

FIRST METALS INC.

FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2009

AN EXPLORATION AND DEVELOPMENT STAGE CORPORATION

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These interim financial statements for the period ended September 30, 2009 have been prepared by Management who take responsibility for them in accordance with Canadian generally accepted accounting principles; the Corporation's auditors have not conducted a review engagement of these statements.

FIRST METALS INC.
Balance Sheets
An exploration and development stage corporation

	The Corporation		The Predecessor
	September 30, 2009	September 1, 2009	December 31, 2008
ASSETS			
Current:			
Cash and cash equivalents	\$ 614,938	\$ 775,775	\$ 2,323,213
Amounts and settlements receivable (note 3)	-	-	534,336
Accounts receivable	74,775	228,889	336,381
Inventories (note 4)	298,655	298,655	903,270
Deposits on contracts and prepaid expenses	133,164	146,057	460,722
Income taxes receivable	75,083	76,503	76,503
	1,196,615	1,525,879	4,634,425
Mineral interests (note 5)	2,535,373	2,535,373	2,765,697
Property, plant and equipment (note 6)	3,369,441	3,381,001	4,035,226
	\$ 7,101,429	\$ 7,442,253	\$ 11,435,348
LIABILITIES			
Current:			
Accounts payable and accrued liabilities	\$ 92,360	\$ 314,112	\$ 2,785,095
Obligations under capital leases - current portion (note 7)	-	-	1,592,554
	92,360	314,112	4,377,649
Obligations under capital lease (note 7)	-	-	1,546,180
Senior Secured Notes (note 8 (i))	-	-	17,598,399
Promissory notes (note 8 (ii))	2,628,992	2,618,000	-
	2,628,992	2,618,000	19,144,579
Asset retirement obligations (note 10)	132,826	132,826	424,606
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share Capital (note 14)	3,937,943	3,937,943	18,397,777
Warrants	439,372	439,372	2,104,278
Contributed Surplus	4,218	-	3,686,530
Deficit	(134,282)	-	(36,700,071)
	4,247,251	4,377,315	(12,511,486)
	\$ 7,101,429	\$ 7,442,253	\$ 11,435,348

Going Concern (note 1)
Commitments and Contingencies (notes 5 and 9)

APPROVED ON BEHALF OF THE BOARD

"Richard Williams"
Director

"James Richardson"
Director

See accompanying notes to financial statements.

FIRST METALS INC.
Statements of Operations, Comprehensive Loss and Deficit
For the quarter ended September 30, 2009
An exploration and development stage corporation

	The Corporation			The Predecessor	
	One Month to September 30,	Two Months to August 31,	Three Months to September 30,	Eight Months to August 31,	Nine months to September 30,
	2009	2009	2008	2009	2008
Revenue					
Copper	\$ -	\$ -	\$ 10,557,152	\$ 2,484,817	\$ 34,567,988
Gold	-	-	67,008	8,530	182,320
Silver	-	-	72,796	8,431	196,434
	-	-	10,696,956	2,501,778	34,946,742
Final pricing adjustments	3,265	(7,590)	(2,270,322)	(138,701)	-
Treatment, refining charges	-	-	(1,794,829)	(258,708)	(4,275,065)
Net metal royalty	-	-	(115,268)	(50,036)	(677,669)
Net revenue	3,265	(7,590)	6,516,537	2,054,333	29,994,008
Operating costs					
Mining and development	-	-	4,282,106	1,054,357	10,520,361
Milling and ore transportation	-	-	4,344,564	899,633	10,668,942
On-going site operating costs	64,569	134,837	-	358,969	-
Depreciation, depletion and amortization	11,560	23,119	3,389,045	637,149	7,651,797
Amortization of reclamation and closure costs	-	-	45,699	23,091	105,408
	76,129	157,956	12,061,414	2,973,199	28,946,508
Contribution from mining activities	(72,864)	(165,546)	(5,544,877)	(918,866)	1,047,500
Other expenses					
Stock-based compensation	4,218	13,607	134,435	110,991	571,949
General and administration	38,884	94,125	262,870	440,276	559,481
Professional fees	16,753	23,783	138,850	106,335	316,696
Management fees	-	-	40,000	-	185,000
Registry and filing fees	20,029	5,938	22,258	24,008	59,296
Travel and accommodation	-	2,361	17,038	5,895	74,619
Interest	11,214	547	912,021	943,781	2,119,582
Re-organization professional fees	-	34,639	-	467,046	-
Adjustment to carrying value of secured notes	-	-	-	3,184,635	-
Adjustments for operating leases and other liabilities	-	-	-	1,372,292	-
Total Expenses	91,098	175,000	1,527,472	6,655,259	3,886,623
Other income (expense)					
Interest income (expense)	-	16	(76,871)	2,437	86,490
Other revenue	29,680	-	822	126,828	2,189
	29,680	16	(76,049)	129,265	88,679
Earnings (loss) before Income taxes	(134,282)	(340,530)	(7,148,398)	(7,444,860)	(2,750,444)
Income and mining tax recovery (note 11)	-	-	(1,681,084)	-	(2,573,541)
Net comprehensive loss	(134,282)	(340,530)	(5,467,314)	(7,444,860)	(176,903)
Deficit, beginning of period	-	(43,804,401)	437,070	(36,700,071)	(4,853,341)
Deficit, end of period	\$ (134,282)	\$ (44,144,931)	\$ (5,030,244)	\$ (44,144,931)	\$ (5,030,244)
Loss per common share					
Basic	\$ (0.00)	\$ (0.01)	\$ (0.13)	\$ (0.17)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.01)	\$ (0.13)	\$ (0.17)	\$ (0.00)
Weighted average shares outstanding (000's)					
Basic	322,107	42,851	42,839	42,851	41,150
Diluted	322,107	42,851	42,839	42,851	41,150

See accompanying notes to financial statements.

