

John Tumazos Very Independent Research, LLC
11 Yellow Brook Road, Holmdel, NJ 07733
732 444 1083 or 732 740 3574 (cellular)
john@veryindependentresearch.com or
johntumazos@comcast.net or tumazos@monmouth.com

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Complimentary Report Not Intended for Compensation

FNX MINING (FNXMF \$29.00, rated Overweight) CONFIRMATION AND EXPLORATION ON TRACK; COSTS IMPROVE; EARNINGS ESTIMATE CUT AS NICKEL PRICE CORRECTS

	2007E	2008E	2009E	2010E
Earnings Per Share revised Aug.5	\$1.09	\$1.45	\$1.47	\$2.38
EPS prior at PEG June 6	\$1.56	\$1.45	\$1.53	\$2.45

JT Very Independent Research, LLC estimates in US \$ while FNX reports in C \$.

- Confirmation that exploration is on track come as the “on schedule” Levack 2650 access ramp advanced 592 feet and the Craig mine access ramp advanced 486 feet. The Podolsky 2450 level drift encountered 22 feet of massive sulphide mineral visually estimated at 20%-25% cu, 1%-2% ni and 0.25-0.75 oz per ton total pt-pd-au.
- Second-quarter mining costs fell to C\$104 from C\$119 per ton in the March 2007 quarter as expanding operations grow more efficient, offsetting the stronger C\$ or higher energy.
- Ore grades and output were roughly as expected. The copper grade improved from 1Q.
- LME nickel prices have fallen to \$13.16 per pound, LME inventories have risen by 0.6% of world consumption from May lows to 15,138 tonnes, global stainless output has fallen outside of China in recent months, average stainless alloys appear less nickel-intensive and global investor expectations have grown conservative with the U.S. credit crunch. We cut our 2007 nickel price estimate to \$16 from \$20, and remain at \$12.50 for 2008, \$10 for 2009 and 2010 and \$9 per pound afterwards.
- We lowered our 2007 earnings estimate to US \$1.09 from \$1.56 reflecting the \$4 drop in estimated nickel prices, further adverse provisional pricing, a smaller estimate for asset sale income, the stronger C\$ and foreign currency charges, a \$5 per tonne higher costs of goods sold and a less aggressive fourth-quarter volume outlook offset by a 1.5% lower tax rate.

**AREA OF INFLUENCE OF PRIOR DRILL INTERCEPTS SIGNIFIED IN
PODOLSKY TUNNELING**

FNX Mining's deposits in the Sudbury, Ontario area tend to involve lenses, veins and veinlets from magmatic lava flows. The 20 mile by 60 mile Sudbury Basin resembles a collapsed volcanic crater or chimney or "caldera," and the many mine shafts of CVRD Inco, Xstrata Falconbridge, FNX Mining or others occur on the perimeter.

The Sudbury thicknesses, geometric orientation and grades do NOT resemble sedimentary sea-bed floor limestones or siltstones such as found in disseminated Nevada gold deposits or porphyry copper deposits such as found in Arizona. Those deposits may be flat lying, and many hundreds of feet with sometimes with uniform grades. The "area of influence" of drilling in such NV or AZ environs can be 100 feet for gold or even 300 feet for uniformly disseminated copper deposits.

The Podolsky Mine 2450 Level Plan contained in page 3 of the August 2 Podolsky exploration release and again in Slide 39 of the August 2, 2007 webcast presentation denoted seven mineralized and three non-mineralized surface boreholes that defined the "mineral envelope." The 2450 Level Drift appeared within ten feet of the nearest surface borehole intercept FNX4130, which intercepted 18.8 feet of 19.8% cu, 3.1% ni and 0.4 oz per ton combined pt-pd-au and a thicker diluted intercept of 114.4 ft of 13.8% cu, 1.0% ni and 0.24 oz per ton of pt-pd-au.

The first 25 to 30 feet of the 2450 Level Drift within the hypothesized "mineral envelope" did NOT encounter massive mineralization. Subsequently the drift has hit 22 feet of massive mineralization, which probably has been excavated or exposed just in the past week or two given that such a tunnel ought to advance several meters per day. "Visual estimates" are of a 20%-25% cu, 1%-2% ni and 0.25-0.75 oz per ton pt-pd-au grade. We applaud FNX Mining for sincerely trying to communicate promptly to shareholders, but caution that subsequent assays will be more exact.

