any hedge agreements in respect of metal or foreign exchange at this time. Such contracts would prevent losses in situations when the price changed adversely and would prevent gains in situations where the price changed favourably. The level of interest rates, the rate of inflation, world supply of base metals and precious metals and stability of exchange rates can all cause significant fluctuations in base metal and precious metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of base metals and precious metals has fluctuated widely in recent years, and future serious price declines could cause continued commercial production to be impracticable. Depending on the price of base metals and precious metals, cash flow from mining operations may not be sufficient to cover operating costs. Any figures for reserves presented by the Corporation will be estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the price of base metals and precious metals may render reserves uneconomical. Moreover, short-term operating factors relating to the reserves, such as the need for orderly development of the ore bodies or the processing of new or different grades of ore, may cause a mining operation to be unprofitable in any particular accounting period.

Uninsured Risks

The Corporation carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which such corporations cannot insure or against which they may elect not to insure.

Conflicts of Interest

Certain of the directors of the Corporation also serve as directors of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with the Corporation and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Land Title

Although title to the Properties has been reviewed by or on behalf of the Corporation and title opinions were delivered to the Corporation, no assurances can be given that there are no title defects affecting the Properties. Title insurance generally is not available for mining claims in Canada, and the Corporation's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Corporation has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. Accordingly, the Properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Corporation may be unable to operate the Properties

as permitted or to enforce its rights with respect to its Properties.

Joint Venture

The Corporation may enter into one or more joint ventures in the future, in addition to the Sudbury Basin Joint Venture. See "General Development of the Business – Significant Acquisitions – Acquisition of Sudbury Basin Properties." Any failure of Dynatec or any other joint venture partner to meet its obligations could have a material adverse affect on such joint ventures. In addition, the Corporation may be unable to exert influence over strategic decisions made in respect of properties subject of such joint ventures.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information of the Corporation for the fiscal years ended December 31, 2003, December 31, 2002 and December 31, 2001 (comprised of six months). The Corporation's audited financial statements for the fiscal year ended December 31, 2003 are attached hereto as Appendix C. The following summary of selected audited financial information (in Canadian $000's except per share numbers) is derived from, and should be read in conjunction with, and is qualified in its entirely by reference to the Corporation's audited financial statements, including the notes thereto, for the fiscal years ended December 31, 2003, December 31, 2002, December 31, 2001 (comprised of six months).

	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	SIX MO DE
Revenue	$-	$-	
Interest Income	1,128	481	
Administration Expenses	2,384	1,224	
Exploration Expenses	1,741	19	
Operating Loss (Before Mineral Exploration Properties Written Off)	7,789	4,027	
Mineral Exploration Properties Written Off	2,288	2,962	
Gain on Sale of Securities	-	-	
Net Loss	10,077	6,989	
Loss per Share	0.24	0.23	

	AS AT DEC. 31, 2003	AS AT DEC. 31, 2002	A
Cash and Short Term Deposits	$53,657	$30,933	
Current Assets	59,716	31,951	
Mining Properties	23,695	-	
Mineral Exploration Properties	23,816	12,880	
Current Liabilities	3,041	993	
Minority Interests	14,599	-	
Shareholders' Equity	89,778	44,090	

QUARTERLY FINANCIAL INFORMATION

The following table is a summary of selected quarterly financial information of the Corporation (in Canadian $000's except per share numbers) for each of the eight most recently completed quarters ending at December 31, 2003.

	THREE MONTHS ENDED			
	DEC. 31/03	SEPT. 30/03	JUNE 30/03	M
Revenue from Operations	$-	$-	$-	
Net Loss	4,020	3,010	1,487	
Loss per Share	0.08	0.08	0.04	

	THREE MONTHS ENDED			
	DEC. 31/02	SEPT. 30/02	JUNE 30/02	M
Revenue from Operations	$-	$-	$-	
Net Loss	3,331	2,071	291	
Loss per Share	0.11	0.07	0.01	

DIVIDENDS

The Corporation does not currently have a policy of declaring or paying dividends on its Common Shares and intends to retain future earnings, if any, for use in its business and does not anticipate paying dividends on its common shares in the foreseeable future. Any determination to pay any future dividends will remain at the discretion of the board of directors of the Corporation and will be made based on the financial condition and other factors deemed relevant by the board of directors. The Corporation has not paid any dividends since its incorporation.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS

GENERAL

The Corporation is principally engaged in the acquisition, exploration, development and mining of mineral properties with an emphasis on the exploration of base and precious metal deposits, including platinum-palladium and gold. The Properties are the Corporation's most significant asset. See "General Development of the Business - Significant Acquisitions - Acquisition of the Sudbury Basin Properties". See "Narrative Description of the Business - Principal Properties". The Corporation intends to seek joint venture partners to manage or fund exploration on its properties that are not part of the Sudbury Basin Joint Venture.

The Corporation's management discussion and analysis for the year ended December 31, 2003 is included in the Corporation's annual report for the year ended December 31, 2003 and is incorporated by reference into this annual information form.

DIRECTORS AND OFFICERS

The name, municipality of residence and position held by each director and executive officer of the Corporation are set out below:

NAME AND MUNICIPALITY OF RESIDENCE	POSITION WITH CORPORATION	PERIOD OF SERVICE	PRESENT OCCUPATION OFFICE HELD (1)
A. Terrance MacGibbon Oakville, Ontario	President, Chief Executive Officer and Director	Since 1997	N/A
Terrence Podolsky Oakville, Ontario	Director	Since 1984	Consulting Geologis
Donald M. Ross Toronto, Ontario	Director	Since 1984	Chairman of the Boa Jones, Gable & Comp
Robert D. Cudney Toronto, Ontario	Director	Since 1993	President and Chief Northfield Capital
Wayne G. Beach Toronto, Ontario	Director	Since 1996	Barrister and Solic Beach, Hepburn LLP
James Ashcroft Sudbury, Ontario	Director	Since 2001	Consulting Mining E
Frank McKenna Moncton, New Brunswick	Director	Since 2003	Counsel with McInne
John Lydall Oakville, Ontario	Director	Since 2003	Retired Mining Engi Broker
J. Duncan Gibson Toronto, Ontario	Director	Since 2003	Retired Bank Execut
James Patterson Oakville, Ontario	Vice-President, Exploration	Since 2002	N/A
John Ross Scarborough, Ontario	Chief Financial Officer	Since 2003	N/A
David Constable Burlington, Ontario	Vice-President, Investor Relations and Corporate Affairs	Since 2002	N/A

(1) All of the foregoing directors and officers have held their present position(s) with the same or associated firms or organizations during the past five years except as follows:

(a) prior to January 1, 2001, Mr. Beach was self-employed;

(b) during the five years prior to his appointment as a director of the Corporation, Mr. McKenna has been and is currently Counsel with the Atlantic law firm of McInnes Cooper and is a director of several major corporations. Mr. McKenna served as the Premier of New Brunswick from 1987-1997;

(c) Mr. Lydall retired as Managing Director of the Mining Investment

Banking Group at National Bank Financial during October 2003. Prior to his appointment as Managing Director of the Mining Investment Banking Group at National Bank Financial, he held various positions at National Bank Financial and its predecessor company, First Marathon ranging from mining analyst to senior investment banker;

(d) during November 2001, Mr. Gibson retired as Vice Chairman of the Commercial Banking Group of a Canadian chartered bank, a position which he held from 1999. From January 1997 to April 1999 Mr. Gibson was the Vice Chairman of the Wealth Management Services Group of a Canadian chartered bank. His career at a Canadian chartered bank included senior executive positions in Commercial Banking, Wealth Management, Operations and Retail Banking in Canada and in Corporate Banking in the United States;

(e) Mr. Patterson was a consultant to the Corporation from October 2001 to April 2002 and from 1999 to 2001 was Vice-President Exploration and a director of Crowflight Minerals Inc. and Hornby Bay Exploration Ltd.;

(f) Mr. Constable was Vice-President Investor Relations at Normandy Mining Limited from August 1997 to May 2002; and

(g) Mr. J. Ross was employed by IAM Gold Corp. from 1996 to 2003 initially as the Corporate Controller and from 2001 to 2003 as Chief Financial Officer.

Each of the foregoing directors has held of the office of director since the time indicated above, and will hold office until the next annual meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws of the Corporation. The directors and officers of the Corporation own, directly or indirectly, an aggregate of 2,757,997 Common Shares as at March 23, 2004, representing approximately 5.8% of the issued and outstanding Common Shares as at such date.

Except as set forth below, no director of officer of the Corporation has within the last ten years:

(i) either individually or through any personal holding company of his, become bankrupt, made a proposal under any legislation relating to bankruptcy as insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold his assets or the assets of any personal holding company;

(ii) been a director or officer of any issuer that, while he was acting in such capacity: (a) was the subject of a cease trade or similar order, or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;

(iii) ever been subject to any: (a) penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, or has ever entered into a settlement agreement with a Canadian

securities authority; or (b) other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision in the Corporation.

1 Mr. Beach, a director of the Corporation, was a director and officer of Newstar Resources Inc., which, in July 1999, became subject to a cease trade order for failing to file financial statements (as a result of the bankruptcy of its subsidiary).

2 Mr. Patterson, an officer of the Corporation, was a director of Mispec Resources Inc. which, in January 2000 became subject to a cease trade order for failing to file financial statements;

3 Mr. D. Ross, a director of the Corporation, paid a fine of $7,500 in 2001 for charges of failing to file insider and early warning reports in the province of Alberta, paid a fine of $10,000 in 1991 for charges of failing to properly disclose certain information regarding short sales of securities and paid a fine of $14,000 in 1982 for charges of operating an option account without proper documentation on file.

4 Mr. McKenna, a director of the Corporation was a director of AlphaNet Telecom Inc. which, in February 1999, was assigned into bankruptcy.

5 Mr. Cudney, a director of the Corporation, was a director of Aspen Group Resources Corporation which in May 2003 became subject to a management cease trade order for failing to file financial statements. The cease trade order was lifted in July 2003.

The Corporation has established an audit committee, a corporate governance committee, a safety, healthy and environment committee and a compensation committee, the members of each of which are set forth below:

Audit Committee - Messrs. Gibson, D. Ross and Beach, with Mr. John Ross as management advisor.

Corporate Governance Committee - Messrs. Lydall, Podolsky and Ashcroft, with Mr. David Constable as management advisor.

Safety, Health and Environment Committee - Messrs. Ashcroft, Cudney and MacGibbon, with Mr. James Patterson as management advisor.