FIRST METALS INC.
Statements of Cash Flow
For the quarter ended September 30, 2009
An exploration and development stage corporation

	The Corporation	The Predecessor			
	One Month to September 30, 2009	Two Months to August 31, 2009	Three Months to September 30, 2008	Eight Months to August 31, 2009	Nine months to September 30, 2008
Operating Activities					
Net loss for the period	\$ (134,282)	\$ (340,530)	\$ (5,467,314)	\$ (7,444,860)	\$ (176,903)
Adjustments for items not affecting cash:					
Net future income tax recovery	-	-	(1,675,590)	-	(2,630,867)
Depreciation, depletion and amortization	11,560	23,119	3,434,744	660,240	7,757,205
Interest accretion on closure costs	-	-	17,310	-	22,020
Adjustment to carrying value due to restructuring	-	-	-	4,556,927	-
Stock-based compensation - contributed surplus	4,218	13,607	134,435	110,991	571,949
Interest accretion on senior secured notes	-	-	128,856	903,965	368,511
Interest accretion on promissory notes	10,992	-	-	-	-
Expenditures on asset retirement obligations	-	(213,287)	-	(291,780)	-
Interest accrual on capital leases	-	-	-	43,209	-
Changes in non-cash working capital					
Amounts and settlements receivable	-	-	11,332,267	534,336	351,280
Accounts receivable	155,534	(204,267)	(1,227)	107,492	(263,401)
Inventories	-	5,774	(350,816)	604,615	(819,700)
Deposits on contracts and prepaid expenses	12,893	86,630	72,830	385,070	48,541
Accounts payable and accrued liabilities	(221,752)	(73,071)	(1,482,327)	(1,046,971)	4,413,329
Cash flow from (used in) operating activities	(160,837)	(702,025)	6,143,168	(876,766)	9,641,964
Financing Activities					
Payment on asset retirement obligation	-	-	(155,012)	-	(155,012)
Issuance of common shares and warrants for cash	-	-	-	-	55,000
Increase in obligations under capital lease	-	-	1,677,388	-	1,677,388
Due on mineral properties	-	-	-	-	(250,000)
Repayment of obligations under capital leases	-	-	(1,058,967)	-	(2,490,295)
Cash flow from (used) in financing activities	-	-	463,409	-	(1,162,919)
Investing Activities					
Restricted cash	-	-	202,566	-	108,871
Mineral interests	-	-	(2,443,836)	(17,902)	(1,768,448)
Property, plant and equipment	-	-	(2,143,941)	242,211	(3,548,408)
Cash flow from (used) in investing activities	-	-	(4,385,211)	224,309	(5,207,985)
Increase (decrease) in cash and cash equivalents	(160,837)	(702,025)	2,221,366	(652,457)	3,271,060
Cash and cash equivalents, beginning of period	\$ 775,775	\$ 2,372,781	\$ 4,607,360	\$ 2,323,213	\$ 3,557,666
Cash and cash equivalents, end of period	\$ 614,938	\$ 1,670,756	\$ 6,828,726	\$ 1,670,756	\$ 6,828,726
Cash and cash equivalents					
Cash	\$ 614,938	\$ 1,670,756	\$ 1,620,033	\$ 1,670,756	\$ 1,620,033
Short-term investments	-	-	5,208,693	-	5,208,693
	\$ 614,938	\$ 1,670,756	\$ 6,828,726	\$ 1,670,756	\$ 6,828,726

Supplemental disclosures with respect to cash flows (note 17)

See accompanying notes to financial statements.

FIRST METALS INC.
Notes to Financial Statements
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1. Description of Business

First Metals Inc. (“FMA”) was incorporated on February 23, 2006 as 6527167 Canada Inc. and by articles of amendment effective March 21, 2006, the Corporation changed its name to First Metals Inc. It is a junior mining exploration and development corporation engaged in the acquisition, exploration and development of mineral prospects in Canada.

On November 20, 2007, ore from the Fabie Bay Deposit began to be processed at the Xstrata Horne Mill and on March 1, 2008 FMA achieved Commercial Production. As a result of the reduced profitability due to the lower copper prices, on January 9, 2009, mining of Fabie Bay was terminated.

Plan of Arrangement with Creditors

On January 7, 2009, FMA filed a Notice of Intention (“NOI”) to file a proposal under the *Bankruptcy and Insolvency Act* (“BIA”). After receiving various extensions, on April 17, 2009, a proposal was filed with the official receiver. An amended Proposal was tabled and accepted by the creditors of the Corporation on May 6, 2009 and subsequently, on June 17, 2009 it was approved by the Ontario Superior Court of Justice.

On July 10, 2009, First Metals Inc. announced the terms of the amended proposal. Under the amended proposal, persons holding a proven secured claim received 75 shares of the Corporation and 8 call warrants (18 month term exercisable at \$0.03 per share for the first 12 months and \$0.05 per share for the remaining six months) for each \$1 of proven secured claim. Persons holding proven secured claims also received \$2,618,000 face value of promissory notes and cash of \$882,000, on a pro rata basis. Each person holding a proven unsecured claim had the option to receive 2 common shares for each \$1 of proven unsecured claim held or a cash payment equal to ten per cent of their proven unsecured claim, up to a maximum of \$500.

In accordance with the Proposal, on July 30, 2009, BDO Dunwoody (“BDO”), as Proposal Trustee, advised FMA that creditors were entitled to receive 279,255,363 common shares, 25,845,408 warrants, cash distributions of \$894,981 as well as promissory notes totaling \$2,618,000. Following the receipt of the approval of the Toronto Stock Exchange (“TSX”), on September 4, 2009, the cash, shares, warrants and promissory notes were issued with a September 1, 2009 effective date. This resulted in FMA issuing commons shares, warrants and promissory notes with a fair value of \$11,435,033 as well as cash of \$894,981 in order to eliminate liabilities subject to compromise of \$27,735,651.

Accounting Principles

These financial statements do not include all information and notes required by Canadian Generally Accepted Accounting Principles (“GAAP”) in the preparation of annual financial statements. The accounting policies used in the preparation of these unaudited financial statements is the same as those described in the Corporation’s audited financial statements. They are prepared in accordance with Canadian GAAP for the year ended December 31, 2008 as described in note 2 of those financial statements and with the exception of the

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disclosures as described in the paragraph immediately following regarding fresh start accounting.

Fresh Start Accounting

The Corporation's balance sheet as at September 1, 2009 has been prepared under the provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1625, "Comprehensive Revaluation of Assets and Liabilities" ("fresh start accounting").

Under this accounting guidance, the financial reporting prior to the realignment of the equity and the implementation of the Plan of Arrangement is described as the "Predecessor" (January 1, 2009 - August 31, 2009) and the period following the implementation of the Plan of Arrangement (after September 1, 2009) reflects the surviving "Corporation."

Under fresh start accounting, FMA was required to determine its enterprise value. The enterprise value of \$4,377,315 was determined based on the fair value of the debt converted into equity and the issuance of common shares and warrants of the Predecessor to the creditors. The enterprise value is reflected in the share capital (\$3,937,943) and warrants (\$439,372) of the Corporation as of September 1, 2009 which is illustrated in the table which follows and summarizes the impact of adjustments required to implement the Plan and to reflect the adoption of fresh start accounting.

