First Metals Inc

(A DEVELOPMENT STAGE COMPANY)

(Incorporated under the Canada Business Corporations Act)

Management's Discussion and Analysis

The following discussion (the "MD&A") of the results of operations of the Corporation should be read in conjunction with the financial statements of the Corporation for the period from April 1, 2006 through December 31, 2006, together with the accompanying notes (collectively, the "Financial Statements''). This MD&A is written as of March 30, 2007.

The following MD&A provides a summary of the audited financial information of the Corporation contained therein. This discussion contains forward-looking statements that involve certain risks and uncertainties which may include, but are not limited to, statements with respect to the future financial or operating performance of the Corporation and its projects, the future price of copper or zinc or other metal prices, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of Canadian dollars relative to other currencies; changes in project parameters as plans continue to be refined; changes in labor costs or other costs of production; future prices of copper or zinc; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavorable operating conditions and losses; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; and the factors discussed in the section entitled "Risk Factors" in the prospectus filed in connection with the Company's Initial Public Offering ("IPO") and available on SEDAR (www.SEDAR.com). Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this MD&A and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Overview

The Corporation was incorporated on February 23, 2006 for the sole purpose of creating a company to acquire one or more mineral projects; to obtain additional funds to search for and acquire additional mineral projects; and to obtain required capital for general corporate expenses.

The Fabie Bay, Magusi River and Duprat projects are considered to be in the advanced exploration and pre-production stage, and the Corporation has not yet commenced any mining production on any of them. Accordingly, the Corporation does not currently have any revenues (beyond relatively insignificant interest revenues), and, until the completion of the recommended exploration and development programs on such mineral projects, receipt of required mining licenses and permits for the mining of one or more commercial ore bodies located thereon, and the mining and shipment of ore, the Corporation is not expected to have any revenues.

Period from incorporation to March 31, 2006

During this period the Corporation was incorporated, and entered into a letter of intent with Globex Mining Enterprises Inc. ("Globex") with respect to the acquisition of the Mining Claims. No deposit was payable upon execution of the letter of intent, and so the only cash transactions were the receipt of proceeds from the Common Share subscriptions of the Corporation's founders.

Major developments for the nine month period ended December 31, 2006

As the Corporation's cash position would not be sufficient to meet all of its proposed cash expenditures for 2007 and, in particular, the costs relating to the permitting, exploration and development of the Fabie Bay and Magusi River projects, the Corporation has completed the Special Warrant Offerings and the Initial Public Offering of the Company's shares (the "IPO") to raise the funds necessary to commence initial preparations of the site, equipment sourcing, hydro installation and other steps towards ultimately putting the project into production. Management believes that such arrangements should result in the necessary funds being available to the Corporation to fulfill its payment and other obligations under the Purchase Agreement, and complete the recommended exploration programs at the Fabie Bay and Magusi River projects. The success of the IPO and the simultaneous listing of the shares on the Toronto Stock Exchange on September 1, 2006 culminated an extremely successful first six months of existence for First Metals. As part of these events, the Special Warrants previously issued were exchanged for common shares and warrants of the Company and the common shares were qualified for trading by the same prospectus. As the results of the initial investigations have given favorable indications of the opportunity to put the Fabie and Magusi deposits into commercial production, expenditures have been redirected to this end. Equipment leases have been entered into, other items of equipment have been purchased outright and some development expenditures have been undertaken,. We have obtained the grant of permits for the de-watering of the existing open pit, de-watering of the ramp has been completed down to the 50 meter level and other development work is proceeding. All necessary permits have been applied for or will be in the immediate future including the “bail minière” necessary to put the project into production (beyond the taking of a 50,000 ton bulk sample for which approval has already been granted).

After initial discussions had been held with the owners of four mills in the vicinity with a view to entering into a custom milling contract, a Letter of Intent was concluded with Xstrata Copper Inc. and is now being expanded to Definitive Agreements.

The Corporation is now in advanced negotiations for a term debt financing of $20 million which will be sufficient to complete all steps necessary to put the project into production, provide $4.5 million to Xstrata for the refurbishment of its Horne mill to accommodate the project’s milling requirements and provide working capital.

Operations for the period from April 1, 2006 through December 31, 2006

During this period the Company began more active exploration of its properties, particularly the Fabie Bay and Magusi River properties. The first two payments totaling $750,000 cash to Globex in accordance with the purchase agreement have been paid to them.

The mining property has been recorded at its purchase price of $1,000,000 (with further amounts to be paid by way of a share interest in the Company of 10% at the time of reaching commercial production, the cost of which can not yet be established but will be significant, expected to be in the order of $3 million or more) and the outstanding liability on the cash portion of $250,000 has been shown as due to Globex. Both of these considerations will be paid at the stage of putting the project into production. The liability for the share element has been identified in the Notes to the financial statements but not shown as a liability owing to its unquantifiable nature.

Other amounts were disbursed to consultants advising in the process of obtaining permits for the further exploration of the properties, geological and mining consultants and towards the establishment of offices in Rouyn-Noranda. All of these amounts have been recorded as increases in the value of Mineral Properties. Further amounts have been expended on overheads, particularly Management Fees, listing fees and stock-based compensation, and these have been recorded as Expenses resulting in a Net Loss for the period of $1,847,203.