Compensation Committee - Messrs. Beach, McKenna and Gibson, with Mr. John Ross as management advisor.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the Toronto Stock Exchange and the American Stock Exchange under the symbol "FNX".

SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares of which 47,506,169 Common Shares were issued and outstanding as at March 23, 2004.

ADDITIONAL INFORMATION

Additional financial information is provided in the Corporation's Financial Statements for the fiscal year ended December 31, 2003.

The Corporation will provide to any person, upon request:

(a) when the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,

(i) one copy of the Annual Information Form of the Corporation (the "AIF"), together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF,

(ii) one copy of the comparative financial statements of the Corporation for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Corporation subsequent to the financial statements for its most recently completed financial year,

(iii) one copy of the information circular of the Corporation in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate, and

(iv) one copy of any other documents that are incorporated by reference into the preliminary prospectus or the prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any other documents referred to in (1)(a)(i), (ii) and (iii) above, provided the Corporation may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the issuer's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Corporation's information circular for its most recent annual meeting of shareholders that involved the election of directors, and additional financial information is provided in the Corporation's comparative financial statements for its most recently completed financial year.

For additional copies of this Annual Information Form please contact:

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Toronto, Ontario M5J 2H7

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Email: info@fnxmining.com

Schedule A

Dr. James M. Patterson, BA (Hons. Geology), Ph.D., P.Geo., DIC, ("PATTERSON") has prepared a report (referred to as the "PROPERTY REPORT") for FNX Mining Company (the "CORPORATION" or "FNX") and dated 23 March, 2004, and is a qualified person as such term is defined in NATIONAL INSTRUMENT 43-101 - STANDARDS OF DISCLOSURE FOR EXPLORATION AND DEVELOPMENT AND MINING PROPERTIES (NI 43-101"). This Appendix A to the annual information form of the Corporation dated 23 March, 2004 contains a Summary of the Property Report.

1. INTRODUCTION

On 10 January, 2002, Fort Knox Gold Resources Inc., the former name of FNX, signed an option to purchase agreement (the "AGREEMENT") with Inco Limited ("INCO") by which FNX could acquire a 100% interest in five Sudbury Basin mineral properties ("THE PROPERTIES") for which, Inco had no current mining or development plans (the "OPTION").

The property package included former producing mines known as the Victoria, McCreedy West, Levack, Whistle (Norman Property) and Kirkwood mines (Figure 1). The Option required continuing exploration and, if warranted, development of the subject Properties under a 52 month program within which the Corporation must spend $30.0 million to earn its interest. Upon signing the Agreement with Inco, the Corporation formed a joint venture (the "SJV") with Dynatec Corporation ("DYNATEC"). The SJV, owned as to 75% by the Corporation and as to 25% by Dynatec, will explore, develop and, if economically appropriate, mine these properties.

The SJV, having exceeded the required $30.0 million in expenditures on the Properties by December 1, 2003, is now vested and owns 100% interest in the mineral rights to the five Properties.

The following Table demonstrates the mining history on the Properties acquired.

TABLE 1: SUDBURY PROJECT PROPERTIES - PRODUCTION HISTORY

				%			oz/t	
PROPERTY	YEARS	TONS	CU	NI	PT	PD	AU	TPM
VICTORIA	1900-23	890,000	2.99	2.12	na	na	na	na
	1973-78	650,000	1.26	0.83	na	na	na	0.07
	Total	1,540,000	2.26	1.57	na	na	na	+0.061
MCCREEDY WEST	1974-98	15,800,000	1.70	1.44	0.02	0.02	0.01	0.05
LEVACK	1915-29	na						
	1937-97	66,600,000	1.31	2.00	0.02	0.02	0.01	0.05
NORMAN2	1988-91	na						
	1994-97	5,710,000	0.33	0.95	na	na	na	0.01
KIRKWOOD	1914-16	71,600	1.53	2.81	na	na	na	na
	1969-76	2,488,000	0.99	0.87	na	na	na	na
OPEN PIT	1970-72	134,800	0.96	0.53	na	na	na	na
	Total	2,694,400	1.00	0.90	na	na	na	na

Notes: 1 Total PMs estimated in line with production data from 1973-1978 (JMP)
2 Production from the Whistle Mine.
na: Not assayed or assays unavailable for these elements

[GRAPHIC OMITTED - Sudbury Basin: Simplified Geological Map and Location of Cu-Ni-PGM Properties]

2. THE SUDBURY AREA

2.1 GENERAL

The Properties, the mineral rights of which are now owned 100% by the SJV, are located in close proximity to the City of Greater Sudbury, in northeastern Ontario approximately 400 km north of Toronto. With a population of some 165,000, Sudbury is the major centre in northeastern Ontario for mining, medicine, education, business and commerce, and government administration. All of the Properties are located within 35 km from downtown Sudbury and adjacent to serviced communities with a mining tradition and base.

All the Properties are accessible by wheeled vehicles on a 12-month basis and year-round mining programs can be carried out on all the Properties.

The area of the Properties has a history of nickel and copper mining stretching back over 100 years with two of the world's major nickel producers, Inco and Falconbridge Limited ("FALCONBRIDGE") having been active in the area since 1902 and 1928 respectively. These companies have extensive mining, smelting and refining operations in the area and these constitute the largest fully integrated mining complex in the world. The nickel-copper-platinum group metals ("NI-CU-PGM") ore bodies at Sudbury constitute the world's largest known concentration of Ni-Cu sulphides. Total reserves and historic production are estimated at 1.66 billion tonnes of ore with production in excess of 8.5 million tonnes of nickel metal and 8.4 million tonnes of copper metal. Platinum Group Metals, gold and cobalt are among important byproducts recovered from these ores.

2.2 PHYSIOGRAPHY AND CLIMATE

The area is located in the Canadian Shield with a typical topography of low, rocky hills interspersed with numerous lakes and swamps. Elevations range from 230 to 460 m above sea level with local relief in the order of 30 to 60 m. The major topographic feature of the area is the Sudbury Basin (the "BASIN") which forms an elliptical ring some 60 km in the northeast direction by 28 km wide. The topographically higher outer portions of the Basin are formed by igneous rocks of the Sudbury Igneous Complex (the "SIC"). The northern, southern and eastern parts of the rim are referred to as the North Range, South Range and East Range respectively. The central part of the Basin is occupied by low-lying, flat agricultural land.

The dominant vegetation type is temperate boreal forest which, before the onset and growth of the mining industry, supported a thriving lumber industry. The climate is northern temperate with warm summers and cold winters. Average temperatures range from 24.8o C in the summer to minus 8.40 C in winter and with annual precipitation of 62.2 cm of rain and 247.5 cm of snow.

3. GEOLOGY OF THE SUDBURY AREA

The Properties lie within the confines of the Sudbury Structure (Figure 1). This structure straddles the boundary between the Archean Superior Province and the Early Proterozoic Southern Province. The Late Proterozoic Grenville Province and its northern limit, the Grenville Front, lie some 10 km south of the Sudbury Structure.

The Superior Province Archean rocks to the north of the Sudbury Structure consist mainly of granitic plutons and gneisses and minor volcanic rocks of the Levack Gneiss Complex which has been dated at approximately 2700 Ma and which were deformed and exposed to peak metamorphic conditions by a 2640 Ma tectonic event.

South of the Superior Province is the Early Proterozoic Southern Province of metavolcanic and metasedimentary rocks deposited between 2490 and 2200 Ma. These rocks are extensively intruded by sills and dykes of Nipissing Diabase dated at approximately 2200 Ma.

3.1 THE SUDBURY STRUCTURE

Superimposed on the rocks of the Superior and Southern Provinces is the Sudbury Structure. This is the geological expression of events triggered by the impact of a giant meteorite approximately 1850 Ma ago, followed by deposition of fallback material and Whitewater Group sediments, intrusion of the SIC, and formation of the well known and economically important Ni-Cu-PGM deposits.

Modeling of the Sudbury Structure suggests that the original crater caused by the meteorite was more than 150 km in diameter. Erosion has exposed the smaller, lower portion of the crater and tectonic deformation and thrusting has deformed the once circular structure into the elliptical shape of today. Extensive thrusting of the South Range exposes a deeper level of the SIC compared to the North and East Ranges.

There are three main lithological components recognizable within the Sudbury Structure:

1) Sudbury Breccia-brecciated rocks surrounding the structure,

2) SIC, and

3) The Whitewater Group sediments occupying the centre of the Basin.

3.1.1 Sudbury Breccia

An important feature of an impact site is the extensive brecciation of the rocks around the point of impact. This is particularly evident in the host rocks to the Sudbury Structure that form the footwall to the SIC. This impact-derived brecciation is commonly referred to as "Sudbury Breccia" and is concentrated in the country rocks close to the SIC and decreases in intensity outward for a distance of up to 80 km.

Sudbury Breccia occurs as erratic and irregular zones of brecciated country rock, characterized by extreme variability in distribution, size and geometry. Zones of Sudbury Breccia vary from many meters across to thin veins. Angular to semi-rounded clasts of country rock, varying in size from minute fragments to massive boulders, occur in a finely-comminuted, dark, locally flow-banded matrix. The matrix is thought to have formed by the rapid injection of locally crushed and frictionally melted material created by the passage of the shock wave caused by impact and is referred to as pseudotachylite. Close to the SIC, the Sudbury Breccia matrix commonly displays thermal metamorphic effects and is locally termed meta-Sudbury Breccia.

Of vital importance for ore formation is that Sudbury Breccia, adjacent to Ni-Cu sulphide deposits at the SIC footwall contact, has provided an environment conducive to the migration of copper and precious metals into the footwall to form Cu/PGM-rich orebodies.

3.1.2 Whitewater Group

Occupying the centre of the Sudbury Structure is the Whitewater Group of sediments formed by the fallback into the crater of impact debris and the subsequent erosion of surrounding debris fields into the Basin created by the impact. The Whitewater Group consists of the Onaping, Onwatin and Chelmsford formations. The Onaping and Onwatin formations show a fining upwards sequence from very coarse debris deposits at the base to very fine muddy sediments at the top. The Onaping formation is interpreted as representing fallback of impact debris into the crater. Many clasts in the Onaping Formation display shock (impact) metamorphic effects.

Overlying the Onwatin slate is the Chelmsford sandstone, a well-bedded and gently folded turbidite sequence of greywacke sandstones.

3.1.3 Sudbury Igneous Complex (SIC)

The 1850 Ma SIC is divided into a lower unit of norite overlain by transitional quartz gabbro and micropegmatite and was intruded between the base of the impact crater and the overlying Onaping formation.