The Predecessor's financial information has been presented to provide additional information to the reader. In reviewing the Predecessor's financial information, readers are reminded, that it does not reflect the effects of the financial reorganization or the application of its accounting described below.

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Notes to Financial Statements
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	September 1, 2009	Adjustments		September 1, 2009
	Balance prior to Implementation of Plan "Predecessor"	Plan of Arrangement	Fresh Start	Balance after Plan Implementation "The Corporation"
ASSETS				
Current:				
Cash and cash equivalents	\$ 1,670,756 ⁽¹⁾	\$ (894,981)	\$ -	\$ 775,775
Accounts receivable	228,889	-	-	228,889
Income and capital taxes receivable	76,503	-	-	76,503
Inventories	298,655	-	-	298,655
Prepaid expenses	146,057	-	-	146,057
	2,420,860	(894,981)	-	1,525,879
Mineral Interests	2,535,373			2,535,373
Property, Plant and Equipment	3,381,001			3,381,001
	\$ 8,337,234	\$ (894,981)	\$ -	\$ 7,442,253
LIABILITIES				
Current:				
Trade payables and other accrued liabilities	\$ 1,808,529 ⁽¹⁾	\$ (1,494,417)	\$ -	\$ 314,112
	1,808,529	(1,494,417)		314,112
Liabilities subject to compromise				
Trade payables and other accrued liabilities	1,372,292 ⁽¹⁾	(1,372,292)	-	-
Obligations Under Capital Lease	3,181,943 ⁽¹⁾	(3,181,943)	-	-
Senior Secured Notes	21,686,999 ⁽¹⁾	(21,686,999)	-	-
Promissory Note	- ⁽¹⁾	2,618,000	-	2,618,000
	26,241,234	(23,623,234)	-	2,618,000
Asset Retirement Obligations	132,826	-	-	132,826
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share Capital	18,397,777 ⁽²⁾	8,377,661	(22,837,495) ⁽⁵⁾	3,937,943
Warrants	2,104,278 ⁽³⁾	439,372	(2,104,278) ⁽⁵⁾	439,372
Contributed Surplus	3,797,521		(3,797,521) ⁽⁵⁾	-
Deficit	(44,144,931) ⁽⁴⁾	15,405,637	28,739,294 ⁽⁵⁾	-
	(19,845,355)	24,222,670	-	4,377,315
	\$ 8,337,234	\$ (894,981)	\$ -	\$ 7,442,253

Plan of Arrangement Adjustments

The Plan of Arrangement, resulted in:

- (1) Following the claims adjudication process which was directed by BDO, all of the Senior Secured Notes along with accrued interest, obligations under capital leases and trade payables and other accrued liabilities which were incurred prior to the filing of the NOI on January 7, 2009 were irrevocably and finally cancelled and settled by the issuance to:
 - (a) the Noteholders, promissory notes with a face value of \$2,618,000, cash of \$882,000, 273,433,229 common shares and 25,845,408 common share purchase warrants and
 - (b) other Creditors, cash payments of \$12,981 as well as 5,822,134 common shares.
- (2) The issuance on September 1, 2009 of 279,255,363 common shares which been valued at \$0.03 per share based on the TSX price on the date of issuance.
- (3) The issuance on September 1, 2009 of 25,845,408 common share purchase warrants which were valued at \$0.017 per warrant based on Black-Scholes option-pricing model as further described in note 14.

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Notes to Financial Statements
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- (4) The adjustment to the Deficit of \$15,405,637 represents the debt-forgiveness and is based on the difference between the liabilities subject to compromise of \$27,735,651 and the \$12,330,014 representing a combination of cash, fair value of promissory notes, common share purchase warrants and common shares which were issued. The restructuring costs totaled \$467,046.

Fresh Start Accounting Adjustments

As a result of the substantial realignment of equity and non-equity interests, the identifiable assets and liabilities of the Corporation have been recorded at a new cost basis, being the value established by the equity and non-equity interests, which may not exceed fair value, if determinable, as required under the CICA Section 1625 - Comprehensive Revaluation of Assets and Liabilities. The process of undertaking such a comprehensive revaluation is commonly referred to as "fresh start accounting." Under this principle, when there is a substantial realignment of the non-equity and equity interest, through dilution of, or changes in, rights and entitlements, financial statements would reflect the revised relationships between creditors and shareholders.

When a comprehensive revaluation of an enterprise's assets and liabilities is undertaken as a result of a financial reorganization, retained earnings that arose prior to the reorganization is reclassified to share capital, contributed surplus, or a separately identified account within shareholders' equity.

- (5) Adjustments to the carrying value and elimination of the deficit which arose prior to the financial re-organization which was effective on September 1, 2009.

Going Concern

These financial statements have been prepared on a going-concern basis which contemplates that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As described in the following paragraphs there is substantial uncertainty concerning the Corporation's ability to do so.

Certain market conditions, including metal prices and financing limitations, challenge the going concern assumption.

The Corporation has incurred significant operating losses since inception. Following the re-organization, management believes that the existing cash resources will be adequate to support planned activity levels for at least the next twelve months.

The validity of the going concern assumption is dependent on raising additional financing for the development of mineral deposits and achieving profitable levels of operations.

The financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be

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necessary if the going concern assumptions were not appropriate. Such adjustments could be material.

2. Recent Pronouncements and Accounting Changes

New Accounting Standards Adopted

a) Goodwill and Intangible Assets

The CICA has issued a new standard which affects the financial disclosures and results of operations of the Corporation for interim and annual periods beginning October 1, 2008. The Corporation adopted the requirements effective January 1, 2009.

Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew Emerging Issues Committee (“EIC”) 27, *Revenues and Expenditures during the Pre-operating Period*. As a result of the withdrawal of EIC 27, the Corporation will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations.

b) Mining exploration costs

In March 2009, the CICA adopted EIC-174 “Mining Exploration Costs.” The EIC provides guidance on accounting and the impairment review of exploration costs. This standard is effective for fiscal years beginning January 1, 2009 and did not have a significant impact on these interim financial statements. On March 24, 2009, EIC-126, “Accounting by Mining Enterprises for Exploration Costs” was withdrawn.

New Accounting Pronouncements effective in Future Periods

c) International Financial Reporting Standards

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt International Financial Reporting Standards (“IFRS”) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Early adoption may be permitted; however, it would require exemptive relief on a case by case basis from the Canadian Securities Administrators. First Metals expects its first financial statements presented in accordance with IFRS to be for the three month period ended March 31, 2011, which includes presentation of its comparative results for fiscal 2010 under IFRS.