It appears that the "area of influence" of borehole FNX 4130 was 25 to 30 feet to the west, and subsequent tunneling will tell us how much the mineralization extends in other directions. An element of unknown randomness exists as the explorer does not know the true implication or interpretation of the drilling until such a tunnel pierces the target deposit, and a drill platform within the deposit "fans out" to test more.

CRAIG MINE AND LEVACK 2650 ACCESS RAMPS "ON SCHEDULE"

Management indicated these two ramps into the Levack Footwall would be completed by year-end. It noted that Summer Holidays or Xstrata's own priorities to move ore, men and supplies in the Craig mine of Xstrata could cause delays. Even if tunnels take an extra 30 or 60 days to complete, the mineral will not "spoil" or walk away.

NICKEL PRICE AND END USER BEHAVIORS ERRATIC

Allegheny Technologies notes that nickel "surcharges" will fall about \$0.70 per pound or \$1,400 per ton with the up to \$10 drop in nickel prices from highs briefly between \$24

and \$25 per pound for just one week in mid-May. It sells one-third to one-half of its commodity flat-rolled output to distributors. It indicates that distributors are not placing orders or taking delivery until this “adjustment period” passes. It further indicates that such customers will be reluctant to buy until the drop reverses and nickel prices rise again.

Thus, exaggerated upside and downside volatility will be the rule. It is not accurate to attribute volatility to “investment funds” or speculators. Most market participant constituencies “chase the trend” so to speak.

Investors should be cognizant that the current almost 50% drop in the nickel price in almost less than three months is just “one phase” of a pendulum swing. End users and steel mills will need to “overbuy” nickel once confidence reappears with several weeks without a nickel price decline.

It should be noted that August, November and December tend to be seasonally slower months for end markets. It is unclear whether “normal demand” will occur as early as September-October or reappear after January 10th.

WORLD STAINLESS OUTPUT UP > 20% FROM 2005 SIGNIFYING CONTINUED GOOD DEMAND CLIMATE

Global stainless output grew 14.7% in 2006 and should rise 5%-7% in 2007 assuming a drop from 15.5436 mmt in the 2007 first-half to 14.5-14.75 mmt in the second-half. Admittedly the average nickel content fell due to shifts principally to alloy 201 (4%-5% not 8%-9% ni), other 200 series or 400 series no-nickel alloys. Nonetheless, we characterize growth from 24.9 mmt in 2005 to 28.5 mmt in 2006 to 30+ mmt in 2007 as a healthy market.

In 2007 Chinese output has grown, causing displacement of U.S. and EU outputs that have fallen 9% and 10%, respectively, in the second-quarter. In the March 2007 quarter Chinese output grew 770,500 metric tonnes while the whole world grew 746,600 tonnes or fell 23,900 tonnes outside China. In the June 2007 quarter Chinese output grew 747,800 tonnes from the prior year while the whole world grew 536,100 tonnes suggesting a drop of 211,700 tonnes outside China.

India and Japan registered second-quarter output gains, while South Africa was flat and Korea and Brazil had small drops. The trend towards China displacing the U.S. or EU is adverse for nickel as Chinese producers use lower nickel alloys while U.S. and EU producers often produce high nickel specialties or non-commodity alloys.

NICKEL PIG IRON COULD REPRESENT UP TO 5% OF SUPPLY

In the first five months of 2007 Chinese nickel output within pig iron approached 10,000 tonnes per month or up to 5% of world supply including nickel scrap. China uses electric

arc steel or blast furnaces to pyrometallurgically treat lateritic (tropical vegetation acid decay of bedrock) ores from Indonesia, New Caledonia or the Philippines.

We regard this as a hugely clever idea. China has built way too many steel furnaces, and needs to find new ways to use them. We've spent hours trying to imagine new consumer products, such as ultra thin less than 0.01 inch high ductile, deep drawing, vacuum degassed super soft cold-rolled from shoes. After all, the Dutch used wood.

Moreover, it is thermodynamically practical to mix 5% to 10% nickel ores into carbon steelmaking raw materials. After all, the molten bath needs to be upwards of 3,000 degrees Fahrenheit anyway. And it does not require building a \$2 to \$4 billion plant somewhere in New Caledonia where environmentalists or local residents object. Nor does it require multi-year metallurgical pilot plant constructions to test new laterites.