Liquidity and Capital Resources

Cash and cash flows and Working capital

Cash flow used for operations was $1,131,210 during the period ended December31, 2006. Working capital at December 31 2006 was $3,591,000. Following periods will see significant expenditures without corresponding revenues being available. Therefore, readers should be aware that cash balances will fall in the following quarters and further cash financing is being undertaken to provide sufficient funds to bring the deposits into production.

As at September 1st, 2006, the Company completed its IPO by issuing 3,674,455 flow-through common shares at $1.10 per flow-through share and 6,158,100 common shares at $1.00 per share for total gross proceeds of $10,200,000.

Cash provided from financing activities totaled $12,523,000 for the period and came mainly from the initial issuance of shares for $3,100,000 less issuance expenses of $265,000 and from the completion of the IPO for $10,200,000 less issuance expenses of $975,000 and $385,000 imputed cost (per Black-Scholes model) of options granted to the Agent. The incurring of the account payable for the acquisition of the Mining Claims to Globex of $250,000 has also provided funds in this period.

The Company invested a total of $7,864,000 in long-term assets in the nine month period ended December 31 2006. The acquisition of Mining Claims amounted to $1,005,000 and the deferred development and exploration expenses relating to this property amounted to $5,164,000. Mining equipment was acquired for $1,696,000.

The net change in cash balances as a result of operations, financing and investment activities was a net inflow of $3,528,000 during the nine month period ended December 31, 2006.

The Corporation anticipates the possibility of adding to its financial resources by obtaining a working capital facility with a Canadian chartered bank or other financial institution. The granting of an operating facility would likely take place only after the Corporation has achieved or is very near to achieving commercial production at one of its mineral projects.

Depending on the future course and results of exploration activities, additional recourse may need to be made to the capital markets by way of additional equity or other financings.

Key Economic Trends

The financial performance of the Corporation will be directly affected by the exploration activities to be conducted on the Fabie Bay and Magusi River projects in conjunction with their development for commercial production of copper and zinc. As the results of such exploration activities appear to warrant bringing both the Fabie Bay and Magusi River projects into commercial production, substantial additional funds will be required to do so. Until such time as commercial production is achieved (and there can be no assurance it will be), the Corporation will continue to incur administrative costs and exploration expenditures that are either deferred or expensed, depending upon the nature of those expenditures, resulting in continuing operating losses. In the future, the financial performance of the Corporation will become more closely linked to the prices obtained for the copper and zinc produced by the Corporation. Management is of the view that while the average price for copper and zinc may not be sustainable at recent levels, the long-term forecast for them is sufficient to warrant the Corporation's focus on copper and zinc projects. To date, copper prices have continued to be at very satisfactory levels.

Exchange rates

The Corporation reports its financial results in Canadian dollars. The Corporation's revenues, if any, will be primarily, if not completely, earned in U.S. dollars, but its costs are in Canadian dollars. The Canadian dollar appreciated relative to the U.S. dollar during 2004 and 2005 as the average rate for December 2005 was C$1.16/U.S.$, compared to C$1.32/U.S.$ in the fourth quarter of 2003.

The Canadian dollar was reasonably stable relative to the U.S. dollar during 2006 as the average rate for the first quarter of 2006 was also C$1.16/U.S.$ and for the second quarter $1.12 for the third quarter also $1.12 and $1.14 for the fourth quarter.

Additional financing

The exploration and development of the Corporation's mineral projects will require substantial additional financing. Failure to obtain sufficient financing will result in the delay or indefinite postponement of exploration, development or production on any or all of such projects, and may even cause a loss of project interest. There can be no assurance that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be favorable to the Corporation. The Corporation is presently undertaking advanced negotiations with parties experienced in providing financing in similar situations. The Company is optimistic that conclusion of a milling contract will enable the necessary additional financing to be raised on reasonable terms.

Related Party Transactions

The Corporation receives Management Services from five Promoters and Principal Shareholders who are also Directors and/or senior management of the Company. These services cover all of the senior management functions and extend to investor relations services and financial advisory services. Management fees as disclosed in the financial statements are paid in respect of these services and will continue to be pursuant to management contracts. In addition, a party related to one of the Founders/Promoters of the Corporation acted as agent or sub-agent in the Corporation's completed financing transactions including its IPO and was paid commissions in this respect as disclosed in the Notes to the Financial Statements.

Subsequent Events

Since the year end, the Corporation has continued its progress towards putting the project into production. The hydro line installation is nearing completion (expected within four weeks) and the open pit has been drilled off following its de-watering. Assays of these drill cores suggest that the 50,000 tons so drilled off will contain approximately 10% more copper than earlier investigations and information had suggested.
The progress towards Definitive Agreements with Xstrata Copper Inc. has indicated that the Horne mill will not be ready to receive the Corporation's ore until the third quarter of 2007.

Further Information

Periodic information updates and quarterly financial results will be posted both at www, sedar.com and on the Company's own website, www.firstmetalsinc.com .
Management has assessed the effectiveness of the Company's financial reporting disclosure controls and procedures as at September 30, 2006, and has concluded that such financial reporting disclosure controls and procedures were effective at that date.

Additional Information

	Q1	Q2	Q3	Q4	2006
Revenue	2 301	9 260	33 358	50 859	95 778
Net loss	92 095	111 736	352 127	1 401 403	1 957 361
Loss per Share	0,01	0,01	0,01	0,05	0,08