The Corporation has completed an initial assessment of the IFRS standards and recognized that the greatest potential impacts include exploration and development costs, property, plant and equipment, and the treatment, including reversal, of impairment provisions. As a result of the limited nature of the current operations, Management believes that they will be able to meet the future reporting and disclosure requirements.

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Notes to Financial Statements
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An exploration and development stage corporation

3. Amounts and Settlements Receivable

	The Corporation,		The Predecessor,
	September 30, 2009	September 1, 2009	December 31, 2008
Amounts and metal settlements receivable	\$ -	\$ -	\$ 3,278,036
Milling costs outstanding	-	-	(2,078,056)
Mill refurbishment costs outstanding	-	-	(665,644)
Balance, end of period	\$ -	\$ -	\$ 534,336

Under the terms of the Custom Milling Agreement signed with Xstrata Copper Canada (“Xstrata”) on June 4, 2007, forty-five days after the end of the production period, First Metals received an estimated provisional payment for 90% of the metal content based on average prices in the previous month. A final settlement based on actual weights, assays and the average of the London Metal Exchange (“LME”) prices three months after production, was received sixty days after the provisional payments.

At September 1, 2009 and September 30, 2009, the metal settlements totaled \$Nil (December 31, 2008 - \$534,336). The final net settlements for December and January production were received in April and May 2009.

4. Inventories

	The Corporation,		The Predecessor,
	September 30, 2009	September 1, 2009	December 31, 2008
In-process inventory	\$ -	\$ -	\$ 60,000
Ore stockpile	-	-	474,120
Materials and supplies	298,655	298,655	369,150
Balance, end of period	\$ 298,655	\$ 298,655	\$ 903,270

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5. Mineral Interests
The Corporation,
September 30, 2009

	Cost	Accumulated Amortization and Depletion	Accumulated Asset Impairment	Net Book Value
Mineral Interests				
Property acquisition costs	\$ 1,024,830	\$ -	\$ -	\$ 1,024,830
Mine Development				
Deferred development and exploration	1,510,543	-	-	1,510,543
	\$ 2,535,373	\$ -	\$ -	\$ 2,535,373

September 1, 2009

	Cost	Accumulated Amortization and Depletion	Accumulated Asset Impairment	Net Book Value
Mineral Interests				
Property acquisition costs	\$ 5,356,493	\$ (1,194,345)	\$ (3,137,318)	\$ 1,024,830
Mine Development				
Deferred development and exploration	13,886,484	(7,410,647)	(4,965,294)	1,510,543
Deferred interest and insurance	2,863,101	(2,863,101)	-	-
Pre-operating net revenues	(7,502,291)	7,502,291	-	-
Asset retirement costs	576,308	(576,308)	-	-
Amortization capitalized in the pre-operating period	1,682,061	(1,682,061)	-	-
	11,505,663	(5,029,826)	(4,965,294)	1,510,543
	\$ 16,862,156	\$ (6,224,171)	\$ (8,102,612)	\$ 2,535,373

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**The Predecessor,
December 31, 2008**

	Cost	Accumulated Amortization and Depletion	Accumulated Asset Impairment	Net Book Value
Mineral Interests				
Property acquisition costs	\$ 5,352,743	\$ (1,146,724)	\$ (3,137,318)	\$ 1,068,701
Mine Development				
Deferred development and exploration	13,872,331	(7,115,225)	(4,965,294)	1,791,812
Deferred interest and insurance	2,863,101	(2,748,943)	-	114,158
Pre-operating net revenues	(7,502,291)	7,203,159	-	(299,132)
Asset retirement costs	576,308	(553,217)	-	23,091
Amortization capitalized in the pre-operating period	1,682,061	(1,614,994)	-	67,067
	11,491,510	(4,829,220)	(4,965,294)	1,696,996
	\$ 16,844,253	\$ (5,975,944)	\$ (8,102,612)	\$ 2,765,697

Fabie Mine and Magusi Deposit

On April 26, 2006, the Corporation acquired the Fabie Bay, Magusi River and Duprat mining claims and certain additional claims from Globex Mining Enterprises Inc. (“Globex”) for cash consideration of \$1,000,000 and additional commitments including: (i) after the attainment of commercial production, the payment of a 2% net metal return royalty on any minerals, metals or concentrates extracted from the mining claims, (ii) the issuance of shares equal to 10% of the outstanding common shares of the Corporation on the date when commercial production is first achieved (issued on April 25, 2008), and (iii) 10% net profit interest (“NPI”) as defined in the Globex agreement based on any earnings from the mining claims.

Canova Claims

On May 19, 2008, the Corporation entered into an agreement with Mr. E. Canova (“Canova”) to purchase a 100% interest in seventeen mineral claims, totaling 581 hectares, in Hébécourt Township, adjacent to the Fabie Mine. Under the terms of the agreement, the Corporation paid the vendor \$25,000 on closing and issued 50,000 common shares on July 23, 2008.

In order to complete the transaction, the Corporation must make a further cash payment of \$25,000 within six months and spend \$150,000 and issue 200,000 common shares in stages prior to the third anniversary, failing which, the title to the property shall be reconveyed to the vendor. In accordance with an addendum to the agreement dated December 16, 2008, a grace period of one (1) year was granted starting and effective from that date.

Canova has retained a 2% Net Smelter Return (“NSR”) royalty, on minerals and metals and a 2% Gross Overriding Receipt (“GOR”), as defined in the agreement, on all diamonds extracted from the claims. The Corporation has the right at any time to purchase one percent (1%) of either royalty for \$1,000,000 cash.

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6. Property, Plant and Equipment
The Corporation,
September 30, 2009

	Cost	Accumulated Amortization	Accumulated Asset Impairment	Net Book Value
Furniture and fixtures	\$ 86,592	\$ (2,233)	\$ -	\$ 84,359
Computers and telecommunication equipment	128,463	(9,327)	-	119,136
Mining infrastructure, plant and equipment	2,199,278	-	-	2,199,278
Mining equipment acquired through capital leases	966,668	-	-	966,668
	\$ 3,381,001	\$ (11,560)	\$ -	\$ 3,369,441

September 1, 2009

	Cost	Accumulated Amortization	Accumulated Asset Impairment	Net Book Value
Furniture and fixtures	\$ 86,592	\$ -	\$ -	\$ 86,592
Computers and telecommunication equipment	128,463	-	-	128,463
Mining infrastructure, plant and equipment	2,199,278	-	-	2,199,278
Mining equipment acquired through capital leases	966,668	-	-	966,668
	\$ 3,381,001	\$ -	\$ -	\$ 3,381,001

The Predecessor,
December 31, 2008

	Cost	Accumulated Amortization	Accumulated Asset Impairment	Net Book Value
Furniture and fixtures	\$ 143,993	\$ (31,031)	\$ -	112,962
Computers and telecommunication equipment	372,552	(139,837)	-	232,715
Mining infrastructure, plant and equipment	10,478,123	(1,662,648)	(6,575,563)	2,239,912
Mining equipment acquired through capital leases	9,911,975	(1,350,781)	(7,352,649)	1,208,545
Mill refurbishment costs	7,136,647	(6,895,555)	-	241,092
	\$ 28,043,290	\$ (10,079,852)	\$ (13,928,212)	\$ 4,035,226

7. Obligations Under Capital Leases

The schedule which follows outlines the annual commitments in accordance with the contract terms which were in effect at December 31, 2008. As a result of the re-organization process, these obligations were fully and completely discharged effective September 1, 2009.

