

FIRST METALS INC.
(A DEVELOPMENT STAGE COMPANY)

(UNAUDITED)

FINANCIAL STATEMENTS

SECOND QUARTER ENDED JUNE 30, 2007

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These interim financial statements for the period ended June 30, 2007 have been prepared by Management who take responsibility for them in accordance with Canadian generally accepted accounting principles and have not been reviewed by the auditors of the Company.

FIRST METALS INC.
(A DEVELOPMENT STAGE COMPANY)

(Unaudited)

Balance Sheet

Period ended June 30, 2007

	June 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents (includes \$15 M. held in escrow; notes 8, 12)	\$ 16,402,444	\$ 3,527,945
Accounts receivable	334,930	617,682
Deposits on contracts & prepaid expenses	319,481	671,358
	17,056,854	4,816,985
Deferred debt financing, interest and insurance costs (note 5)	4,300,084	-
Mineral interests (note 6)	17,272,679	7,864,383
	\$ 38,629,616	\$ 12,681,368
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,422,781	\$ 814,002
Due on mineral properties (note 6)	250,000	250,000
Obligations under capital leases - current portion (note 7)	2,109,244	161,955
	3,782,025	1,225,957
Obligations Under Capital Leases (note 7)	1,225,254	454,969
Senior Secured Notes (note 8)	20,000,000	-
Future Income taxes	1,396,881	1,396,881
	22,622,135	1,851,850
Shareholders' equity:		
Share Capital (note 9)	10,440,944	8,549,252
Warrants (note 9)	3,449,653	1,732,091
Contributed Surplus (note 9)	1,314,714	1,189,421
Deficit	(2,979,855)	(1,867,203)
	12,225,457	9,603,561
	\$ 38,629,616	\$ 12,681,368

Commitments and Contingencies (notes 6, 9, and 11)

APPROVED ON BEHALF OF THE BOARD

“Richard Willams”

Director

“Jay Richardson”

Director

(See accompanying notes to interim financial statements)

FIRST METALS INC.
(A DEVELOPMENT STAGE COMPANY)

(Unaudited)

Statement of Loss and Deficit

Period ended June 30, 2007

	Three months ended June 30		Six Months ended June 30, 2007	Feb. 23, 2006 Date of inception through June 30, 2006	Cumulative From Feb 23, 2006
	2007	2006			
Revenue					
Interest income	\$ 10,789	\$9,260	\$ 21,185	\$ 9,260	\$ 116,963
Other revenue	616		4,711	-	4,711
	11,405	9,260	25,896	9,260	121,674
Expenses					
Stock-based compensation	62,013	-	125,293	-	929,826
General and administration	194,494	20,694	436,809	20,694	775,697
Professional fees	143,432	11,700	271,892	11,700	574,947
Management fees	78,750	78,600	157,500	98,600	392,885
Registry and filing	39,936	10,000	71,449	10,000	227,307
Travel and accommodation	27,751	-	71,440	-	190,476
Interest	(13,873)	-	4,165	-	10,391
Total Expenses	532,503	120,994	1,138,548	140,994	3,101,529
Loss Before Income taxes	(521,098)	(111,734)	(1,112,652)	(131,734)	(2,979,855)
Provision for income taxes	-	-	-	-	-
Net Loss	(521,098)	(111,734)	(1,112,652)	(131,734)	(2,979,855)
Deficit - beginning of period	(2,458,757)	(20,000)	(1,867,203)	-	-
Deficit - end of period	\$ (2,979,855)	\$ (131,734)	\$ (2,979,855)	\$ (131,734)	\$ (2,979,855)
Loss per share - basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.01)	
Weighted average number of common shares outstanding - basic and diluted (note 8)	31,391,932	16,945,055	31,129,805	14,486,188	

(See accompanying notes to interim financial statements)

FIRST METALS INC.
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(Unaudited)