We are not convinced that such supplies are entirely "new" or "incremental" supplies. It is possible that nickel pig iron is an alternative to exporting ores to Japanese smelters or

Table 1: Estimated Income Statement (\$ Mil.)

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Nickel	203.20	225.00	200.00	240.00	243.00	243.00	243.00	243.00	243.00
Copper	34.88	105.00	130.00	200.00	260.00	260.00	260.00	260.00	260.00
Precious and other	29.60	74.01	105.73	158.59	158.59	158.59	158.59	158.59	158.59
Interest and other	19.57	3.00	6.11	12.11	25.46	40.03	54.66	70.56	86.52
Total Sales	287.25	407.01	441.83	610.70	687.05	701.62	716.25	732.15	748.11
Cost of Mining	94.49	161.68	184.92	216.45	267.38	280.75	294.79	309.53	325.00
Deprn. and amort.	16.41	28.07	33.64	41.24	53.38	53.91	54.45	54.99	55.54
Administration	9.00	11.25	14.06	17.58	17.58	17.58	17.58	17.58	17.58
Stock-based comp.	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Capital taxes	2.00	2.50	3.13	3.91	3.91	3.91	3.91	3.91	3.91
Other expense, net	8.60								
Pretax Income	151.76	199.51	202.09	327.52	340.81	341.48	341.53	342.15	342.08
Income Taxes	53.87	69.83	70.73	114.63	119.28	119.52	119.53	119.75	119.73
Minority Interest									
Net Income	97.88	129.68	131.36	212.89	221.53	221.96	221.99	222.40	222.35
Avg. Shares Outstg.	90.00	89.40	89.40	89.40	89.40	89.40	89.40	89.40	89.40
EPS	\$ 1.09	\$ 1.45	\$ 1.47	\$ 2.38	\$ 2.48	\$ 2.48	\$ 2.48	\$ 2.49	\$ 2.49
Cash Flow per share	\$ 1.73	\$ 2.36	\$ 2.45	\$ 3.82	\$ 4.09	\$ 4.10	\$ 4.11	\$ 4.12	\$ 4.12
Book Value per share	\$ 7.11	\$ 8.65	\$ 10.17	\$ 12.59	\$ 15.11	\$ 17.64	\$ 20.17	\$ 22.70	\$ 25.23
Underlying Factors	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
C\$ Exchange Rate	0.92	0.90	0.85	0.80	0.80	0.80	0.80	0.80	0.80
Total Ore Sold (000)	900.0	1400.0	1525.0	1700.0	2000.0	2000.0	2000.0	2000.0	2000.0
CGS per ton (US \$/t)	105.0	115.5	121.3	127.3	133.7	140.4	147.4	154.8	162.5
Total Precious (000)	28.0	70.0	100.0	150.0	150.0	150.0	150.0	150.0	150.0
Nickel Ore Sold (000)	475.0	550.0	600.0	700.0	700.0	700.0	700.0	700.0	700.0
Grade Ni	1.3%	1.6%	1.7%	1.7%	1.9%	1.9%	1.9%	1.9%	1.9%
Contained Ni(mm lbs)	12.7	18.0	20.0	24.0	27.0	27.0	27.0	27.0	27.0
Copper Ore Sold(000)	425.0	850.0	925.0	1000.0	1300.0	1300.0	1300.0	1300.0	1300.0
Copper Grade	1.3%	2.1%	3.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Payable Cu (mm lbs)	10.9	35.0	65.0	100.0	130.0	130.0	130.0	130.0	130.0
Spot Ni Price	16.00	12.50	10.00	10.00	9.00	9.00	9.00	9.00	9.00
Spot Cu Price	3.20	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00

Source: FNX Mining; JT Very Independent Research, LLC Estimates

Table 2: FNX Mining Estimated Sources and Uses of Funds (\$ Mil.)