Many of the Ni-Cu-PGM deposits of the Sudbury Basin are hosted by the Sublayer, a stratigraphic unit defined by the Sublayer Norite and Footwall (or Granite) Breccia. The Sublayer Norite is a sulphide-rich, igneous-textured, xenolith-bearing quartz norite. The Footwall Breccia matrix is variably-textured and granodioritic. The Sublayer occurs as a discontinuous layer up to several hundred metres thick in depressions or embayments between the footwall and the overlying main mass norite. The xenoliths in the Sublayer are dominantly of gabbroic, noritic, gneissic, and ultramafic composition.

Radiating from and concentric to the SIC are dyke-like bodies of quartz diorite termed "offsets" that have been interpreted to infill major impact-derived fracture zones. Radial offsets connect to the SIC, whereas the concentric dykes commonly show no physical connection to the SIC. The radial offset dykes average less than 100 m wide, and become narrower with increasing distance from the junction with the SIC.

The offsets host Ni-Cu-PGM deposits and have spawned a number of very productive mining operations (Copper Cliff North, Copper Cliff South, Totten).

3.2 MINERAL DEPOSITS

The orebodies associated with the Sudbury Structure constitute the largest known concentration of nickel-copper sulphides in the world. Total reserves and production are estimated at approximately 1.66 billion tonnes of ore. Metal production to date from these deposits exceeds 8.5 million tonnes of nickel and 8.4 million tons of copper. By-products from this production include cobalt, platinum, palladium, gold, silver, osmium, iridium, rhodium and ruthenium.

The bulk of sulphides in the Sudbury ores consists essentially of varying proportions of pyrrhotite, chalcopyrite and pentlandite with varying amounts of other Cu-, Ni-, Co-, PGM-bearing minerals and gold.

Three main types of ore deposits are recognized: Contact, Offset Dyke and Footwall.

3.2.1 Contact Deposits

The Contact Deposits occur along the lower contact of the SIC in areas where Sublayer is preserved in embayments in the footwall contact. The embayments are interpreted to be the topographic expression of what were originally troughs or rills in the wall of the impact crater (major lunar craters commonly exhibit this feature). These troughs have acted as traps for Sublayer material and

account for the pipe-like geometry of many of the Sudbury orebodies. Terraces in the crater wall have also acted as Sublayer traps and many ore zones occur at sites where there is a flattening of the footwall to form ledges or terraces where sulphides are concentrated. All the Properties within the SJV include contact type Cu-Ni deposits.

3.2.2 Offset Deposits

The Offset Deposits are located in the radial and concentric quartz diorite offset dykes and occur as thin, steeply dipping sheets to steeply plunging pipes in barren to weakly mineralized quartz diorite. The deposits consist of massive, semi-massive and stringer sulphide ore hosted by inclusion-bearing quartz diorite and inclusion-free quartz diorite with variably disseminated sulphide. They are typically confined within the width of the offset, which is commonly less than 100 m. Offset-type mineralization occurs on the Norman and Victoria project areas.

3.2.3 Footwall Deposits

Footwall deposits may be offshoots of contact deposits although the connection is not always well-defined. Brecciated footwall rocks adjacent to contact Ni-Cu sulphide deposits may have acted as a conduit for mineralizing fluids and as a medium for the deposition of sulphides. Where connected there is a distinct metal zoning between Contact Deposits and the Footwall Deposits in that the Contact Deposits have low Cu/Ni ratios and low total PGM content compared to the high Cu/Ni ratios and enriched total PGM content in the Footwall Deposits. These observations can be applied in exploration.

Footwall deposits occur on the North Range in the McCreedy West and Levack properties.

4. SOURCES, HANDLING AND VERIFICATION OF DATA

4.1 DATA SOURCES

Inco had accumulated a vast amount of data (over 8,000 boreholes) during their exploration and mining of the subject properties. These data were made available for examination by FNX. The information reviewed consists primarily of diamond drillholes and associated sampling, assaying, plans and sections. The essential details of these data are not in the public domain and originate exclusively from Inco data files. Review of data has focused primarily on the mineralized areas at each of the properties.

The original report prepared by Patterson (dated November, 2001) was based solely on information generated and provided by Inco. Inco has not guaranteed or warranted the accuracy or completeness of the data and information that it provided to FNX and expressly disclaims any and all liabilities for any representations, warranties or omissions in the written information or oral communications made to FNX and any subsequent communications made by FNX regarding the data or the Properties.

FNX and its consultants have independently verified the drill assay data received from Inco. The Corporation has also completed comprehensive studies of the detail assay records, has re-graded portions of the boreholes that intersected the mineralized zones of interest and produced longitudinal cross sections of the mineralized zones.

Since inception of the SJV exploration program a significant amount of new data has been generated on the Properties resulting in an increasing dependence on these new data as the project advances. During the period April 1, 2003 to March 23, 2004, FNX completed 114 surface diamond drillholes (177,177 ft) on four of the five Properties. In addition a further 133,021 ft were completed in

290 holes from underground locations in the reconditioned McCreedy West mine workings.

In sections of the Patterson Report dealing with the presentation of data on the five Properties the Imperial System is used. Activity on the project Properties dates back to the early part of the 20th Century and a large database relating to surveying, exploration, development and production had been generated prior to the introduction of the metric system to Canada. To avoid errors in translating such a vast amount of data into the Metric System and to facilitate reference to the large existing database, it was decided to continue with the Imperial System when presenting the data. Borehole coordinates and intersection lengths are recorded in ft. Historic Inco assays for precious metals (Pt, Pd, Au and Total Precious Metals) were reported in troy ounces/short ton. Precious metal assays for the current FNX program are reported by the laboratory in grams/metric tonne and these are maintained as such in the database. Conversion is made to Imperial Units for consistency during resource estimation.

4.2 DATA VERIFICATION

As previously reported, FNX and its consultants reviewed in detail the assay records of all Inco boreholes that intersected the mineralized zones and calculated weighted grade averages for the portions of the boreholes that intersected the mineralized zones. Dr. Patterson conducted a detailed audit of the Corporation's borehole grading calculations and confirmed that the results accurately represent the graded assay intersections.

Spiteri Geological and Mining Consultants Inc. ("SGM") was retained by FNX to review Inco's information and procedures and to conduct an independent check sampling and assay program of Inco's assay methods and results. The SGM reports, dated 27 July, 2001 and 1 November, 2001, have been filed on SEDAR.

Roscoe Postle Associates Inc. ("RPA"), an independent geological and mining consulting company, was retained by FNX to undertake an independent audit of the FNX in-house resource/reserve estimates on part of the McCreedy West resource inventory. This audit, to National Instrument 43-101 standards, and dated March 5, 2003, included a review of sample preparation and laboratory practices and procedures. The March 5, 2003 report has been filed with SEDAR. The following comments have been made by RPA on FNX Data Verification procedures:

> "The FNX staff surveyor spots the hole collars and does the final coordinate pick up at the casings after hole completion. Some checking and verification has been done by a registered Ontario land surveyor.
>
> All FNX surface holes have been surveyed down-hole under contract by Sperry-Sun Drilling Services of North Bay, ON. A gyro-based instrument is used to take azimuth and dip measurements at nominal 50 ft. or 100 ft. intervals with a final recording at the toe. Drilling is monitored while in progress using Reflex EZ-Shot instrumentation at 100 ft. intervals.
>
> FNX routinely assays for Ni, Cu, Co, Pt, Pd, Au, Fe, S, Pb, Zn and As and has established quality assurance and quality control (QA/QC) procedures according to best practices as established by the OSC/TSE Mining Standards Task Force (1999). Review by RPA confirms that QA/QC is followed to ensure good assaying quality. Repeat assays for QA/QC precision and accuracy monitoring are kept in separate digital files but are not averaged with original values in the database. Assay values less than detection limit are entered at one half the detection limit.
>
> RPA has reviewed Inco proprietary drilling, data collection and assaying procedures and found them to be industry standard or better and is of the

opinion that the FNX drilling and assay database is adequate for resource and reserves estimation."

4.3 SAMPLING METHOD AND APPROACH

The details of the RPA findings have been included in earlier reports filed on SEDAR. The RPA recommendations have been implemented and some changes have occurred.

The sampling protocols employed by FNX are as follows:

Sample material is obtained from diamond drill coring which includes NQ size for surface drillholes and BQ size for underground drillholes. The NQ core is sawn in half by diamond sawing whereas BQ core is sampled whole. Samples are then tagged, packaged and shipped for preparation and assay at independent, accredited, commercial laboratories.

Drill core is logged by FNX geologists and information is digitally recorded using Century Systems (" DH Logger software") on individual laptop computers. At the end of each day this information is "copied in" to the FNX central database and the drill log on the laptop remains the editable version. When a hole is finished and logging is completed, the drill log is "checked in" to the central database and the version on the central database becomes the editable version. This system allows a duplicate copy of the log to be stored separately, while ensuring that only one of these copies remains editable. Geological data recorded include lithology, sulphide minerals and percentage of each, alteration minerals and abundance, veining type and orientation, structures and assay sample intervals.

Assay sample intervals are defined by the geologist under the following conditions: (i) the hole cuts a previously defined mineralized envelope; (ii) the core contains notable sulphide mineralization; (iii) favourable conditions exist for mineralization (ie. alteration, rock type) based on previous drilling and assaying in similar environments. Sample lengths do not exceed 5 ft and are predominantly within the 2 - 5 ft range. Wherever possible, individual assay samples are defined by geological boundaries and/or mineralization styles.

Individual, unique sample numbers are assigned to sample intervals in sequence and sample numbers are independent of hole numbers. Standards and blank samples are inserted in the sample sequence at predefined intervals. Sample numbers are marked on the core with a china marker at the start of each sample interval. Standards are inserted at a frequency of 1 in every 40 samples; the name of the standard is written in the tag book and entered into the central database, but remains "blind" to the lab. Blank samples are unmineralized and unaltered felsic norite core taken from Levack drill holes FNX2004 and 2022. The blanks are inserted similarly to standards in the sample sequence at a frequency of 1 per 100 samples, typically within or immediately after well-mineralized intervals. This is done to monitor "carry over" within the sample preparation equipment. The samples, standards and blanks are recorded in the sample book and digitally, using the DH Logger software. The entire length of the drillhole is digitally photographed, both wet and dry.