Statement of Cash Flows

Period ended June 30, 2007

	<u>Three months ended June 30</u>		<u>Six</u> <u>Months</u> <u>ended</u> <u>June 30, 2007</u>	<u>Feb. 23, 2006</u> <u>Date of inception</u> <u>through</u> <u>June 30, 2006</u>	<u>Cumulative</u> <u>From</u> <u>Feb 23, 2006</u>
	2007	2006			
Cash provided by (used in)					
Operating Activities					
Net loss for the period	\$ (521,098)	\$ (111,734)	\$ (1,112,652)	\$ (131,734)	\$ (2,979,855)
Adjustments for non-cash items				-	
Stock-based compensation - contributed surplus	62,013		125,293	-	1,314,714
Changes in non-cash working capital	-			-	-
Accounts receivable	(40,892)	(58,097)	282,752	(58,097)	(334,930)
Deposits on contracts and prepaid expense	289,573	(28,400)	351,877	(28,400)	(319,481)
Accounts payable and accrued charges	(28,433)	126,545	608,779	126,545	1,422,781
Net Cash from (used in) Operating Activities	(238,837)	(71,686)	256,049	(91,686)	(896,771)
Financing Activities					
Issuance of common shares and warrants for cash	1,883,492	3,100,000	1,891,692	3,100,000	13,462,814
Cost of agents' options				-	(384,888)
Issuance expenses	-	(244,718)		(244,718)	(1,240,101)
Warrants issued (net of exercise)	1,718,262		1,717,562	-	3,449,653
Deferred financing costs	(4,300,084)	(17,000)	(4,300,084)	(17,000)	(4,300,084)
Senior Secured Notes	20,000,000		20,000,000	-	20,000,000
Due to Globex	-	750,000		750,000	250,000
Increase in obligations under capital leases net of payments	1,633,010		2,717,574	-	3,334,498
Due to shareholder	-	(24,610)		(24,610)	-
	20,934,680	3,563,672	22,026,744	3,563,672	34,571,892
Investing activities					
Mineral properties	(4,756,373)	(1,198,718)	(9,408,296)	(1,198,718)	(17,272,679)
Increase (decrease) in Cash and Cash Equivalents	15,939,471	2,293,268	12,874,498	2,273,268	16,402,443
Cash and cash equivalents, beginning of period	\$ 462,972	\$ 100	\$ 3,527,945	\$ 100	\$ -
Cash and cash equivalents, end of period	\$ 16,402,443	\$ 2,293,368	\$ 16,402,443	\$ 2,273,368	\$ 16,402,443
Cash and cash equivalents					
Cash	\$ (284,621)	\$ 146,813	\$ (284,621)	\$ 146,813	
Term deposits	1,623,455	2,146,555	1,623,455	2,126,555	
Funds held in escrow (notes 8, 12)	15,063,608		15,063,608		
	<u>\$ 16,402,443</u>	<u>\$ 2,293,368</u>	<u>\$ 16,402,443</u>	<u>\$ 2,273,368</u>	
Supplemental Information					
Cash payments related to interest and income were as follows					
Interest costs - capitalized	\$ 400,082	\$ 267	\$ 400,082	\$ 400,349	
Interest costs expensed	(13,873)	-	4,165	10,391	
Income taxes	-	-	-	-	

(See accompanying notes to the interim financial statements.)

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Notes to Financial Statements

June 30, 2007

1. Nature of Operations and Development Stage Activities

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

The principal current activity of the Company is the bringing to production of the Fabie Bay and Magusi River deposits acquired from Globex Mining Enterprises Inc. (“Globex”) in 2006. A more complete description of these activities is outlined in the Management Discussion & Analysis (“MD&A”).

2. Going Concern

The Corporation is a development stage company with two projects to be brought into production.

These interim financial statements have been prepared using Canadian generally accepted accounting principles (GAAP) applicable to a going concern which assumes that the Company will be able to 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. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to achieve profitable operations and/or the discovery, development and sale of mining reserves. The Company cannot reasonably expect to earn revenue in the development stage of operations. Only when the current construction stage of mine development is complete and commercial production is achieved, will the Company's viability as a going concern be established. Management's plans to achieve profitable and self sustaining operations include the completion of the necessary permitting to enable the Company's mineral projects to enter into production.

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 necessary if the going concern assumption were not appropriate. Such adjustments would be material.

3. Basis of Presentation and Accounting Policies

These interim financial statements have been prepared by management following the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2006, but do not contain all disclosures required for annual financial statements prepared in accordance with generally accepted accounting principles.

Accordingly, these interim financial statements should be read in conjunction with the Company's audited financial statements for the nine months ended December 31, 2006 which include a more comprehensive set of explanatory notes and the MD&A dated August 9, 2007.