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Sources:									
Net Income	97.9	129.7	131.4	212.9	221.5	222.0	222.0	222.4	222.4
Depreciation	16.4	28.1	33.6	41.2	53.4	53.9	54.4	55.0	55.5
Deferred Taxes	40.4	52.4	53.0	86.0	89.5	89.6	89.7	89.8	89.8
Other Noncash Charge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Minority Interest									
Common Stock	-10.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Asset Sales	15.0								
Other, net									
Total Sources	160.7	215.1	223.0	345.1	369.4	370.5	371.1	372.2	372.7
Uses:									
Capital Spending	159.2	150.0	100.0	75.0	75.0	75.0	50.0	50.0	50.0
Investments and Acq.	42.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Reclamation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Deferred pay. & depo.									
Change noncash WC	20.0	10.0		10.0					
Change in cash	-41.5	62.1	120.0	267.1	291.4	292.5	318.1	319.2	319.7
Total Uses	160.7	215.1	223.0	345.1	369.4	370.5	371.1	372.2	372.7

Source: FNX Mining, JT Very Independent Research, LLC estimates

Table 3: Estimated Balance Sheet (\$ Mil.)

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Cash									
Cash	60.0	122.2	242.2	509.3	800.7	1093.2	1411.3	1730.5	2050.2
Accounts Receivable	65.9	75.9	75.9	85.9	85.9	85.9	85.9	85.9	85.9
Inventory	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Prepaid Items	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Current Assets	128.2	200.3	320.3	597.4	888.8	1181.3	1499.4	1818.6	2138.3
PPE, net									
PPE, net	694.4	816.3	882.7	916.5	938.1	959.2	954.7	949.7	944.2
Investments	27.9	27.3	25.8	24.3	24.3	24.3	24.3	24.3	24.3
Reclamation dep.	5.6	5.5	5.2	4.9	4.9	4.9	4.9	4.9	4.9
Total Assets	856.1	1049.5	1234.0	1543.1	1856.1	2169.7	2483.3	2797.5	3111.7
Liabilities									
Accounts Payable	46.1	56.1	56.1	66.1	66.1	66.1	66.1	66.1	66.1
Current defd payment	-18.2	-20.9	-24.6	-28.3	-30.3	-32.3	-34.3	-36.3	-38.3
L.t. defd payment									
L.t. reclamation	2.4	2.4	2.2	2.1	2.1	2.1	2.1	2.1	2.1
Minority interest									
Deferred taxes	186.0	238.4	291.4	377.4	466.9	556.5	646.1	736.0	825.8
Common Equity	639.8	773.5	908.9	1125.7	1351.3	1577.2	1803.2	2029.6	2256.0
Total Liabilities	856.1	1049.5	1234.0	1543.1	1856.1	2169.7	2483.3	2797.5	3111.7

Source: FNX Mining; JT Very Independent Research, LLC estimates

some other more expensive custom smelting method. For erratic plant operations, situations with labor unrest or plants with expensive energy sources, it is possible that Chinese nickel pig has emerged as a cheaper way of bypassing existing treatment alternatives. Some of the nations or mines exporting the feed to China have inconsistent output records. And it is very possible that steel furnaces are much cheaper to operate than nickel plants.

For this reason we conclude that at least 2.5% of this supply is “new incremental supply” but that not necessarily all of it is additional supply.

SECOND-QUARTER EARNINGS RESULTS

Four items other than operations influenced the C0.42 or US \$0.38 per share earnings report, which exceeded the US \$0.35 per share estimate we published in early May at the former Prudential Equities Group now shut down. The four items had about a US \$0.01 per share net negative impact on results.

First, an adverse “provisional price adjustment” caused the second-quarter nickel price realization to be \$3.25 per pound less than the LME \$21.79 average. That is, FNX Mining recognizes revenue as it ships concentrate, and CVRD Inco makes a final pricing 60 days later when CVRD Inco sells the nickel FNX Mining had delivered to a final outside customer. This adjustment cut FNX Mining’s nickel margin over 15% and penalized EPS about US\$0.05.

Second, the income and resource combined tax rate improved to 32.4% from 38.4% last year and 35.1% in the first-half of 2007. It appeared to be about 5% lower than normal, which improved EPS by US\$0.02.

Third, FNX Mining enjoyed an \$11 mm gain on the Dynatec shares it held, which added US\$0.08 per share. Another \$4 mm or almost US \$0.03 per share will be enjoyed in the third-quarter as FNX Mining sold the Sherritt International shares it received.

Fourth, FNX Mining suffered an \$8.6 mm foreign currency loss on the cash balances it holds in US dollars as the C\$ appreciated. From the standpoint of a US investor, this is not a meaningful accounting issue if one looks at FNX Mining from a global perspective. It is not a cash item, but it penalized reported results by about US \$0.06 per share.