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	The Corporation,		The Predecessor
	September 30, 2009	September 1, 2009	December 31, 2008
2009	\$ -	\$ 3,138,734	\$ 1,772,586
2010	-	-	1,046,800
2011	-	-	520,510
2012	-	-	77,994
Total minimum lease payments	-	-	3,417,890
Less: imputed interest at 8.9%	-	-	(279,156)
Settled under proposal with creditors	-	(3,138,734)	-
Balance of obligations	-	-	3,138,734
Less: Current portion	-	-	(1,592,554)
Long-term portion	\$ -	\$ -	\$ 1,546,180

8. Senior Secured Notes and 5% Promissory Notes

(i) Senior Secured Notes

	The Predecessor, September 1, 2009				
	Principal at issue	Fair Value at Outset	Amortized Cost at December 31, 2008	Accrued interest and adjustments to the carrying value	Carrying value
Senior Secured Notes	\$20,000,000	\$16,090,340	\$17,598,399	\$4,088,600	\$21,686,999
Final settlement with creditors					(21,686,999)
					-

The Senior Secured Notes (“Notes”) were issued on May 4, 2007 pursuant to the Note Purchase Agreement dated May 4, 2007 between the Corporation, Jennings Capital Inc and the respective Purchasers. At that time, the annual interest rate was set at 14%, the earliest call date was established as May 4, 2009 and the maturity was subsequently scheduled for July 31, 2012.

The amortized cost of the Notes of \$17,598,399 at December 31, 2008 represents the liability as measured at the initial recognition plus the amortization using the effective interest rate (annual rate of 19.61%) method of the difference between the initial amount and the maturity amount of the Notes minus principal repayments. The Corporation did not make the scheduled quarterly interest payments of \$700,000 on December 31, 2008 and March 31, 2009 as a result of the filing of the NOI under the BIA.

During 2009, interest of \$903,965 was accrued as it was a legal obligation up to the date of

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the filing of the Proposal on April 17, 2009. In addition, the carrying value of the Notes was increased by \$3,184,635 to reflect the ultimate settlement value.

Under the Proposal, the secured portion of the claims was determined to be \$3,500,000 and the balance of the claims of \$16,500,000 plus unpaid interest was considered an unsecured claim. On August 31, 2009, in accordance with the Approval Order, the Notes were amended and restated with Promissory Notes in accordance with the approval order issued by the Ontario Superior Court of Justice as of June 17, 2009 (the "Approval Order").

(ii) 5% Promissory Notes

The Corporation, September 30, 2009					
	Annual Interest Rate	Fair Value at Outset	Principal	Fair Value at Outset	Amortized Cost
5% Secured Promissory Notes	5%	\$2,618,000	\$2,618,000	\$2,618,000	\$2,628,992

The Promissory Notes (as described above) were issued on August 31, 2009, at which time, the annual interest rate was set at 5% per annum with the first interest payment scheduled August 31, 2010. These Notes mature on August 31, 2014. These Promissory Notes provide for optional prepayments, from time to time in whole or in part, in accordance with terms specified in the original Note Purchase Agreement and subject to various limits depending upon the Corporation's cash flow and the source of funds. Restrictions also exist with respect to use of the net cash proceeds from the disposition of certain types of major mining equipment.

9. Commitments and Contingencies

- a) On July 16, 2009, the Corporation entered into a five year lease from August 1, 2009 to July 31, 2014 for office premises. Following a six month period in which the Corporation will only be responsible for its proportionate share of all operating costs, the monthly rental will be approximately \$6,300.
- b) On September 1, 2009, the Corporation entered into a twelve month agreement for an independent contractor to maintain roads and access as well as provide security for the mine site which will average \$18,750 per month.

Year	Future Minimum Annual Payments
2009	\$ 70,803
2010	236,627
2011	72,554
2012	72,554
2013	72,554
2014	42,323
Total	\$ 567,415

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10. Asset Retirement Obligations

	The Corporation,		The Predecessor,
	September 30, 2009	September 1, 2009	December 31, 2008
Balance, beginning of period	\$ 132,826	\$ 424,606	\$ -
Estimated obligation	-	-	569,501
Expenditures	-	(291,780)	(155,012)
Accretion expense			10,117
Balance, end of period	\$ 132,826	\$ 132,826	\$ 424,606

The Corporation's asset retirement obligation relates to restoration and remediation costs associated with the Fabie Bay Mine. In view of the uncertainties concerning the restoration and remediation activities which were under discussion with the Ministère des Ressources Naturelles - Mines (MRN-M) at the period-end, the current liability represents management's best estimate of the future obligations. The asset retirement obligation is subject to change based on interpretation of the laws and regulations as well as new information regarding the future development plans for the nearby Magusi deposit as they may emerge.

Future changes, if any, to the estimated liability may be significant and would be recognized prospectively as a change in an accounting estimate. Any such change would result in an increase or decrease to the liability and a corresponding change to the mineral property.

11. Income and Mining Taxes

The significant components of the Corporation's future income tax assets and (liabilities) were as follows:

	The Corporation,		The Predecessor,
	September 30, 2009	September 1, 2009	December 31, 2008
Future income tax assets:			
Non-capital losses carried forward	\$ 40,000	\$ -	\$ 835,467
Share issuance costs	243,039	243,039	184,915
Mineral properties and equipment	5,163,953	5,163,953	8,018,474
Total future income tax assets before valuation allowance	5,446,992	5,406,992	9,038,856
Valuation allowance	(5,446,992)	(5,406,992)	(9,038,856)
Total future income tax assets	\$ -	\$ -	\$ -

At each period end, management assesses whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. In undertaking its assessment, management considers the scheduled reversal of future income tax liabilities, reflecting projected future

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taxable income and tax planning strategies. The Corporation has established a full valuation allowance of the tax value of the future income tax assets as it is not presently more likely than not this tax asset will be realized.