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4. Changes in significant accounting policies and estimates

The following accounting policies and changes have been adopted in the current period:

The CICA issued Handbook Sections 3855 – Financial Instruments – Recognition and Measurement, 3861 – Financial Instruments – Disclosure and Presentation, 3251 – Equity and 1530 Comprehensive Income, which have been adopted on January 1, 2007. There was no material effect on the company's financial statements when these revised standards were adopted on January 1, 2007.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It provides standards for the classification of financial instruments, related interest, dividends, losses and gains, the circumstances in which financial assets and financial liabilities are offset, and disclosure about financial instruments and non-financial derivatives.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed.

Section 3251 replaces Handbook Section 3250, Surplus, and establishes standards for the presentation of equity and changes in equity during the period.

Section 1530 introduces new standards for the presentation and disclosure of components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in net assets during a period except those resulting from investments by owners and distributions to owners.

Revised CICA Handbook Section 1506, Accounting Changes, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and corrections of errors. There was no material effect on the company's financial statements when this revised standard was adopted on January 1, 2007.

5. Deferred Debt Financing, Interest and Insurance Costs

	June 30, 2007	December 31, 2006
Senior Secured Notes financing costs (fees, commissions and legal costs)	\$ 1,607,660	-
Discount on notes issued	400,000	-
Fair value of warrants issued with Senior Secured Notes (based on Black-Scholes pricing model)	<u>1,902,000</u>	<u>-</u>
Deferred financing costs (notes 8, 9)	<u>3,909,660</u>	<u>-</u>
Interest and insurance costs incurred during development	<u>390,423</u>	<u>-</u>
Total deferred debt financing, interest and insurance	<u>\$ 4,300,083</u>	<u>\$ -</u>

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In connection with the issue, the advising fiscal agent, received a \$400,000 advisory fee and a 4% cash commission of \$800,000. In addition, legal costs of \$407,660 were incurred resulting in total cash costs of \$1,607,660, the balance of the costs being non-cash.

The 2% discount on the \$20 Million of Notes amounting to \$400,000 as well as the estimated fair value of the Warrants of \$1,902,000 has been deferred.

These costs are incremental to basic administrative costs and they will be recoverable through future cash flows from the Fabie Bay and Magusi orebodies. Amortization of these costs will begin once the mine achieves commercial production and it is estimated at this time that they will be written off over six years.

6. Mineral Interests

	June 30, 2007	December 31, 2006
Property acquisition costs	\$ 1,024,361	\$ 1,005,083
Deferred development and exploration expenditures	3,862,886	1,063,593
Infrastructure, plant and equipment	<u>12,385,432</u>	<u>5,795,707</u>
	<u>\$ 17,272,679</u>	<u>\$ 7,864,383</u>

The Company commenced operations on March 10, 2006 with the execution of a letter of intent to acquire from Globex Mining Enterprise Inc. ("Globex") a 100% interest in the following mining claims. On April 26, 2006, the Company acquired the Fabie Bay, Magusi River and Duprat Mining claims and certain neighbouring additional claims from Globex for cash consideration of \$1,000,000 and the additional consideration as described below.

To date, \$750,000 has been paid and the remaining \$250,000 is due within 30 days of attaining commercial production at any one of the mining claims. The balance is non interest bearing and unsecured. Management expects to achieve production at Fabie Bay by the end of 2007. The claims are located in Hébécourt, Montbray and Duprat townships in the Abitibi Greenstone Belt Region near Rouyn-Noranda, Quebec, Canada.

The Fabie Bay project contains a body of copper ore previously mined in the late 1970's until low metal prices resulted in the shut down of mining operations. The Magusi River project contains a previously unexploited body of zinc and copper ore. No significant exploration activities have been carried out on the Duprat project. A technical report with respect to each of the Fabie Bay and Magusi River projects conforming to the requirements of National Instrument 43 101 has been completed and is summarized in the Company's preliminary prospectus filed on September 1, 2006 in conjunction with the Company's Initial Public Offering ("IPO") and in its Annual Information Form filed March 31, 2007.