All drillholes are recorded in a Diamond Drilling Journal, located at the sampling station in the core logging facility. The journal is readily accessible and it is the responsibility of all workers involved in the processing of drill core to maintain this journal. All details related to the processing of drill core are recorded in this journal, including assay sample intervals, sample sequences and special instructions to the laboratory.

4.4 SAMPLE PREPARATION AND SECURITY

Core from surface holes (NQ size) which has been marked for assaying is cut in

half by the core technicians using a diamond blade rock saw. After cutting, the core is rinsed to prevent sample contamination. One half of the core is returned to the core box and retained, the other half is placed in sample bags labelled with the assigned sample number. The retained half of the core is then labelled with the corresponding sample number. The same half of the core is consistently sampled throughout a continuous sample interval. Sample tags are removed from the sample tag book, one is placed with the assay sample in the shipping bag and the other is stapled inside the core box at the beginning of the sample interval. Sample bags are stored in the secure core facility prior to shipping to the Lakefield sample preparation facility in Sudbury. The saw and sampling area is hosed down after each hole, and thoroughly cleaned daily. The saw blade is sharpened/cleaned periodically (several times a day) with a masonry brick. This reduces carry over of metals between samples.

Filled sample bags are placed in sequential order by sample number. Standards and blanks are inserted in their sequential position. Samples are shipped, in sequence including standards and core blanks, in large plastic shipping crates which are secured prior to shipment and either delivered to the sample preparation facility once or twice weekly by the core technician or shipped by commercial carrier. Accurate waybill receipts and chain of custody reports are maintained. Any discrepancies in received materials or security devices are promptly reported. For each batch of samples shipped a laboratory submittal form is completed. One copy goes with the samples and a duplicate is filed at the FNX office for reconciliation. The submittal form identifies the Corporation's name, samples and project name. Each sequential sample series is entered on a single line with: the first and last sample as well as the total number of samples together with assaying and any special instructions e.g. instructions to freeze samples which may be required for metallurgical test purposes.

Drillcore boxes are clearly labelled with "Dymo Tape" on the front end, identifying drillhole number, box number and depths of the core contained in each box. Core to be kept is stored in a secure enclosure on the property pending assay results. After assays are received and checked, the core is kept in either the Annex Warehouse racks or sent to the Frood-Stobie core storage facility.

4.5 SAMPLE PREPARATION AND ANALYSES

Prior to June 2003, sample preparation was completed at ALS Chemex, Mississauga and analyses were completed at ALS Chemex, Vancouver. Since June 2003, sample preparation has been done by SGS Lakefield, Sudbury Operations and analyses are completed at ALS Chemex, Vancouver. ALS Chemex holds ISO9002 accreditation and participates in the proficiency testing that is required to achieve ISO17025 accreditation. SGS Lakefield holds ISO17025 accreditation.

On arrival at the preparation facility, samples are received, checked against the submittal forms and weighed. Samples are entered and progress is monitored using the Laboratory Information Management System ("LIMS").

The entire sample is crushed in a Rhino Jaw crusher to 85% passing -10 mesh (2mm). Sieve tests are done periodically to monitor grain size. Samples are split in a riffle splitter to achieve a 200-225 gram split. The sample splits are pulverized using a ring mill for approximately two minutes to achieve 90% passing -200 mesh. The pulp is sealed in paper envelopes with the affixed digital label and shipped via courier to the ALS Chemex laboratory in Vancouver. A confirmation of shipping, including submittal form number, number of samples, and waybill number is faxed from the sample preparation laboratory to the FNX exploration office.

Upon arrival at the ALS Chemex Lab in Vancouver, the pulps are once again checked against the submittal form, weighed and entered into the ALS Chemex

LIMS. Samples are then posted to the lab's secure website where their progress can be monitored by selected FNX staff with secure access permission. Once the assays are finalized a digital copy of the certificate is e-mailed to FNX. The geologist responsible for QA/QC loads the assays into the central database. A paper copy is also mailed to the FNX exploration office and archived.

All analytical assay results are stored within FNX's central database, along with all the logged data from the drill core. The integration of these data with the drillhole logs allows for QA/QC monitoring and data export into Datamine.

In the ALS Chemex Lab, Vancouver, 0.2 g of the pulp is fused with 2.6 g of sodium peroxide at 650(0)C. The resulting melt is cooled and dissolved in 250 ml of 10% hydrochloric acid. The solution is analysed by inductively couple plasma - atomic emission spectrometry (ICP-AES) and the results corrected for spectral interference. Calibration solutions for the ICP-AES must be prepared in a similar fashion to achieve matrix matching. The elements Ni, Cu, Co, Pb, Zn, As, Fe and S are reported. Detection limits are 0.005% for Ni and Cu; 0.002% for Co.

For Pt, Pd and Au determinations, a 30 g (1 assay ton) pulp is fused by fire assay furnace to produce a lead button and then cupelled to yield a precious metal bead. The bead is digested in a solution of 2% hydrochloric acid and the solution is analyzed by ICP-mass spectrometer (ICP-MS). Detection limits are 0.03 g/t (0.001 oz/ton) for Pt, Pd and Au.

For As and Ag determinations, the pulp is treated using Aqua Regia which consists of treating a sample with a 3:1 mixture of hydrochloric and nitric acids. The dissolved sample is then analysed using atomic absorption (AA). Detection limits for Ag is 0.2 ppm.

FNX stores all pulps but keeps and freezes coarse rejects for selected mineralized intervals only. The coarse rejects for mineralized intersections are frozen to prevent oxidation and to ensure that the samples remain in good condition for future repeat assays or metallurgical testing.

4.6 ASSAY QUALITY ASSURANCE/QUALITY CONTROL

Since the beginning of the SJV exploration program FNX has retained Analytical Solutions Inc. (" ANALYTICAL SOLUTIONS") to review and audit FNX's sampling and assaying programs and to make improvements to QA/QC procedures where warranted (Bloom, 2003 & 2004). This has ensured continuous independent monitoring of FNX's entire sample preparation and assaying procedures. Internally generated reports (weekly and quarterly) are submitted to Analytical Solutions for review, comment and recommendations. In addition, Analytical Solutions personnel visit FNX's operations and the service laboratories regularly thereby ensuring constant oversight of all analytical aspects of the exploration program.

The quality control system employed by FNX includes the use of reference materials, blanks and check assays. During the period April 2003 to March 2004, a total of 23,826 samples was assayed and the QA/ QC program confirmed that the assays are acceptable.

Control blank core samples are inserted at a rate of 1 per 100 samples. Currently the core blanks come from Levack drillholes FNX2004 and FNX2022. Reference standards are inserted at a rate of 1 per 40 samples for both precious and base metals. Standards currently being used include GBM399-10 and 900-3 from Geostats, Australia, PGMS-1, 2 and 4 from CDN Resource Laboratories B.C., SU-1a and PTC-1a both from CANMET and LDI-1, a standard from Lac des Iles which has not undergone round robin assaying. Checks assays are being done at a rate of 1 in per 40 samples. The checks are randomly selected during sample

preparation and analyzed at SGS Lakefield Research, Lakefield, Ontario.

ALS Chemex and SGS Lakefield Research perform standard internal QA/QC to ensure reliable results. The QA/QC program identified some cases of sample switches (less than 10 cases) and concerns regarding the accuracy of PGE assays. Preparation of new pulps and/or re-assaying was done at no cost by ALS-Chemex. There were no indications of critical systematic biases. Based on check assays at SGS Lakefield, additional PGE check assays have been undertaken since the approximately 400 check assays showed a minor bias towards higher values for Pt and Pd at ALS-Chemex. The reference materials submitted to SGS Lakefield were biased low for some sample batches which may account for the differences. These differences are in the order of 0.01 gpt Pd and 0.03 gpt Pt (Lavigne et al. Internal QA/QC Report, 2003).

The QA/QC program will be expanded to include tests on sub-sampling of the crusher material (90% passing 2 mm) and the second half of the drill core. Due to issues regarding confidence in the `expected values' for the commercial reference materials FNX is preparing a series of reference materials made from ore at existing operations and certified by submission to five or more laboratories. One reference material, containing 25% Cu and 1.5% Ni, has been prepared by TSL Inc. and additional reference materials at lower grades are required.

4.7 SAMPLE SECURITY

RPA in a report entitled "Review of the Mineral Resources and Mineral Reserves of the McCreedy West Mine Property, Sudbury Area" and dated August 22, 2003 describe the FNX procedures as follows:

> "At the drill site core box and lids are fibre taped shut after filling and core boxes are retrieved by FNX technicians on a timely basis and delivered to the core logging facility.
>
> After core processing, sulphide-mineralized intersections key to resource estimation remain racked in the core facility buildings that are locked when unattended by FNX personnel. Footwall and hanging wall sublayer core is stored in outside racks enclosed within barbed wire-topped chain link fence compounds under lock and key. Permanent core storage is at the Inco Frood-Stobie core farm. Core for upper sections of holes intersecting barren Upper and Middle layer SIC units (waste) is dumped at Inco's core disposal site at Frood-Stobie.
>
> Bagged samples, and container-packed samples tamper-proof sealed for shipping to ALS Chemex, are kept within the core facility buildings until loaded for commercial trucking. The high level of digital integration and software verification for data transfer eliminates most human error and makes tampering of sample results difficult."

4.8 DATA VERIFICATION

> "RPA checked original assay certificates with a number of drill logs and corresponding database entries and found no errors in the FNX work. Sampled intervals of core in core boxes for resource intercepts were checked against drill logs for seven holes and RPA's visual estimates of Cu and Ni grades in core were in line with recorded assays. Core sampling is well-managed to reduce sample length measurement error at the primary data collection stage. Core recovery is generally very good with broken, ground or lost core in sulphide sections infrequent. The sampling is better than industry standard, in RPA's opinion. Only one error of 0.1 ft. in a recorded sample interval was noted and this was due to a smeared footage block".

In this report the term PGM refers to Platinum Group Metals and includes Platinum (Pt), Palladium (Pd), which comprise the major part of the PGMs, + Ruthenium, Rhodium, Osmium and Iridium. The term TPM refers to Total Precious Metals and includes the PGMs + gold.

A list of abbreviations and conversion factors is included in Appendix 1.

All intersection lengths referred to in this report are lengths of drill core and should not be interpreted as being true widths.

5. FNX MINING - SUDBURY PROJECT

INFRASTRUCTURE & STAFFING

Following the signing of the agreements with Inco and Dynatec on January 10, 2002, the Corporation very quickly mobilized the program. An office was opened in Sudbury in March 2002 and the staff grew rapidly to the current level of 35, comprising 22 geoscientists, 7 technicians and 6 support staff. This staff is now dispersed between three locations. The main office, at Kelly Lake Road in Sudbury, handles local administration together with the Norman, Victoria and Kirkwood projects. The exploration office at Levack services the exploration at the McCreedy Mine property and the Levack and North Range Footwall projects. Four geologists are located at the McCreedy West minesite.