Income and mining tax recovery consists of the following:

	The Corporation			The Predecessor	
	One Month to September 30, 2009	Two Months to August 31, 2009	Three Months to September 30, 2008	Eight Months to August 31, 2009	Nine months to September 30, 2008
Current income and mining tax tax provision (recovery)					
Part XII.6 on flow-through expenditures	\$ -	\$ -	\$ -	\$ -	\$ 57,327
Recovery of current income and mining taxes	-	-	(5,494)	-	(141,932)
	-	-	(5,494)	-	(84,605)
Future income and mining tax recovery					
Recovery of future taxes	-	-	(1,675,590)	-	-
Benefit from prior years' loss carry forwards not previously recognized	-	-	-	-	(2,488,936)
	-	-	(1,675,590)	-	(2,488,936)
Income and mining tax recovery	\$ -	\$ -	\$ (1,681,084)	\$ -	\$ (2,573,541)

12. Financial Instruments and Financial Risks

a. Fair Value

In accordance with Section 3855, the Corporation's financial assets and liabilities are classified and measured as follows:

<u>Asset/Liability</u>	<u>Classification</u>	<u>Subsequent Measurement</u>
Cash	Held for trading	Fair value
Cash equivalents	Held for trading	Fair value
Amounts and settlements receivable and accounts receivable	Loans and receivables	Amortized cost
Accounts payable, trade payables and other accrued liabilities	Other liabilities	Amortized cost
Obligations under capital and operating leases	Other liabilities	Amortized cost
Senior secured notes	Other liabilities	Amortized cost
Promissory Notes	Other liabilities	Amortized cost

Other balance sheet accounts, such as inventories, deposits on contracts and prepaid expenses, obligations under capital leases and future income tax assets and liabilities are not within the scope of Section 3855 as they are not financial instruments.

Transaction costs related to other financial liabilities are netted against the carrying value of the liability and are then amortized over the expected life of the instrument using the effective interest method.

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The Corporation has no financial instruments or activities that give rise to other comprehensive income (loss).

As at September 30, 2009, the carrying values of cash and cash equivalents, amounts and settlements receivable, accounts receivable, and trade and accounts payable as well as other accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

b. Financial Risks

FMA was exposed to a number of financial risks in the normal course of its business operations, including market risks from fluctuations in commodity prices, interest rates, foreign currency exchange rates, as well as credit risks and liquidity risks. The nature of the financial risks and the Corporation's strategy for managing these risks has not changed from the prior period to the extent that the Corporation began in 2008, but did not continue in 2009 as production ceased in January.

c. Commodity price and foreign currency risks

The copper, gold and silver which FMA produced and sold were priced in U.S. dollars. The majority of its operating costs were incurred in Canadian dollars. As a result, changes in the exchange rate of U.S. dollars to Canadian dollars impacted the FMA's gross margins. FMA attempted to mitigate these risks by selling the metals as produced and converting the U.S. dollars as received.

d. Interest rate risk

The Corporation includes a review of the mix of floating and fixed rate debt as part of refining its financing objectives. At September 30, 2009, the Corporation had no indebtedness that bears interest rate risk.

e. Concentration of credit risk

FMA sold all of its production under contract exclusively to Xstrata, a major international mining company. The Corporation monitors the collection of amounts receivable on a regular basis.

All of the Corporation's cash equivalents are invested with a major Canadian Schedule A, chartered bank.

f. Liquidity risk

The Corporation is exposed to liquidity risk from a potential inability to generate sufficient cash and cash equivalents in a timely and cost-effective manner to discharge its financial liabilities as they come due, as has recently been seen. The Corporation manages liquidity risk by forecasting short-term cash flows to identify financing requirements, managing working capital, and optimizing receipts and disbursements.

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13. Capital Management

Following the implementation of the Plan, the Corporation's total capital consists of its promissory notes and shareholder's equity (common shares, warrants, contributed surplus and retained earnings (deficit)) as its total capital. Currently, the Corporation's capital management objectives are designed to ensure that the Corporation continues as a going concern, and to supporting enhanced shareholder value.

14. Share Capital

Authorized (Unlimited common shares, no par value, voting)

Issued and outstanding common shares	The Corporation,				The Predecessor,	
	September 30, 2009		September 1, 2009		December 31, 2008	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	322,106,561	\$ 3,937,943	42,851,198	\$ 18,397,777	38,860,180	\$ 14,008,907
Issued in connection with the Globex purchase agreement	-	-	-	-	3,886,018	4,235,760
Issued in connection with the Canova purchase agreement	-	-	-	-	50,000	59,502
Issued pursuant to exercise of stock options	-	-	-	-	55,000	55,000
Transferred from contributed surplus upon exercise	-	-	-	-	-	38,608
Shares issued in connection with the reorganization	-	-	279,255,363	8,377,661	-	-
Fresh start adjustments	-	-	-	(22,837,495)	-	-
Balance, end of period	322,106,561	\$ 3,937,943	322,106,561	\$ 3,937,943	42,851,198	\$ 18,397,777

Stock Options

The Corporation has a stock option plan for its officers, key employees and consultants. On June 30, 2007, the plan was amended to increase the maximum available number of common shares from 1,800,000 to 15% of the issued and outstanding shares at the time of the grants. The maximum number of options that can be granted to any participant cannot exceed 10% of the issued and outstanding shares of the capital stock.

The price of the options granted may not be less than the market price of the common shares on the TSX at the time the options are granted. The options granted are valid for a period established by the Board of Directors, not to exceed 10 years from the date the options are granted. Vesting is determined by the Board of Directors at the date of the grant.

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The following table presents all of the Corporation's stock options granted, exercised, forfeited and expired during the period ended September 30, 2009 as compared to December 31, 2008.