Pursuant to the terms of the purchase agreement, Globex is also entitled to acquire, for no additional consideration, 10% of the issued and outstanding common shares of the Company on the date on

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June 30, 2007

which commercial production is first achieved at any of the mining claims. Following achievement of commercial production at any of the mining claims, Globex is also entitled to receive 2% net metal return on any minerals, metals or concentrates extracted and derived from the ore mined from such mining claims. Following recoupment of \$10,000,000 in net project capital, Globex is entitled to receive 10% net profit interest on any earnings from the mining claims.

7. Obligations Under Capital Leases

The Company has entered into various equipment leases which transfers substantially all of the benefits and risks of ownership from the lessor and as a result, the assets and obligations have been recorded in the financial statements. A summary of the various leases is outlined below:

a. Lease agreement due in November 2008, bearing an interest rate of 8.1% with monthly payments including principal and interest of \$ 1,586 with a residual of \$6,900 due at the end of the lease term. - Caterpillar Generator	\$ 30,129
b. Lease agreement due on December 31, 2009, bearing an interest rate of 8.9% with monthly payments including principal and interest of \$ 15,813 with a residual of \$115,738 due at the end of the lease term. - Cubex Drill	527,727
c. Lease agreement due in September 2008, bearing an interest rate of 7.45% with monthly payments including principal and interest of \$ 14,854 - Service Vehicle	212,125
d. Lease agreement due on September 2008, bearing an interest rate of 7.45% with monthly payments including principal and interest of \$ 53,770 - Toro Scooptram	767,858
e. Lease agreement due on December 2008, bearing an interest rate of 7.45% with monthly payments including principal and interest of \$53,770 - Toro Scooptram	913,059
f. Lease agreement due on December 2008, bearing an interest rate of 7.45% with monthly payments including principal and interest of \$48,188 - 50 Ton Truck	818,275
g. Lease agreement due on February 2009, bearing an interest rate of 10.75% with monthly payments including principal and interest of \$3,285 – Compressor Equipment and accessories	65,325
	3,334,498
Less: current portion	2,109,244
Long-term portion	\$ 1,225,254

Future aggregate minimum payments are due as follows:

2007	\$ 1,034,619
2008	1,987,423
2009	182,722
2010	<u>129,734</u>

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Notes to Financial Statements

June 30, 2007

\$ 3,334,498

8. Senior Secured Notes

Senior Secured Notes	Annual interest rate	Principal	Earliest Callable Date	Maturity Date
Initial series (Tranches A, B, C)	14%	\$20,000,000	May, 4, 2009	July 30, 2012

On May 4, 2007, First Metals Inc. issued \$20,000,000 in Senior Secured Notes with interest payable at 14%. Each \$1,000 Note, which has a term of five (5) years and one (1) day, was offered at a purchase price of 98% of the principal amount thereof and is callable by the Company at any time following 24 months from the closing.

In addition, for each \$1,000 in principal amount of Notes acquired, the purchasers also received, for no additional consideration, a share purchase warrant to acquire a total of one hundred common shares of the Company at an exercise price of \$1.35 per share expiring five (5) years and one (1) day from the date the Escrow Release Conditions were achieved on July 30, 2007. A total of 2 million share purchase warrants have been issued.

Escrowed Proceeds

In accordance with the Escrow Agreement, at June 30, 2007, \$15.0 M of proceeds remained in Escrow subject to the company executing a Custom Milling Agreement with Xstrata Copper Canada Limited, a division of Falconbridge Limited for the custom milling of the Fabie Bay ore, and attainment of a Bail Minier (Mining License) to put the Fabie Bay orebody into production.

On, June 4, 2007, a definitive agreement was signed with Xstrata Copper Canada Limited. The Bail Minier was signed on July 16, 2007 and the Escrow Release Conditions were fully satisfied and the release from Escrow took place on July 30, 2007 which sets both the Warrant expiry and Senior Secured Note Maturity dates.

The Senior Secured Notes contain certain financial maintenance covenants. A debenture has been granted to the Note Holders granting fixed and floating charged security over the assets of the Corporation to them to secure repayment of the indebtedness. Interest is paid quarterly.