THIRD-QUARTER OUTLOOK

An adverse provisional pricing charge for nickel, another foreign currency charge due to C\$ appreciation and the C\$4 mm further gain on the final sales of Sherritt International shares should be present in third-quarter results. We expect a more normal 37%-38% income and resource combined tax rate.

Depending on the size of the nickel provisional pricing charge, these combined factors may have an adverse impact of \$0.01 to \$0.05 per share in the third-quarter. We regard the \$3.25 per pound June quarter provisional pricing charge as large. The charge will be influenced by the amount by which the September 30 daily close or early November price just prior to earnings reporting varies from the average September quarter price or price at time of shipment for the deliveries FNX Mining makes to CVRD Inco within the final 60 day of the quarter. Once again, this hinges on whether stainless distributors and customers resume buying and whether the LME rebounds.

2007 ESTIMATE REVISION

We lowered our 2007 earnings estimate to US \$1.09 from \$1.56 reflecting the \$4 drop in estimated nickel prices, further adverse provisional pricing charges, a smaller estimate for asset sale income, the stronger C\$ and foreign currency charges, a \$5 per tonne higher costs of goods sold and a less aggressive fourth-quarter volume outlook offset slightly by a 1.5% lower tax rate.

We estimate the third- and fourth-quarters each at \$0.20 per share for a total sequence of \$0.31, \$0.38, \$0.20 and \$0.20 per share. The unfavorable changes in nickel prices, provisional pricing adjustments and the C\$ suggest lower earnings. It is possible our model is too harsh, and we have attempted to be rigorous at each juncture.

There is some uncertainty as to whether FNX Mining produces a larger amount of high nickel or high copper grade ores. In the first-quarter copper was much lower, bottoming at \$2.40 in early February and averaging \$2.74 for the first-quarter. Now copper has been higher, and nickel prices have fallen from the May peak month that averaged \$23.67 per pound. It is possible that managers “flex” between high nickel or high copper ores with a reasonable time lag.

In early 2007 the outlook was for 900,000 tonnes of total ore output that we had estimated as 475,000 tonnes of nickel and 425,000 tonnes of copper ores. First half outputs were more skewed to two-thirds nickel and one-third copper, but this may revert to our actual expectations now that copper has trended better and nickel worse. The copper ore grade in the first-half was 1.4% or 0.1% above our estimate. We have estimated nickel output at 12.7 mm lbs.

2008 AND SUBSEQUENT YEARS

We made no revision to our \$1.45 estimate for 2008 as the beneficial effect of raising our copper price estimate to \$3.00 from \$2.75 offset the adverse effects of a \$0.90 not \$0.80 estimated C\$, higher costs of sales, lower precious metals revenues and lower interest income.

For the years from 2009 to 2015 we cut estimates from \$0.06 to \$0.09 per share per year to the levels shown in Table 1 above due to these factors. However, our \$2.00 copper price estimate for these years and \$10 2009-10 nickel and \$9 per pound subsequent nickel price estimate have opportunity to be exceeded. We also estimated at least 5% annual costs of sales per tonne inflation.

MAY 29TH IMPLICATIONS TO THE “VALUE” OF THE MINERAL ENVELOPE IN THE LEVACK FOOTWALL = SIGNIFICANT VALUE

The 23 new drill holes increases the “data base” to 81 holes from 58. Only two holes have been without mineralization. Management describes the deposit as open “in all directions,” and it operates four rigs including one drilling from surface, one underground from the Levack mine and two underground from the neighboring Xstrata Craig mine.

The “average value” of the mineral intercepts within the 23 holes disclosed on May 29th was about 7.8% copper, 1.94% nickel and 0.4 oz per ton combined platinum, palladium and gold. It is very encouraging that the combined copper-nickel grades are 9% to 10% plus meaningful precious metals.

The original late-2004 discovery holes within the Levack Footwall were 10 and 14 feet of 26% copper, 3% and 3.75% nickel and about 0.5 oz per ton combined precious metals. These were the “best holes” of the initial assemblage.

The subsequent data suggest similar thicknesses, about 30% of the copper, 60% of the nickel and 80% of the precious metals, which is very good. It approximates about half of the economic value of the “bonanza” holes near \$2,750 per ton of current dollar value per ton. It is important to note that the economic values could be diluted another 50% or so for mineable widths or similar engineering factors or another 50% for long-term metals prices lower than recent levels, which could drop the economic value to as little as one-eighth of the \$2,750 per ton at recent metals prices of the initial bonanza holes, which we term “75% gross margin rocks” at one-eighth of \$2,750 per ton that is not shabby at all.