The two core logging and sampling facilities continue with the Kelly Lake Road location in Sudbury, now dedicated to Norman and Victoria core, and the Levack location handling the core and sample load from the McCreedy West mine underground operations and also from the North Range exploration projects. Both Sudbury project offices have been equipped with the necessary computer software and hardware required to manage an aggressive exploration program such as that being undertaken by the Corporation.

FNX's SJV partner, Dynatec has set up an office, warehouse, machine shops and other required facilities at the McCreedy West Mine site and employs some 111 persons.

The FNX corporate head office remains at 55 University Avenue, Toronto and it is anticipated that the current staff of seven persons will be supplemented by several additional key appointees.

EXPLORATION STATISTICS

Since inception of the drilling programs in late March 2002, a total of 570,000 ft of surface diamond drilling has been completed in 458 drill holes. As access has been gained to the underground workings, more of the drilling at the McCreedy West Mine has been carried out from underground locations and to date 252 underground holes have been completed for 118,165 ft. The current rig disposition is seven surface rigs and five underground rigs. FNX's surface drilling operations are carried out by Major Drilling, with one rig at McCreedy West, two at Levack, and three at Norman. FNX's underground drilling has been contracted to Boart Longyear with four rigs drilling various deposits in the McCreedy West Mine and one underground at the Levack Mine. In the period 1 April, 2003 to 23 March, 2004, FNX completed 114 surface diamond drillholes (177,177 ft) on four of the five Properties. In addition a further 133,021 ft of diamond drilling were completed in 290 holes from underground locations in the reconditioned McCreedy West Mine workings.

TABLE 2: DRILLING PROGRAM FROM INCEPTION TO MARCH 23, 2004

	SURFACE		UNDERGROUND		TOTALS	
	# HOLES	FEET	# HOLES	FEET	# HOLES	FEET
MCCREEDY WEST - S	71	115,316	252	118,165	323	233,481
LEVACK	40	87,628			40	87,628
NORMAN	158	220,757			158	220,757
VICTORIA	167	101,079			167	101,079
NORTH RANGE F/W	22	45,952			22	45,952
TOTALS	458	570,732	252	118,165	710	688,897

Approximately 23,800 samples were sent for assay during the period April 1, 2003 to March 23, 2004 with the total since inception being 49,500 assays.

6. SAFETY, HEALTH AND ENVIRONMENT (SH&E)

The directors, management, employees and contractors of FNX place a high priority on ensuring that the best practices of safety, health, environment and community relations are followed in the Corporation's activities. Together with Dynatec, FNX constantly reviews performance in these areas and attempts to provide a safe and healthy workplace, meeting or exceeding all regulatory standards and maintaining open communication with the communities in which it operates. The SJV and its contractors worked without a lost-time injury in the period from 1 April, 2003 to 23 March, 2004. Despite this record the SJV remains committed to providing the training and instilling best practices to continue this record into the future.

The SJV's Joint Health and Safety Committee continued its regular workplace inspections and meetings in order to comply with regulatory requirements and to promote a safe and healthy workplace environment. Worker and management representatives on the committee have completed the required certification courses with the Mines, Aggregates Safety and Health Association (MASHA).

FNX continues its regular training of employees and holds regular meetings with contractors in order to promote sound work practices and compliance with the Corporation's policies. As a minimum, field staff receive general orientation from the Northern Center for Advanced Technology (NORCAT), standard Workplace Hazardous Materials Information System (WHMIS) training and Emergency First Aid training. FNX is continually updating its Orientation Program and indoctrinates new personnel and new contractors with the objective of increasing awareness of safety, health and environmental issues. Procedures are reviewed with employees on a monthly basis. Requirements and standard operating procedures are outlined in the Safety, Health and Environmental Orientation Manual, which is updated on an annual basis at a minimum, and is mandatory reading for all personnel.

FNX has implemented a Safety, Health and Environmental Management System ("MANAGEMENT SYSTEM") This clearly outlines inspection standards and their frequency for the Properties. This document also outlines record keeping requirements and procedures for reporting and addressing potential compliance issues for appropriate members of upper management. The Management System is a vehicle for monitoring the Corporation's activities and maintaining compliance with both corporate and regulatory requirements.

FNX implemented a medical surveillance program with a third party health-care provider to monitor the condition of employees and ensure employees are fit for the work that they have been hired to perform. The program includes regular examinations and testing to monitor the capabilities of employees prior to hire, at appropriate intervals after employment commences and prior to returning to work after an injury or illness.

7. RESOURCES & RESERVES

The report (dated May 9, 2003 prepared by Patterson and filed on SEDAR May 21, 2003) outlined resource estimates for five of the seven known deposits at the McCreedy West Mine, which totaled 1,740,000 tons in the measured and indicated categories and a further 376,000 tons in the inferred category. The resources were contained within the Inter Main, Upper Main and East Main contact-type deposits and the 700 and 950 footwall -type vein deposits. These resources were reviewed and audited by RPA (RPA report March, 2003).

During the current reporting period, resources for the Inter Main and East Main deposits were updated to reflect additional drilling. A change in minimum mining width, additional drilling and raising were incorporated in the 700 Deposit resource update, Resources for four of the five deposits were converted to probable reserves (RPA report, August 2003). An additional 505,000 tons in the inferred resource category were added to the southwest extension of the Inter Main Deposit and announced in a news release dated February 23, 2004. These additional resources were also reviewed by RPA.

In addition, at the Levack Mine, FNX estimated a total of 4.6 million tons in the measured and indicated resource categories and further 981,000 tons in the inferred resource category.

RPA was retained to review the Corporation's internally generated resource and reserve estimates for the McCreedy West Mine and Levack Mine. The report for the McCreedy West Mine is entitled "Review of the Mineral Resources and Mineral Reserves of the McCreedy West Mine Property, Sudbury Area, Ontario", and dated August 22, 2003. The report covering the Levack Mine is entitled "Review of the Mineral Resources of the Levack Mine Property, Sudbury Area, Ontario", and dated October 3, 2003. Both of these reports were authored by Richard Routledge, M.Sc (Appl.), P.Geol. The complete reports were filed with SEDAR on August 29, 2003 and October 9, 2003, respectively.

Where possible, FNX's mineral resource estimates are completed in-house using 3-dimensional computer block modeling and inverse distance (IDX) grade interpolation using Datamine software. Resource estimation summary reports are produced describing the model parameters used, including the number of drill holes, assay and composite statistics, estimate methodology and interpolation parameters, volume-tonnage validation and nearest neighbour interpolation validation of the model. The McCreedy West Inter Main, East Main, Upper Main, and 950 Footwall Vein deposits were estimated using this methodology. The 700 Footwall Vein resource estimation was based on updating and modifying an earlier Inco estimate using the cross sectional polygon method. At the Levack Mine resources for the 1300, 1900 and No. 7 deposits were completed using the IDX. The remaining mineral resources at Levack were prepared using the Inco Levack Mine Mineral Resource Inventory (MRI). The deposits within the MRI were modeled on cross sections spaced at 70 ft, intervals and resource estimates were completed using the cross sectional polygonal method. Reference should be made to the Levack Mineral Resource report by RPA for more detailed methodology. The following Tables present the current status of resources/reserves at the Corporation's Properties:

TABLE 3: SUMMARY OF MINERAL RESERVES (AS AT DECEMBER 31, 2003)

MCCREEDY WEST MINE (SUDBURY JOINT VENTURE)

		TONS	NI	CU	PT	PD	
CATEGORY		(000S)	%				OZ/TON
PROBABLE	CONTACT DEPOSITS	1,237.1	1.91	0.23			
	FOOTWALL DEPOSITS	119.0	0.75	6.83	0.05	0.08	0
TOTAL		1,356.1					

TABLE 4: SUMMARY OF MINERAL RESOURCES (AS AT MARCH 23, 2004)

MCCREEDY WEST MINE

		TONS	NI	CU	PT	PD	
		(000S)	%				OZ/TO
INDICATED	CONTACT DEPOSITS	-	-	-	-	-	
	FOOTWALL DEPOSITS	520.0	0.27	1.44	0.07	0.07	0
TOTAL		520.0	0.27	1.44	0.07	0.07	0
INFERRED	CONTACT DEPOSITS	821.3	1.67	0.31			-
	FOOTWALL DEPOSITS	8.2	0.85	7.44	0.08	0.12	0
TOTAL		829.5					

LEVACK MINE

		TONS	NI	CU	PT	PD	
		(000S)	%				OZ/TO
MEASURED	CONTACT DEPOSITS	2,415.0	2.11	1.07	-	-	-
INDICATED	CONTACT DEPOSITS	2,182.8	1.99	0.90	-	-	-
TOTAL	CONTACT DEPOSITS	4,596.8	2.06	1.03	-	-	-
INFERRED	CONTACT DEPOSITS	981.3	1.97	0.86	-	-	-

All reserve/resource estimates, cut-off grades and nickel equivalency are based on estimates of long-term metal prices of ($US): Cu=$0.90 per pound (/lb.), Ni=$3.50/lb.,Pt=$525 per ounce (/oz.), Pd=$350/oz., Au=$350/oz. and a Canadian dollar of U.S.$0.67.

A number of resource estimations are in progress for several other deposits within the Properties. A geologically-conditioned simulation investigation is in progress on the PM Deposit at the McCreedy West Mine and on the 2000 Deposit

on the Norman Property. These deposits are Cu-Ni-PGM vein systems which can be difficult to model using conventional inverse distance interpolation methods. The geologically based simulations on these deposits should provide a more robust resource model on which to base future advanced exploration and production decisions. It should be noted that the exploration ramp advancing into the PM Deposit will provide additional information as to the controls on mineralization thereby permitting a better understanding and application of the model. Plans also include resource estimation for the Powerline and No. 2 West Deposits at the Victoria Mine property using computer generated block modeling.

8.0 FNX MINING SUDBURY JOINT VENTURE PROJECT - PROPERTIES

All of the Properties are located within 35 km of Sudbury (Figure 1), and the mineral rights are 100% owned by the SJV (Table 2). Ownership is primarily by patent but two are mining leases renewable in 2007. The information pertaining to activity on the various Properties presented in the Property Report is current as of 23 March, 2004. As this is a dynamic program new information is being generated daily and is disseminated by the Corporation through periodic news releases.