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9. Share Capital

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

Issued and outstanding common shares	June 30, 2007		December 31, 2006	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	30,836,705	\$8,549,252	100	\$100
1 for 120,000 stock split	-	-	11,999,900	-
Issued pursuant to private placement	-	-	4,000,000	600,000
Issued pursuant to private placement	-	-	5,000,000	2,500,000
Issued pursuant to the IPO	-	-	9,832,555	10,200,000
Issued in connection with exercise of warrants (see (a) below)	1,894,833	1,069,125	4,150	3,113
Value of warrants	-	184,438	-	(1,732,091)
Issued pursuant to exercise of share options (Broker & Consultants)	638,129	638,129	-	-
Share issue costs	-	-	-	(1,624,989)
Expenses renounced through the issuance of flow-through shares	-	-	-	(1,396,881)
Balance, end of the period	33,369,667	\$10,440,944	30,836,705	\$8,549,252

(a) During the period, 883,333 shares from the exercise of Class A Special Warrants were issued at \$0.30 (proceeds - \$265,000); 920,500 shares from the exercise of Class B Special Warrants were issued at \$0.75 (proceeds - \$690,375) and 91,000 shares from the exercise of IPO Warrants were issued at \$1.25 (proceeds - \$113,750). These transactions resulted in the issuance of 1,894,833 shares for proceeds of \$1,069,125 and a corresponding increase in share capital of \$1,069,125.

Stock Options

The following table shows stock options granted, exercised, forfeited and expired during the periods.

	June 30, 2007		December 31, 2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	3,468,678	\$ 1.00		
Granted	542,500	\$ 1.45	3,468,678	\$ 1.00
Exercised	(638,129)	\$ 1.00	-	-
Forfeited	(50,000)	\$ 1.00	-	-
Expired	-	-	-	-
Balance, end of period	3,323,049	\$ 1.07	3,468,678	\$ 1.00

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9. Share Capital - Continued

On June 14, 2007, an officer of the company was granted 140,000 stock options exercisable at \$1.50 per share for a period of three years and on June 27th, 2007, a further 132,500 stock options were granted to another officer at the same price for a period of five years. Stock options totaling 50,000 were forfeited as a result of the termination of consulting services provided to the Company prior to the completion of the vesting period.

The fair value of options was estimated using the Black - Scholes pricing model with the following assumptions: weighted average estimated life of 3 years (2006 - 2.47), risk-free interest rate of 4.5% (2006 - 4.5%), expected volatility of 87% (2006 - 87%) and no expected dividends.

As at June 30, 2007, the weighted - average remaining contractual life of outstanding options was approximately 1.9 years and a total of 2,050,549 options were exercisable at a weighted average exercise price of \$1.04.

Weighted average number of shares outstanding

The reconciliation of the number of share used in the basic and diluted loss per share calculations is as follows.

	Three months ended June 30		Six months ended June 30,	
	2007	2006	2007	2006
Shares outstanding for entire period	30,836,705	12,000,000	30,836,705	12,000,000
Weighted average impact of				
Shares issued under 1st & 2nd Financings		4,945,056		2,486,187
1st Financing warrants exercised	278,526	-	154,259	
2nd Financing warrants exercised	212,297		106,735	
IPO Warrantes exercised	31,890		16,033	
Options exercised	32,514		16,073	
Weighted average number of shares for earnings (loss) per share calculations	31,391,932	16,945,056	31,129,805	14,486,187

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Warrants

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

	June 30, 2007			December 31, 2006		
	Number of warrants	Weighted average exercise price	Fair value	Number of warrants	Weighted average exercise price	Fair value
Balance, beginning of period	7,574,900	\$ 0.83	\$ 1,732,091			\$ -
Granted	2,000,000	\$ 1.35	1,902,000	7,579,050	\$ 0.83	1,732,623
Exercised	(1,894,833)	\$ 0.56	(184,438)	(4,150)	\$ 0.75	(532)
Balance, end of period	7,680,067	\$ 1.04	\$3,449,653	7,574,900	\$ 0.83	\$1,732,091

During the second quarter of 2007, 2 million share purchase warrants were granted in connection with the issue of Senior Secured Notes as outlined in note 8. The fair value of these warrants was estimated using the Black - Scholes pricing model with the following assumptions: estimated life of 5 years (2006 - 1.5 years for Special Warrants and 2 years for IPO warrants), risk-free interest rate of 4.5% (2006 - 4.5% for Special Warrants and 4.1% for IPO Warrants), expected volatility of 87% (2006 - 77%) and no expected dividends.