	September 30, 2009		December 31, 2008	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance, beginning of period	3,638,636	\$ 1.00	3,533,785	\$ 1.06
Directors, management, senior staff and consultants option grants	-	-	1,395,000	\$ 0.84
Exercised	-	-	(55,000)	\$ 1.00
Forfeited and adjustments	(225,000)	\$ 0.95	(240,000)	\$ 1.00
Expired	(1,940,000)	\$ 1.01	(995,149)	\$ 1.01
Balance, end of period	1,473,636	\$ 0.99	3,638,636	\$ 1.00

The outstanding and exercisable stock options as at September 30, 2009 were as follows:

Grant Date	Expiry Date	Outstanding	Exercisable	Exercise Price
November 6, 2006	November 6, 2009	100,000	100,000	1.00
December 18, 2006	December 18, 2011	75,000	75,000	1.00
May 31, 2007	May 31, 2010	120,000	120,000	1.40
June 14, 2007	June 14, 2010	140,000	140,000	1.50
June 27, 2007	June 27, 2012	132,500	132,500	1.50
August 30, 2007	August 29, 2010	90,000	90,000	0.94
November 30, 2007	November 30, 2010	120,000	120,000	0.96
December 20, 2007	December 21, 2009	126,136	126,136	1.10
May 31, 2008	May 31, 2011	120,000	120,000	1.03
July 18, 2008	July 18, 2011	100,000	100,000	1.00
October 8, 2008	October 8, 2013	350,000	-	0.40
		1,473,636	1,123,636	\$ 0.99

As at September 30, 2009, the weighted average remaining contractual life of outstanding options was approximately 1.69 years (2008 - 1.06 years).

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Warrants

The movements in share purchase warrants during the period were as follows:

	The Corporation,			The Corporation,			The Predecessor,		
	September 30, 2009			September 1, 2009			December 31, 2008		
	Number of warrants	Weighted average exercise price	Fair Value	Number of warrants	Weighted average exercise price	Fair Value	Number of warrants	Weighted average exercise price	Fair Value
Balance, beginning of period	29,245,404	\$ 0.22	\$ 439,372	3,399,996	\$ 1.57	\$ 2,104,278	6,388,046	\$ 1.02	\$ 3,419,019
Expired	-	-	-	-	-	-	(2,988,050)	\$ 1.25	(1,314,741)
Issued in connection with the re-organization	-	-	-	25,845,408	\$ 0.04	439,372	-	-	-
Fresh start adjustment	-	-	-	-	-	(2,104,278)	-	-	-
Balance, end of period	29,245,404	\$ 0.22	\$ 439,372	29,245,404	\$ 0.22	\$ 439,372	3,399,996	\$ 1.57	\$ 2,104,278

On September 1, 2009, in connection with the re-organization 25,845,408 common share purchase warrants were issued. The exercise price for each warrant has been set at \$0.03 per share for a twelve month period ending September 1, 2010 and at \$0.05 per share for the remaining six month period until March 1, 2011. The fair value of these warrants was estimated using the Black-Scholes option pricing model at \$0.017 each with the following assumptions; estimated life of 15 months, risk-free interest rate of 2.46%, expected volatility of 152% and no expected dividends.

At September 30, 2009, the Corporation had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Description	Number of warrants	Exercise price	Expiry date
Issued with Notes	2,000,000	\$ 1.35	July 31, 2012
Issued with the 2007 flow-through offering	1,399,996	\$1.75 - \$2.00	December 21, 2009
Issued in connection with the reorganization	25,845,408	\$0.03 - \$0.05	March 1, 2011
	29,245,404		

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15. Contributed Surplus

	The Corporation,		The Predecessor,
	September 30, 2009	September 1, 2009	December 31, 2008
Balance, beginning of period	\$ -	\$ 3,686,530	\$ 1,774,134
Stock-based compensation expense	4,218	110,991	636,263
Expired warrants	-	-	1,314,741
Fair value of stock options exercised	-	-	(38,608)
Fresh start adjustment	-	(3,797,521)	-
Balance, end of period	\$ 4,218	\$ -	\$ 3,686,530

16. Earnings (Loss) per Share

Basic earnings per share (“EPS”) have been calculated using the weighted-average number of shares outstanding during the period. The calculation of diluted earnings per Common Share has been computed using the treasury stock method. In applying the treasury stock method, options and warrants with an exercise price greater than the average quoted market price of the Common shares are not included in the calculation of diluted earnings per Common Share as the effect is anti-dilutive.

The average quoted market prices of the common shares during the respective periods are as follows.

	The Corporation			The Predecessor	
	One Month to September 30, 2009	Two Months to August 31, 2009	Three Months to September 30, 2008	Eight Months to August 31, 2009	Nine months to September 30, 2008
Average market price per share	\$ 0.025	\$ 0.030	\$ 0.655	\$ 0.027	\$ 0.833

The table which follows provides details which support the loss per share calculations.

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Calculation of Weighted-Average
Shares Outstanding

	The Corporation			The Predecessor	
	One Month to September 30,	Two Months to August 31,	Three Months to September 30,	Eight Months to August 31,	Nine months to September 30,
	2009	2009	2008	2009	2008
Basic earnings (loss) per share	\$ (0.00)	\$ (0.01)	\$ (0.13)	\$ (0.17)	\$ (0.13)
Diluted (loss) per share	\$ (0.00)	\$ (0.01)	\$ (0.13)	\$ (0.17)	\$ (0.13)
Common shares outstanding for entire period (000's)	42,851	42,851	38,860	42,851	38,860
Weighted average impact of 279 million shares issued in connection with the reorganization (000's)	279,255	-	-	-	-
Weighted average impact of Globex shares (000's)	-	-	3,886	-	2,249
Weighted-average impact of 55,000 share options exercised (000's)	-	-	55	-	28
Weighted-average impact of 50,000 shares issuable in connection with a property acquisition	-	-	38	-	13
Basic weighted-average number of common shares outstanding (000's)	322,106	42,851	42,839	42,851	41,150
Weighted-average number of common shares used for diluted earnings per share (000's)	322,106	42,851	42,839	42,851	41,150

17. Supplemental Disclosure with Respect to Cash Flows

	The Corporation			The Predecessor	
	One Month to September 30,	Two Months to August 31,	Three Months to September 30,	Eight Months to August 31,	Nine months to September 30,
	2009	2009	2008	2009	2008
Cash paid during the period for interest costs capitalized.	\$ -	\$ -	\$ -	\$ -	\$ 599,550
Cash paid during the period for interest costs expensed.	\$ -	\$ -	\$ -	\$ -	\$ 1,857,907
Net metal royalty payments to Globex	\$ -	\$ -	\$ -	\$ 145,669	\$ 870,569
Cash paid during the period for income taxes	\$ -	\$ -	\$ -	\$ -	\$ 66,950

Significant non-cash transactions during the eight month period:

- (i) adjustments to the carrying value of Senior Secured Notes of \$3,184,635 and Operating leases of \$951,632 as well as other liabilities of \$420,660 which totaled \$4,556,927 which adjusted the carrying value of the liabilities which were subject to compromise under the Proposal.