8.1 MCCREEDY WEST MINE PROPERTY

8.1.1 Location, History, Infrastructure & Environment

The McCreedy West Mine project area, (Figure 1), comprising 804.24 acres (325.4 ha) of mining rights contained in seven mining patents, is located 34 km northwest of Sudbury in Levack Township. Road access is excellent and the site is served by an active rail spur.

The Mond Nickel Corporation ("Mond") purchased the McCreedy West Mine (formerly Levack West) property in 1913 and Inco acquired the property in 1929 following the merger with Mond. In 1939 surface diamond drilling discovered the Main zone. In 1970 development of the access ramp from surface and the haulage drift from Levack 1600 Level was initiated. Mining of the orebodies commenced in 1974, and production came from the Upper Main, Middle Main, Lower Main and Footwall orebodies. Production to mine closing in 1998 totaled 15,758,000 TONS averaging 1.70% CU, 1.44% NI, 1.3 G/T TPM.

During the last two years of this historic production, mining of the high grade Cu-PGM-Au-Ni veins of the 700 Footwall Vein Complex was initiated, yielding 40,965 tons grading 5.35% Cu, 0.56% Ni and 4.0 g/ton TPM. This operation was used as a test site for narrow vein mining techniques.

The infrastructure at the McCreedy West Mine includes a -20% grade 20 ft x 16 ft ramp decline to the 1,600 ft Level with average level development spaced at 150 ft intervals. Since the inception of the SJV in January 2002, this ramp has been reconditioned and made safe to the 1600 Level. In addition the 6,900 ft. of the 1600 Level track haulage drift to Levack Mine has also been reconditioned. The 950 L has been reconditioned and a drill cross cut excavated. A ramp to access the Inter Main Deposit is nearing completion between the 950 and 1400 levels of the mine and an exploration ramp into the PM Deposit has progressed 700 ft. Mining development and stope mining is continuing at various levels of the mine into the 700 Vein Complex, Upper Main, East Main and Inter Main deposits. Water, electricity and air systems in the mine have been reconditioned and are operating efficiently. At the present time, five underground drill rigs are in operation and all underground activities are supported by the required surface facilities. Mine water is being drained to the Levack Mine along the 1600 Level drift and pumped through the McCreedy East/Coleman Mine shaft.

The property is covered by a joint Inco-Falconbridge environmental closure plan

which is being continually updated. The SJV has posted an environmental bond with Inco to cover any incremental environmental liabilities over and above those identified in the Inco Closure Plan for the McCreedy West/Levack Properties.

As infrastructure has been refurbished and production has resumed at the McCreedy West Mine monitoring at the site is now structured to meet compliance and due diligence requirements rather than to provide baseline data. Existing liabilities (i.e. metal concentrations in soil) that could be impacted by the SJV's activities were characterized prior to resuming production.

Monitoring of local air and surface water quality is performed to supplement the existing monitoring programs being carried out by Inco and Falconbridge as part of their approvals for neighbouring mines.

The temporary pile of non-reactive rock is monitored by site personnel, as per the Certified Waste Rock Monitoring Program. The pile and its management will be audited by a third party consultant on a semi-annual basis until the rock is backhauled underground.

Preliminary engineering for the crusher building and backfill plant have been completed. An amendment to the Levack-Onaping Closure Plan has been submitted to the Ministry of Northern Development and Mines (MNDM) to approve these additional site features. An application for a site-wide Certificate of Approval (Air) will be updated to reflect these additional emission sources. Approval of the amendment and the Certificate of Approval are anticipated in the 2nd Quarter 2004.

The annual Public Information Session regarding the McCreedy West Mine operations is planned for second quarter 2004 in the community of Levack.

8.1.2 Property Geology & Mineralization

The McCreedy West Mine occurs at the western limit of an extensively mineralized 8.5 km long portion of the North Range of the SIC. This part of the North Range encompasses all of the major Inco and Falconbridge past and current producing mines of the North Range (Strathcona, Coleman, Levack, McCreedy East, Onaping, McCreedy West, Hardy). At the McCreedy West Mine, mineralization occurs as Contact and Footwall Deposits. Previous operations exploited both CONTACT CU-NI mineralization along the base of SIC within Sublayer Norite and granite breccia-filled embayments, and FOOTWALL CU-NI-PGM mineralization in the footwall Sudbury Breccia environment.

The CONTACT DEPOSITS on the property (Inter Main, Upper Main, East Main and Boundary, (Figure 2), are related to a suite of sulphide and inclusion-rich sublayer norites and leucocratic granitic breccias. The orebodies occupy embayment structures that penetrate into the footwall of the SIC. These embayment structures are characterized by significant thickening of the mafic norite and sublayer units accompanied by thicker zones of footwall breccia. Hangingwall rocks composed of basal mafic norite and felsic norite of the main SIC overlie the contact mineralized zones. Brecciated rocks of the Levack complex consisting of granodiorite, granodiorite gneiss and migmatites form the footwall to the deposits.

These contact deposits are typified by Ni contents much higher than the Cu content, and contain negligible precious metal values. The depletion in Cu and PGMs in these zones is reflected in the high Cu and PGM values in the adjacent Footwall Deposits.

The FOOTWALL TYPE Cu-Ni- PGM vein deposits are represented by three deposits known as 700, 950 and the PM Deposits.

[GRAPHIC OMITTED - McCreedy Deposits Vertical Section]

8.1.3 Contact-Type Deposits

The UPPER MAIN DEPOSIT (Figure 2) comprises two mineralized lenses; a contact and a hanging wall lens. Both lenses consist of disseminated to massive pyrrohotite-pentlandite-chalcopyrite-pyrite predominately hosted within granite breccia. The higher grade contact lens is between 8 and 18 ft in width, and occurs over a strike extent of 300 ft and a down dip extent of 250 ft within sublayer norite and granite breccia. The volumetrically larger, but lower grade, hanging-wall lens ranges from 10 to 25 ft in width, and occurs over a strike extent of 650 ft and a down dip extent of 180 ft. This latter lens is strictly contained within a narrow granite breccia package. Unlike other known contact zones at the McCreedy West Mine, the location of the mineralization does not appear to be controlled by the morphology of the lower contact. The contact lens occurs along a topographically unremarkable hanging-wall - footwall contact at a dip of approximately 38o, whereas the hanging-wall lens occurs up to 130 ft away from the contact at a sub-horizontal orientation

Prior to FNX's involvement at the McCreedy West Property, Inco mined the Upper Main Zone, between the 250 ft Level and the 600 ft Level, and completed 5 holes in the un-mined section of the hanging-wall lens and 13 holes in the contact lens. FNX has completed a further 14 holes on the Upper Main from both surface (2,018 ft) and underground (2,782 ft). These holes have helped to define the limits of the contact lens, as well as to provide additional internal and extensional data for the hanging-wall lens. A typical intersection on the contact lens is represented by borehole FNX0008 (0.5% CU, 2.1% NI OVER 17.7 FT), whereas a typical intersection on the hanging-wall lens is contained in FNX 3000 (0.55% CU, 1.73% NI OVER 25.0 FT).

In February 2003, FNX estimated an indicated resource of 48,000 TONS in the Upper Main contact lens which graded 0.46% CU, 1.87% NI. An inferred resource of 128,000 TONS in the hanging-wall lens graded 0.31% CU, 1.44% NI. In July 2003, 36,100 TONS of the indicated resource on the contact lens was upgraded to a probable reserve grading 0.36% CU, 1.61% NI. These figures have been independently verified and audited by consultants Roscoe Postle Associates, (March, 2003). With the completion of the 2003 drilling program and reserve estimation, mining was initiated at the Upper Main Deposit in May 2003. To March 23, 2004, approximately 23,000 TONS of ore grading 0.3% CU AND 1.2% NI were mined.

There are no current plans to carry out any further drilling on the Upper Main Deposit during 2004.

The INTER MAIN DEPOSIT (Figure 2), a new discovery by FNX, consists of nickel-rich, Sudbury Basin contact-type and hanging-wall mineralization. The main body of mineralization is controlled by footwall irregularities, and gneissic blocks and fragments in the hanging-wall at or near the contact of the SIC with the underlying footwall. The reserve model of the Inter Main suggests that mineralization occurs over a strike direction of at least 1100 ft and down dip for 800 ft. Recent drilling has shown the potential for significant additions to the reserve tonnage (Figure 3). The dominant mineralization is associated with physical traps at the base of the SIC however, mineable hanging-wall lenses occur throughout the ore body. The dominant host rock for both contact and hanging-wall environments is granite breccia.

The contact and hanging-wall style sulphides consist of pyrrhotite-pentlandite-chalcopyrite-pyrite, and are characterized by various textural styles; the most common include: inter granular disseminations, blebs, blocks, fragments, laminated semi-massive and massive sulphides, and uniform massive sulphides with net textured pentlandite. The style of mineralization is

highly dependent upon rock type association, as well as proximity to traps along the contact.

In March 2002, FNX completed its first hole into this previously undefined deposit, and intersected 52.3 FT OF 3.17% NI AND 0.37% CU. This intersection hastened the pace of exploration at the Inter Main, resulting in the completion of 38 surface holes in 2002 at a spacing of 50 to 200 ft. In 2003, the rehabilitated 1600 level drift at the McCreedy West Mine provided an ideal platform from which to complete infill and expansion drilling of the Inter Main. In addition, initiation of Inter Main access ramps from the 950 Level and the 1400 Level have also provided critical drilling platforms. In total, 135 holes were completed at the Inter Main from April 1, 2003 to March 23, 2004, for a total of 59,200 ft and the results of this drilling are presented in Table 5.

[GRAPHIC OMITTED - Sudbury Joint Venture McCreedy West Property Inter Main Deposit]

These holes have helped to define the Inter Main Deposit at 50 ft centres over half of the deposit, as currently known, and 80 to 100 ft centres over the remainder of the deposit.

In February 2003, an indicated resource of 866,000 TONS GRADING 0.24% CU AND 2.02% NI was announced for the Inter Main Deposit. In July, 2003, following additional in-fill drilling, this resource was upgraded to a reserve of 1,070,000 TONS GRADING 0.21 % CU AND 1.88 % NI. An additional inferred resource of 112,000 tons at 0.53% Cu and 2.31% Ni was also identified at this time along the western extents of the Inter Main. These figures have been verified and audited by independent consultants, RPA.