At June 30, 2007, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
1,116,667	\$ 0.30	October 19, 2007
1,575,350	\$ 0.75	November 10, 2007
2,988,050	\$ 1.25	September 1, 2008
2,000,000	\$ 1.35	July 17, 2012
7,680,067		

Contributed Surplus

For the six month period ended June 30, 2007, stock-based compensation expense of \$125,293 was recorded in the statement of operations (in respect of options being expensed over their vesting period netted for forfeitures) and the corresponding credit was reflected in contributed surplus. As a result, the contributed surplus increased from \$1,189,421 at December 31, 2006 to \$1,314,714 at June 30, 2007.

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Additional Share Commitments

As an element of the purchase price to be paid to Globex, at the attainment of Commercial Production a number of shares equal to 10% of the then issued and outstanding number of shares will be issued to Globex for no additional consideration. Based on the June 30th financial statements, Globex would be entitled to 3,336,967 shares. Accordingly, the actual number of shares when issued will be at least equal to this number of shares.

10. Related Party Transactions

- a) The Company entered into five management service agreements and a financial advisory service agreement, each with either a shareholder or a company controlled by a shareholder. All of the shareholders are also directors and or senior management of the Company. Under the terms of the management service agreements, the shareholder or the company controlled by a shareholder is entitled to monthly fees ranging from \$3,600 to \$11,600 per month, including car and home office allowance.

A total of \$207,900 (2006 - \$87,100) was paid during the period ended June 30, 2007 in connection with these agreements.

- b) On May 3, 2007, a shareholder who is also an Officer, Director and Promoter of the Company who had loaned the Company \$30,000 on an unsecured basis and completely free of interest or other consideration, was repaid in full without interest or other consideration.

These transactions are measured at the exchange amount, which approximates the fair value as agreed between management and the related parties, except to the extent that the Related parties may have willingly given value greater than received in order to benefit the Company.

11. Commitments and Contingencies

- a) The Company entered into five management service agreements, each with either a shareholder or a company controlled by a shareholder. All such shareholders are also directors and or senior management of the Company. The agreements are effective up to and including June 30, 2008 and result in a minimum commitment of \$415,800 per year.
- b) The Company and one of its shareholders entered into a financial advisory service agreement for which the Company has a commitment of \$60,000 per year. Pursuant to the terms of the agreement, it has no expiry date, but may be terminated by either party upon 60 days written notice.

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- c) The Company has entered into a lease of office premises calling for monthly rental of \$6,570.00 (subject to change for certain out of pocket cost elements) commencing May 1, 2006 and expiring July 31, 2008. During the quarter, the term of the lease was extended for a further year. Future minimum annual payments (exclusive of taxes, insurance and maintenance costs) under these leases are as follow:

2007 (6 months)	\$ 39,420
2008	78,490
2009	<u>45,500</u>
	\$ <u>163,410</u>

- d) The Company is committed to equipment lease obligations, with various expiry dates up to December 2010. Future minimum annual payments (exclusive of taxes, insurance, maintenance costs and residual values) under these leases are as follow:

2007 (6 months)	\$ 435,948
2008	311,030
2009	264,815
2010	<u>236,362</u>
	\$ <u>1,248,155</u>

- e) The Company has expenditure commitments at June 30 2007 of approximately \$540,000 representing work to be undertaken in relation to a 7,000 meter drill program. The program commenced in April 2007 and it is expected to be completed prior to the year-end.

12. Subsequent Events

On July 16, 2007, the Ministry of Natural Resources and Wildlife of the Province of Quebec issued a surface and underground mining license to the Company. The 20 year mining license applies to an area covering 11.467 hectares which encompasses the Fabie Copper Deposit near Rouyn-Noranda Quebec.

The receipt of the mining license satisfies the condition precedent to the release from escrow of the funds generated through the issuing of Senior Secured Notes as described in note 8.

On July 30, 2007, \$15.0 M. of Escrowed funds were released as a result of the completion of various conditions as required under the Escrow agreement and a further \$5.5 M. was placed in escrow to cover the mill refurbishment costs pursuant to the Xstrata Custom Milling Agreement. The Corporation received \$9.5 M.