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18. Segment Information

The Corporation has identified the Fabie Bay Mine and the Magusi River Deposit as reportable segments. The accounting policies adopted by these segments are the same as those described in the significant accounting policies (note 2) to the annual financial statements. The reportable segments represent the level at which decisions are made on the allocation of resources and capital, and where internal financial information is available. The common assets as identified below represent the carrying value of infrastructure such as roads, bridges, power lines and a power distribution system which were installed to support development and operation both of the Fabie Bay Mine and the Magusi River Deposit. Corporate and other includes additional unexplored properties.

The Corporation, September 30, 2009

Operating Segments
Statement of Operations - One Month Ended September 30, 2009

	Fabie Bay Mine	Magusi Deposit	Common Assets	Corporate and Other	Total
Gross revenue	\$ 3,265	\$ -	\$ -	\$ -	\$ 3,265
Treatment, refining charges	-	-	-	-	-
Net Royalty payment	-	-	-	-	-
Net revenue	3,265	-	-	-	3,265
Depreciation, depletion, amortization	(11,560)	-	-	-	(11,560)
On-going site operating costs	(64,569)	-	-	-	(64,569)
Contribution from mining activities	(72,864)	-	-	-	(72,864)
General and administration	-	-	-	(79,884)	(79,884)
Interest	-	-	-	(11,214)	(11,214)
Other income	-	-	-	29,680	29,680
Loss before income taxes	(72,864)	-	-	(61,418)	(134,282)
Income and mining tax provision	-	-	-	-	-
Net loss and comprehensive loss	\$ (72,864)	\$ -	\$ -	\$ (61,418)	\$ (134,282)

The Predecessor,

Operating Segments
Statement of Operations - Eight Months Ended August 31, 2009

	Fabie Bay Mine	Magusi Deposit	Common Assets	Corporate and Other	Total
Gross revenue	\$ 2,363,077	\$ -	\$ -	\$ -	\$ 2,363,077
Treatment, refining charges	(258,708)	-	-	-	(258,708)
Net Royalty payment	(50,036)	-	-	-	(50,036)
Net revenue	2,054,333	-	-	-	2,054,333
Direct Operating costs	(1,953,990)	-	-	-	(1,953,990)
Depreciation, depletion, amortization	(637,149)	-	-	-	(637,149)
On-going site operating costs	(358,969)	-	-	-	(358,969)
Amortization of asset retirement costs	(23,091)	-	-	-	(23,091)
Contribution from mining activities	(918,866)	-	-	-	(918,866)
General and administration	-	-	-	(687,504)	(687,504)
Interest	-	-	-	(941,450)	(941,450)
Restructuring and changes to carrying values	-	-	-	(5,023,974)	(5,023,974)
Other income	-	-	-	126,934	126,934
Loss before income taxes	(918,866)	-	-	(6,525,994)	(7,444,860)
Income and mining tax provision	-	-	-	-	-
Net loss and comprehensive loss	\$ (918,866)	\$ -	\$ -	\$ (6,525,994)	\$ (7,444,860)

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Operating Segments
Statement of Operations - Nine Months Ended September 30, 2008

	Fabie Bay Mine	Magusi Deposit	Common Assets	Corporate and Other	Total
Gross revenue	\$ 34,946,742	\$ -	\$ -	\$ -	\$ 34,946,742
Treatment, refining charges	(4,275,065)	-	-	-	(4,275,065)
Net Royalty payment	(677,669)	-	-	-	(677,669)
Net revenue	29,994,008	-	-	-	29,994,008
Direct Operating costs	(21,189,303)	-	-	-	(21,189,303)
Depreciation, depletion, amortization	(7,651,797)	-	-	-	(7,651,797)
Amortization of asset retirement costs	(105,408)	-	-	-	(105,408)
Contribution from mining activities	1,047,500	-	-	-	1,047,500
General and administration	-	-	-	(1,767,041)	(1,767,041)
Interest	-	-	-	(2,119,582)	(2,119,582)
Other income	-	-	-	88,679	88,679
Loss before income taxes	1,047,500	-	-	(3,797,944)	(2,750,444)
Income and mining tax provision (recovery)	-	-	-	(2,573,541)	(2,573,541)
Net loss and comprehensive loss	\$ 1,047,500	\$ -	\$ -	\$ (1,224,403)	\$ (176,903)

The Corporation, September 30, 2009

Mineral Interests and Mine Development - September 30, 2009

	Fabie Bay Mine	Magusi Deposit	Common Assets	Corporate and Other	Total
Mineral interests, carrying value	\$ 3,350	\$ 932,734	\$ -	\$ 88,746	\$ 1,024,830
Asset impairment provision	-	-	-	-	-
	3,350	932,734	-	88,746	1,024,830
Deferred development and exploration	-	1,451,455	-	59,088	1,510,543
	\$ 3,350	\$ 2,384,189	\$ -	\$ 147,834	\$ 2,535,373

Property, Plant and Equipment - September 30, 2009

	Fabie Bay Mine	Magusi Deposit	Common Assets	Corporate and Other	Total
Carrying value	\$ 160,042	\$ 626,877	\$ 2,379,029	\$ 203,493	\$ 3,369,441
Asset impairment provision	-	-	-	-	-
	\$ 160,042	\$ 626,877	\$ 2,379,029	\$ 203,493	\$ 3,369,441

The Predecessor,

Mineral Interests and Mine Development - December 31, 2008

	Fabie Bay Mine	Magusi Deposit	Common Assets	Corporate and Other	Total
Mineral interests, carrying value	\$ 47,621	\$ 4,070,052	\$ -	\$ 88,346	\$ 4,206,019
Asset impairment provision	-	(3,137,318)	-	-	(3,137,318)
	47,621	932,734	-	88,346	1,068,701
Mine development, carrying value	63,356	6,412,076	-	163,766	6,639,198
Asset impairment provision	-	(4,965,294)	-	-	(4,965,294)
	63,356	1,446,782	-	163,766	1,673,904
Asset retirement costs	23,091	-	-	-	23,091
	\$ 134,068	\$ 2,379,517	\$ -	\$ 252,112	\$ 2,765,697

FIRST METALS INC.
Notes to Financial Statements
For the quarter ended September 30, 2009
An exploration and development stage corporation

Property, Plant and Equipment - December 31, 2008

	Fabie Bay Mine	Magusi Deposit	Common Assets	Corporate and Other	Total
Carrying value	\$ 1,076,122	\$ 2,644,614	\$ 13,897,031	\$ 345,671	\$ 17,963,438
Asset impairment provision	(835,030)	(2,153,978)	(10,939,204)	-	(13,928,212)
	\$ 241,092	\$ 490,636	\$ 2,957,827	\$ 345,671	\$ 4,035,226