NEW RESOURCES DATA MAY 28TH

The 77.8 million tons of resources as of May 28th at existing mines contain 1,104 mm lbs ni, 1,087 mm lbs of copper and 1,016,000 mm oz platinum, palladium or gold.

The 59.43 mm tons of new resources increased the total tonnage 324%, the nickel content 231%, the copper content 106% and made no increase to precious metals. That is, it involves the application of a lower economic cutoff point, 0.5% combined nickel and copper, to existing ores to mine less rich material.

The incremental 59.43 mm tons on May 28th contained 12.96 pounds of ni and 9.41 pounds of copper per ton. No precious metals were estimated in the May 28th update as the prior 3.9 mm feet of Inco data had no assays for elements other than ni and cu. This is much richer at roughly 1.1% combined nickel and copper or 22.37 combined pounds per ton than the 0.5% economic cutoff, and the ratio of nickel to copper is over 1.3:1 which is highly beneficial as today’s nickel price is over 6 times higher than copper.

In today’s metals prices near \$13 nickel and \$3.50 copper those new resources would contribute \$175 per ton of nickel and \$33 per ton of copper. They would appear desirable or larger than recent underground mining costs until nickel prices fell towards \$7.50 per pound. Alternatively, maybe 80% of the tons would be worth mining down to \$6 nickel, and maybe 10 million tons are much more marginal nearer the 0.5% combined ni-cu cutoff point to be bypassed at low to moderate nickel prices.

We infer from these ore grades, nickel-copper ratios and the absence of precious metals data that no more than 10 million tons of this resource would be marginal at today’s metals prices. A gross profit margin of 25% or less or gross mineral value of \$150 or less would be a reasonable approximation of tonnages without profits today given that some exploration, planning, administration costs and mill, smelter and refining fees must be paid. Of course, recovery rates are not 100% either.

Four times more ore resource tonnage probably provides a reasonable assurance that mine life might be two to three times larger. A higher mining rate probably will result, and some of these

tons may not prove worth mining if metals prices moderate. It is a good development, but it does not necessarily double or triple the value of the underlying stock.

The company would have to mine over four times as much rock to make three times more ni and twice as much cu, which suggests an upwards of 25% higher unit cost for nickel and 150% for copper allowing for perhaps a 10%-15% lower mining cost per ton from bulk mining, wider sections and related economies. It also allows for the unmeasured precious metals in the new resources to be perhaps proportional to their ratios in the nickel and copper in the prior resources in which precious metals minerals actually had been measured.

PRICE OBJECTIVE AND INVESTMENT VIEW

We rate FNX Mining Overweight and our price target is \$50. We use \$30 for the "existing mines" described in the May 28th resource update and \$20 for the "new zones" such as Levack Footwall, Rob's Footwall and Main Depth that we value at \$0 to \$90. FNX appears to be delineating commercial mineralization in numerous zones including Levack Footwall Deposit, Rob's Footwall, Main Depth and other new zones. The company defined a production profile in 2009 and 2010 for the Levack Footwall Deposit, and continues to focus on more generative exploration within its Sudbury land package.

BUSINESS RISKS

Nickel prices benefit from the robust global economic growth and the late arrival of every major nickel project in the world other than the Voisey's Bay deposit in Newfoundland in 2006. We estimate the world nickel market, including scrap, grows to 2.0 to 2.1 million metric tons (mmt) in 2007. We estimate that stainless alloy 201, which is 4% not 8% nickel, represents 6%-7% or 2 mmt of world stainless output displacing 80,000 tonnes of nickel. In the case of Allegheny Technologies the alloy 201 now represents over 15% of its stainless flat-rolled volumes, and it has been much more popular in China and elsewhere in Asia. Further, we estimate \$15-\$20 per pound nickel "prices out" another 1-2 mmt of "appearance application" stainless steels in architectural, home kitchens, home baths and appliance uses representing another 80,000 to 160,000 tonnes.

Thus, supply constraints may have suppressed as much as 160,000-240,000 tonnes or 8%-12% of potential nickel growth. We have assumed that functional strength, corrosion resistance, heat resistance and bacterial resistance has maintained the full position of nickel and stainless in high temperature metals for aerospace, power generation and medical uses and high value-added stainlesses in industrial and commercial uses.