Mining has now commenced on the Inter Main Deposit in sills leading from the 950 and 1400 level Inter Main access ramps. By the second Quarter of 2004, these ramps should connect, and mining of the Inter Main Deposit can begin in earnest. To date some 47,000 TONS of ore have been mined in the Inter Main at a grade of 0.3% CU AND 1.8% NI.

TABLE 5: MCCREEDY WEST: INTER MAIN DEPOSIT - RESERVE AREA: ASSAY INTERVALS 2003/2004 REPORT PERIOD DRILLING

BOREHOLE	FEET			%	
	FROM	TO	LENGTH	CU	NI
FNX0085	576.0	611.5	35.5	0.2	1.3
FNX0086	545.0	547.4	2.4	0.1	1.8
FNX0087	468.5	505.0	36.5	0.2	2.2
FNX0091	380.0	395.0	15.0	0.3	1.5
FNX0098	551.8	568.8	17.0	0.3	2.0
FNX0104	546.0	568.0	22.0	0.3	2.6
FNX0112	489.7	512.6	22.9	0.1	1.1
FNX0122	501.2	516.5	15.3	0.2	3.0
FNX0123	461.2	495.0	33.8	0.2	3.2

FNX0124	477.7	506.3	28.6	0.2	3.5
FNX0125	467.0	502.0	35.0	0.2	3.0
FNX0126	456.8	497.4	40.6	0.3	2.8
INCL.	465.4	487.3	21.9	0.2	3.8
FNX0127	453.3	460.0	6.7	0.2	3.6
FNX0128	467.1	535.0	67.9	0.3	1.8
INCL.	467.1	495.0	27.9	0.3	2.7
AND	514.0	535.0	21.0	0.4	1.5
FNX0138	567.6	572.7	5.1	0.3	1.7
FNX0148	379.0	425.0	46.0	0.3	2.9
INCL.	399.5	420.5	21.0	0.3	3.9
FNX0149	444.0	447.5	3.5	0.2	1.3
FNX0156	484.4	548.3	65.9	0.1	1.7
FNX0157	494.4	523.3	28.9	0.1	0.9
INCL.	494.4	501.7	7.3	0.2	1.5
AND	513.6	523.3	9.7	0.2	1.0
FNX0174	466.8	490.9	24.1	0.3	2.2
INCL.	478.3	487.9	9.6	0.3	3.7
FNX0176	408.8	414.7	5.9	0.4	2.8
FNX0177	403.7	418.1	14.4	0.4	4.4
INCL.	403.7	413.4	9.7	0.4	5.2
FNX0182	501.6	535.0	33.4	0.2	3.2
INCL.	509.8	529.5	19.7	0.3	4.1
FNX0183	480.7	525.0	44.3	0.2	3.2
FNX0184	434.3	458.6	24.3	0.2	1.4
INCL.	434.3	446.7	12.4	0.2	2.1
FNX0185	461.4	530.0	68.6	0.4	1.4
INCL.	477.0	500.0	23.0	0.5	2.5
INCL.	477.0	487.5	10.5	0.6	4.3
FNX0186				NSV	
FNX0187	526.5	544.2	17.7	0.2	4.0

FNX0188	441.4	495.3	53.9	0.4	1.9
INCL.	441.4	454.3	12.9	0.6	4.2
FNX0206	546.3	571.9	25.6	0.3	2.1
INCL.	546.3	558.9	12.6	0.4	3.6
FNX0207	501.6	519.6	18.0	0.2	1.8
INCL.	501.6	513.3	11.7	0.2	2.4
FNX0215	500.9	519.2	18.3	0.1	2.1
FNX0216	532.8	548.7	15.9	0.4	1.3
FNX0217	500.8	536.4	35.6	0.4	1.8
INCL.	500.8	520.8	20.0	0.5	2.6
FNX0218	505.1	521.4	16.3	0.3	2.6
FNX0219	526.2	542.3	16.1	0.3	1.6
FNX0228	498.0	532.5	34.5	0.2	2.6
INCL.	498.0	511.9	13.9	0.2	3.4
FNX0229	490.0	496.0	6.0	0.3	1.2
AND	514.0	532.2	18.2	0.1	1.0
FNX0230	516.0	527.5	11.5	0.4	1.6
AND	611.5	619.8	8.3	0.3	0.9
FNX0231				NSV	
FNX0233	444.6	488.0	43.4	0.2	1.5
INCL.	446.7	454.9	8.2	0.3	3.1
INCL.	477.0	488.0	11.0	0.2	3.1
FNX0234	425.2	442.8	17.6	0.6	2.6
FNX0236	564.1	568.6	4.5	0.3	1.0
FNX0244	395.7	416.2	20.5	0.3	2.1
FNX0263				NSV	
FNX0264	132.5	136.5	4.0	0.3	1.8
AND	153.5	159.4	5.9	0.6	4.3
FNX0265				NSV	
FNX0266	62.1	63.2	1.1	0.2	3.0
FNX0267	81.8	88.6	6.8	0.2	4.1

FNX0294	67.4	92.0	24.6	0.3	4.1
FNX0295				NSV	
FNX0297	147.5	156.0	8.5	0.2	1.9
FNX0325	212.3	213.0	0.7	0.4	3.0
FNX0327	52.8	95.9	43.1	0.4	2.0
INCL.	52.8	67.0	14.2	0.6	3.8
FNX0329	78.0	176.5	98.5	0.2	1.6
INCL.	78.0	108.0	30.0	0.4	2.7
INCL.	169.1	176.5	7.4	0.3	3.8
FNX0330	190.7	205.2	14.5	0.2	2.8
FNX0331	87.7	128.3	40.6	0.2	1.1
INCL.	87.7	106.5	18.8	0.2	1.7
INCL.	120.6	128.3	7.7	0.1	1.1
FNX0332	107.6	110.5	2.9	0.1	1.7
AND	147.4	154.2	6.8	0.2	1.1
FNX0333	141.8	158.9	17.1	0.5	2.6
INCL.	142.6	151.4	8.8	0.4	3.3
AND	259.3	279.0	19.7	0.3	1.3
INCL.	271.5	279.0	7.5	0.4	2.3
FNX0334	103.7	132.8	29.1	0.4	1.2
INCL.	103.7	110.0	6.3	1.1	1.8
INCL.	120.4	132.8	12.4	0.3	1.7
FNX0335	139.1	152.0	12.9	0.5	3.3
AND	196.7	212.9	16.2	0.6	3.2
AND	276.5	280.0	3.5	0.5	3.6
FNX0338	95.9	123.9	28.0	0.8	2.7
INCL.	97.3	106.5	9.2	0.8	4.0
INCL.	111.7	121.6	9.9	0.8	3.0
FNX0375				NSV	
FNX0376	187.0	191.2	4.2	0.1	0.8
FNX0380	613.1	637.8	24.7	0.2	0.9

FNX0427	137.0	152.7	15.7	0.2	2.7
FNX0429	245.4	253.9	8.5	0.1	1.8
FNX0430				NSV	
FNX0431	154.2	167.7	13.5	0.2	2.7
FNX0432	133.8	145.6	11.8	0.4	1.8
FNX0433	78.7	88.8	10.1	0.2	2.7
FNX0434	104.2	144.5	40.3	0.3	2.3
FNX0439	180.7	199.7	19.0	0.1	2.1
FNX0440	244.1	303.3	59.2	0.1	1.5
FNX0441				NSV	
FNX0442	230.9	283.9	53.0	0.1	2.6
FNX0443	173.0	188.0	15.0	0.2	2.4
FNX0444	143.1	150.0	6.9	0.1	2.1
FNX0444B	160.6	163.6	3.0	0.2	4.0
FNX0600	109.2	120.2	11.0	0.1	2.1
FNX0602	124.0	126.5	2.5	0.3	3.1
FNX0603	141.6	251.4	109.8	0.2	1.3
INCL.	141.6	210.0	68.4	0.2	1.6
FNX0604	93.1	116.1	23.0	0.2	3.6
FNX0605	135.0	204.2	69.2	0.1	1.4
INCL.	135.0	169.5	34.5	0.1	2.0
FNX0607	150.6	155.0	4.4	0.5	1.9

nsv = no significant values

The objective of the 2004 exploration program on the Inter Main Deposit, is to continue with required production drilling within the reserve area, and to test for extensions by completing 33,200 ft of proximal and distal exploration drilling outside of the reserve. The proximal targets will include the extension of the Inter Main towards the South West (Fig. 3) where previous drilling and mining on the 1450 Level by Inco had suggested the potential for this area to host a significant Ni resource. Surface drilling (FNX3066: 0.2% CU, 1.3% NI OVER 97.5 FT, and FNX3067: 0.2% CU ,1.3% NI OVER 62.0 FT) by FNX has confirmed this potential.

Increased definition of the Inter Main towards the South West (originally part of the Boundary Deposit) became possible late in 2003 as development of suitable underground drilling platforms progressed. The data derived from this drilling allowed for the completion of both a geological model and a resource

model for that portion of the mineralization which occurs between 1300 and 1700 Levels. This modeling has defined an inferred resource (reviewed by RPA) estimated at 505,000 TONS grading 1.7% NI. In 2004, increased definition of this part of the Inter Main Deposit will be accomplished with the completion of 20 holes for 12,000 ft. This drilling should provide the confidence required for the completion of an upgraded resource model leading ultimately to a reserve estimation. Selected intersections reported from the 2003 underground exploration program include FNX0067: 0.41% CU, 1.65% NI OVER 49.3 FT FNX0253: 0.25% CU, 2.25% NI OVER 32.8 FT, FNX0250: 0.11% CU, 1.80% NI OVER 37.6 FT. It now appears that the South West Inter Main may continue as part of the upper portion of the previously designated Boundary Deposit.

The WESTERN EXTENSION is an area of sparse drilling south of the 950 level and along the western margins of the Reserve Area of the Inter Main Deposit. The area is situated very close to infrastructure, but remains a challenge to define with drilling from underground platforms. In 2003, only three holes were drilled into the western extensions of the Inter Main Deposit. The best intersections from these holes include: FNX0155: 0.35% CU, 1.73% NI OVER 13.3 FT, and FNX0173: 0.66% CU, 3.78% NI OVER 21.7 FT

In 2004, 6,500 ft of drilling is planned in 5 holes from surface into the western extensions. These holes will complement historical Inco drilling and should allow for the completion of an upgraded resource model. Currently an inferred resource of 112,000 TONS AT 0.53% CU AND 2.31% NI is defined for this portion of the Inter Main Deposit. Two typical historical intersections are: 0.28% CU, 3.74% NI OVER 20.3 FT and 0.25% CU, 2.26% NI OVER 18.0 FT.