Copper prices suffer from sub par demand in 2005-07 after their meteoric rise to \$4.09 per pound in May 2006, higher scrap supplies and gradual delineation of new mining supplies in Mongolia, Pakistan, Congo, Zaire, Chile, Peru and elsewhere. We have estimated a gradual erosion to \$2.75 in 2008, \$2.00 in 2009-15.

Mining costs have risen 50% to 100% across the world in the past three years. We have estimated FNX Mining's costs per ton rise 10% each year to 2015. We do not expect economies of scale as the company grows as the four separate shaft systems represent separate and distinct complexes. FNX Mining has little mill, refinery, administration or global exploration overheads upon which to derive economies of scale.

Capital cost overruns are possible, but should not represent a severe risk as the company is debt free and flush with cash.

It is always possible that FNX Mining does not invest its cash balances well enough to earn the 5% pretax return that we have estimated. In its young existence of less than five years the management team has created value with their fine judgment in sensing the turnaround potential of nickel markets, Inco's mines and the exploration upsides. By mid-2008 FNX Mining may be throwing off over \$15 mm per month or \$200 mm annually in free cash flows, whose reinvestment is a tougher problem.

Seismic events, rock falls or other underground technical problems always are possible. While every reasonable precaution may be taken, huge pressures deep in the earth pose inevitable risks and uncertainties.

CHANGE IN THIS RESEARCH OPERATION

This report reflects an initiation of research coverage by JTVIR, LLC. In no way shape or form should it be misconstrued as involving PEG, which shut down on June 6, 2007 as noted. The continuation of that same quarterly or full year earnings estimate for 2007 as JTVIR, LLC should not be construed or mistaken to involve PEG, which shut down on June 6, 2007. Certain data, such as the logic of the earnings model, are similar owing to the same primary author, but this coverage initiation herein involves a different entity and no employment or affiliation with the former Prudential Equity Group, LLC.

DISCLOSURES

"John Tumazos Very Independent Research, LLC" (JTVIR) is a Delaware Corporation with pending registration as an investment advisor in the state of New Jersey owing to our place of business in New Jersey.

JTVIR is not a broker-dealer, and conducts no trades. Its primary business is to provide "unbundled" metals and paper industry securities and market research to institutions or corporations in a zero commission, electronic execution, electronic dissemination, unbundled format for a specified annual fee structure.

Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than "day trading" sorts of near-term issues.

Neither JTVIR, its members or its employees own or have a financial interest in any securities discussed in this report. Our policy is full disclosure.

Our policy permits personal trading in the metals or paper industries, though no positions were taken in companies within regular research coverage after July 2001 after joining

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Our policy permits up to three directorships and up to five consulting projects, advisory assignments or financial advice to corporations that might supplement, backcheck or substitute for certain services of a large investment banking firm. For example, we would accept an engagement to evaluate investment banking advice on behalf of a manufacturing company concerned whether advice is sincere or intended to maximize fees. Currently no such relationships exist.

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Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d’Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or “due diligenced” for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

ANALYST UNIVERSE COVERAGE:

John C. Tumazos, CFA: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny

Technologies, Alcoa Inc., Inco Limited, Bowater, Inc., Temple-Inland, Barrick Gold, Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport McMoRan Copper & Gold, Novelis Inc., FNX Mining.

Dynatec is a company not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to a pending takeover by Sherritt International.

In accordance with applicable rules and regulations, we note above parenthetically that our stock ratings of “Overweight,” “Neutral Weight,” and “Underweight” most closely correspond with the more traditional ratings of “Buy,” “Hold,” and “Sell,” respectively; however, please note that their meanings are not the same. (See the definitions above.) We believe that an investor’s decision to buy or sell a security should always take into account, among other things, that the investor’s particular investment objectives and experience, risk tolerance, and financial circumstances. Rather than being based on an expected deviation from a given benchmark (as buy, hold and sell recommendations often are), our stock ratings are determined on a relative basis (see the foregoing definitions).

There is no intention to “balance” the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur. JTVIR makes each investment judgment in a “bottoms up” manner based on the assets of each individual company.

Price Target – Methods/Risks

The methods used to determine the price target generally are based on future earning estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

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