The EASTERN EXTENSION lies east of the Inter Main Reserve area and the objective is to complete sufficient exploration drilling to extend the reserve/resource area to the east. In 2003, seven holes were drilled in this area, intersecting narrow higher grade values (4.2% Ni over 1.7 ft) and wider intersections of lower values (1.1% Ni over 12.5 ft). Distal targets include poorly drilled areas well to the east of the current known limits of the Inter Main, that have near term potential for adding additional resources. These targets will be drilled from the 1600 Level.

The EAST MAIN DEPOSIT (Figure 2) occurs to the east of the main ramp between surface and the 920 Level, and consists of semi-massive to massive pyrrhotite-pentlandite-chalcopyrite-pyrite contact-style mineralization. The central portion of the deposit occupies a south easterly trending embayment that extends from surface, down dip to a depth of at least 600 ft below surface The mineralized zone is typically between 8 and 25 ft thick and predominantly occurs near the base of the granite breccia horizon adjacent to the gneissic footwall rocks. In the southern, down dip extension of the East Main, the mineralization splays into two narrow zones, each between eight and 15 ft wide, and separated by 12 - 30 ft of weakly mineralized granite breccia and sublayer.

In mid April 2003, a near term surface production drilling program was completed. This program consisted of 6,803 ft of drilling in 11 holes, at 50 to 80 ft centres. In February 2003, FNX estimated an indicated resource for the East Main of 167,000 TONS AT 0.35% CU, 2.54% NI. In July, 2003, a subset of this resource was upgraded to a probable reserve of 131,000 TONS GRADING 0.35% CU, 2.27% NI. This estimate was verified by RPA (August, 2003).

No drilling is scheduled for the East Main Deposit in 2004, as the 2003 program was sufficient to define the mineral reserve. Mining has commenced on the 420 and 450 Levels and to date approximately 29,500 TONS GRADING 0.4% CU AND 2.1% NI have been mined from the East Main.

8.1.4 Footwall-type Deposits

The FOOTWALL TYPE Cu-Ni- PGM vein deposits are represented by three deposits known as 700 Deposit; 950 Deposit and the PM Deposit (Figure 2).

The 700 DEPOSIT, located between the 500 and 700 Levels, is part of an eastward-plunging and south-dipping structural zone contained within an area of footwall Sudbury Breccia that extends from surface to a depth of at least 3000 ft. Mineralization within the 700 Deposit is restricted to sharp walled veins which cross cut both the Sudbury Breccia matrix and clasts. Individual veins, ranging in thickness from several inches up to 13 ft, are composed of massive chalcopyrite with accessory pentlandite, millerite and pyrrhotite, and have strike and dip lengths ranging from 25 to 350 ft. Prior to the mine closing in 1997, 41,000 tons of ore were produced from the narrow veins and averaged 5.35% CU, 0.56% NI, 4.0 G/T TPM.

One hundred-ninety three historic drillholes with 437 significant intersections have been reported from this zone. One hundred-twenty eight of the intersections are in excess of 15.0 g/t TPM, with the highest being 110.0 g/t over 0.4 ft. In February 2003, FNX estimated an indicated and measured resource in the 700 Deposit of 139,000 TONS at a grade of 6.1% CU, 0.81% NI, 0.18 OZ/TON (5.6 G/T) TPM. In July, 2003, a subset of this resource was upgraded to a probable reserve of 119,000 tons grading 6.83% CU, 0.75% NI, 0.17 OZ/TON (5.3 G/T) TPM. This estimate was verified by independent consultants RPA (August, 2003).

In 2003, 22 holes were completed at the 700 Vein Deposit for a total of 3,600 ft. This drilling was designed mostly to assist production, as the exploration potential proximal to the vein system is limited by extensive historical drilling. Mining of the veins by narrow vein mining methods commenced early in 2003 with production to 23 March, 2004 amounting to 10,300 TONS GRADING 6.53% CU, 0.7% NI, 4.1 G/T TPM. Drilling in the 700 Deposit in 2004 will be for production purposes.

The 950 DEPOSIT is located to the east and down plunge from the 700 Deposit. This deposit comprises two distinct styles of mineralization: massive chalcopyrite, pentlandite and millerite veins ranging in thickness from 3 inches to 3.0 ft, and a broader zone of irregular stringers and disseminated chalcopyrite blebs. The veins exhibit a steep southerly apparent dip on geological cross-sections, while the broader package of mineralization appears to dip more shallowly to the south, sub-parallel to and within a wide zone of footwall Sudbury Breccia. Twenty-one historic drillholes yielded 54 significant intersections, 22 of which were greater than 10 ft.

Fifteen diamond drill holes (10,832 ft) drilled by FNX in late 2002 and early 2003 helped to define the 950 Deposit (on 50 to 80 ft centres) over a strike length of 200 ft with a down dip extent of 600 ft. Intersections demonstrating potential (previously reported) from the 950 Deposit drilling include 2.4% CU, 0.3% NI, 5.1 G/T TPM OVER 24.0 FT, and 5.1% CU, 0.1% NI, 6.8 G/T TPM OVER 37.1 FT.

In February, 2003, an indicated resource of 520,000 TONS, grading 1.44% CU, 0.27% NI AND 5.28 G/T TPM, was estimated for the 950 Deposit. This estimation, by FNX, was verified by independent consultants RPA.

In 2004, a short exploration ramp is planned into the 950 Deposit and the information generated from this ramping together with the associated drilling program will permit completion of a reserve estimation later in the year.

The PM DEPOSIT (Figures 2 & 4) is located below the 1450 Level at the McCreedy West Mine within a broad package of footwall Sudbury Breccia. Mineralization typically consists of chalcopyrite +/- millerite +/- pendlandite + PGM (Pt+Pd Bismuth Tellurides) within a mineralized envelope which generally dips 38(degree) to the southeast. The mineralization style varies throughout the

deposit but in general terms it consists of (i) Discontinuous narrow veins and stringers of chalcopyrite +/- millerite. Although discontinuous, the veins maintain a general trend which dip shallowly to the South East. The sulphides tend to wrap around clasts in the Sudbury Breccia rather than cross cut; (ii) Disseminated chalcopyrite within the matrix of Sudbury Breccia; (iii) Blebs of chalcopyrite which have replaced the mafic components of some clasts.; (iv) Extreme low sulphide zones (0.1 to 0.2% S) with high precious metals that are associated with narrow sulphide veinlets and disseminated chalcopyrite and millerite.

This style of mineralization makes this deposit potentially amenable to bulk mining.

Prior to FNX's involvement at the McCreedy West Mine, Inco had completed 44 drillholes in the PM Deposit. These drillholes yielded 44 significant intersections, 34 of which are greater than 20 ft thick.

The first hole drilled on the property by FNX (FNX3000) intersected 250.7 FT (150 FT TRUE WIDTH) OF 1.17% CU, 0.22% NI AND 6.24 G/T TPM. This hole transected the heart of the PM Deposit, with the mineralization style consisting of narrow fracture fill and replacement veins and disseminations. Other holes drilled closer to the eastern margins of the deposit encountered indistinguishable low sulphide type mineralization consisting of veinlets and disseminations. One of these holes (FNX3022), intersected 64.10 FT. GRADING 0.07% CU, 0.05% NI, AND 15.15 G/T TPM.

From April 1, 2003 to March 23, 2004, FNX completed 85 underground holes at the PM Deposit for a total of 51,039 ft, and a grand total of 118 drillholes for 88,298 ft since inception of the program. Most of this drilling was completed from the 1600 and 950 Levels with the objective of testing the continuity of the mineralization; increase confidence levels and add to the understanding of the geologic controls to mineralization. The results of this drilling are presented in Table 6.

[GRAPHIC OMITTED - PM Deposit: Inclined Section (Looking NW, Dip: - 35 degrees)]

TABLE 6: MCCREEDY WEST: PM DEPOSIT - 2003 / 2004 DRILLING: ASSAY INTERVALS

BOREHOLE	FEET			%			G/T	
	FROM	TO	LENGTH	CU	NI	PT	PD	AU
FNX0056	684.6	751.1	66.5	1.1	0.1	1.3	2.0	1.
incl.	684.6	693.9	9.3	1.2	0.3	1.6	3.3	
incl.	703.3	715.4	12.1	1.4	0.1	2.1	3.9	1.
incl.	743.6	751.1	7.5	2.4	0.1	3.5	3.8	0.
FNX0057	630.5	720.3	89.8	1.9	0.4	2.8	3.3	1.
incl.	686.6	720.3	33.7	3.5	0.5	5.4	6.4	2.
incl.	712.8	720.3	7.5	8.5	1.3	13.8	14.5	7.
FNX0058	544.8	553.3	8.5	1.6	1.1	1.5	2.6	0.

and	605.7	642.6	36.9	1.4	0.4	1.5	2.0	0.
and	664.8	666.0	1.2	6.9	1.6	16.8	16.6	3.
FNX0059	616.4	625.5	9.1	4.2	0.4	2.1	3.1	1.
and	653.4	675.0	21.6	0.4	0.1	1.2	1.0	0.
FNX0060	690.0	694.8	4.8	1.8	0.2	1.9	4.0	0.
and	728.0	774.8	46.8	0.4	0.1	1.1	1.2	0.
incl.	761.3	774.8	13.5	0.2	0.1	1.9	2.3	0.
and	821.2	829.0	7.8	0.1	0.1	3.3	3.0	0.
FNX0061	613.7	645.5	31.8	1.2	0.4	1.4	1.9	0.
incl.	637.0	645.5	8.5	2.1	1.0	2.8	2.9	0.
FNX0062	527.0	670.3	143.3	0.8	0.2	1.4	1.8	0.
incl.	527.0	579.8	52.8	1.0	0.2	0.9	1.5	0.
incl.	609.4	670.3	60.9	0.9	0.2	2.4	2.6	0.
incl.	648.7	670.3	21.6	0.9	0.2	3.8	3.3	0.
FNX0063	490.2	497.1	6.9	2.7	0.5	1.1	1.4	1.
and	598.8	608.1	9.3	0.4	0.1	0.9	0.9	2.
FNX0064	399.9	405.0	5.1	5.1	0.3	0.4	1.2	0.
and	509.8	518.7	8.9	9.0	1.1	4.9	7.1	7.
FNX0065	535.2	551.6	16.4	1.3	0.2	1.5	1.7	0.
FNX0092	347.5	510.0	162.5	0.2				