

First Metals Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The MD&A is written as of November 10, 2008 and should be read in conjunction with the Corporation's interim unaudited financial statements for the nine months ended September 30, 2008 and related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles. In addition, the following should be read in conjunction with the 2007 audited financial statements, the related Management's Discussion and Analysis and the 2007 Annual Information Form, as well as other information relating to the Corporation all of which is available on the Corporation's website (www.firstmetalsinc.com) and filed on the SEDAR website (www.sedar.com).

STRATEGY AND RISK MANAGEMENT

First Metals Inc. (the "Corporation") was founded in February 2006 with a view towards taking advantage of the then prevailing metal prices and anticipated further improvements. In order to achieve this objective, the Fabie Bay, Magusi River and the Duprat properties were acquired from Globex Mining Enterprises Inc. ("Globex"). A small executive team was created to quickly raise private equity funds, undertake its Initial Public Offering, and issue Senior Secured Notes. In addition, a Mining Team was assembled and in late fall 2006 they developed the operational plans needed to put Fabie Bay into production. Fabie began its initial production in November 2007 during a favourable price environment.

As Fabie was developed, Management anticipated utilizing excess cash flow from Fabie to develop Magusi, as metal prices had, indeed, continued to improve and Fabie's cash flow was projected to be more than sufficient for this purpose.

The suddenness and depth of the recent metals price reversal has caught almost all industry participants and observers by surprise. The Corporation also recognized the impact of the evaporation of liquidity.

In order to mitigate these risks, the Corporation has put the Magusi development project on hold with virtually no maintenance costs and in a manner which will allow for an immediate resumption when circumstances allow. In addition, Management has undertaken to implement cost cutting measures and optimize the Fabie operations with a view towards achieving a positive cash flow operation at current prices.

Management is unable to forecast the future course of metals prices, but is committed to a policy of closely monitoring of developments together with open and honest communications with all of its stakeholders.

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GOING CONCERN

The unaudited interim financial statements of the Corporation for the three and nine months ended September 30, 2008 and 2007 were prepared in accordance with GAAP applicable to a going concern which assumes that the Corporation will realize its assets, discharge its liabilities and meet its future obligations in the normal course of business. Accordingly, the unaudited interim financial statements for the three and nine months ended September 30, 2008 and 2007 do not include any adjustments to the recoverability and reclassification of recorded assets, or the amounts or classification of liabilities, that might be necessary should the Corporation be unable to continue as a going concern. These adjustments could be material.

While the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2008 and 2007 were prepared on the basis of accounting principles applicable to a going concern, certain market conditions, including falling metal prices, financing limitations and higher operating costs, challenge this assumption. For the three month period ended September 30, 2008 the Corporation incurred a loss of \$5,467,314; however, it generated net cash flow from operating activities of \$6,143,168. The Corporation had working capital of \$4,941,799 at September 30, 2008. In October, copper prices though seriously reduced from earlier levels, continued to be at levels that would generate a positive but very substantially reduced cash flow from operations.

The Corporation's ability to continue its operations in the normal course of business is dependent upon its ability to achieve and sustain profitable operations. The Corporation is in the process of optimizing its existing operations.

HIGHLIGHTS

- Since July 1, 2008 Copper prices have fallen from U.S. \$3.95 per pound to U.S. \$1.81 per pound at the end of October. The 54% decline in the price of Copper has dramatically reduced the value of the current quarter's net metal revenues to \$10,696,956 as compared to \$16,705,830 as reported in the previous quarter. A further discussion of the changes in Copper prices is outlined on pages nineteen and twenty of this MD&A.
- On October 24, 2008 in light of the dramatic fall in Copper and Zinc prices, the Corporation announced that the Magusi VMS polymetallic Deposit was placed on hold in an effort to preserve cash, pending a recovery of Copper and Zinc prices. The Corporation believes that the development activities could be restarted in short order should the project risks be addressed, including appropriate financing and securing ore processing and treatment arrangements and metal prices recover.
- In order to be able to continue to meet its obligations to suppliers and noteholders and in an effort to re-establish profitability, the Corporation has implemented measures to maximize the cash flow from the Fabie operations by rationalizing manpower in implementing operational efficiencies.

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- For the three months ended September 30, 2008, the Corporation reported a net loss of \$5,467,314 (\$0.13 loss per share) based on shipments of 5,035,639 lbs of Copper, 87 ounces of Gold and 3,900 ounces of Silver. On a year to date basis, for the nine months ended September 30, 2008, the Corporation incurred a loss \$176,903 (\$0.00 loss per share) based on the sale of 11,715,593 lbs of Copper and 204 ounces of Gold and 12,158 ounces of Silver.
- Despite the loss in the three month period ended September 30, 2008, the Corporation generated \$6,143,168 from operating activities (September 30, 2007 \$3,927,849) after reflecting the impact of depreciation, amortization and changes in working capital.
- This impact on a quarter's financial results from the re-pricing of two months of production of the previous quarter is and will be a continuing occurrence owing to the final pricing of production taking place 90 days after production. Thus, at the time of producing and finalizing for each quarter, two months of production are still subject to adjustments to final pricing.
- Since shipments of ore started, the Corporation has produced 15,507,050 pounds of payable Copper which, when combined with 280 ounces of Gold and 15,361 ounces of payable Silver, has resulted in estimated gross metal values of U.S. \$48,079,380. Operational interruptions at the Horne mill continued to be disappointing through September 30, 2008. Such reductions in mill throughput have a very significant impact on financial results.

CORPORATE OVERVIEW AND OVERALL PERFORMANCE

The Corporation was incorporated on February 23, 2006 with the mission of rapidly becoming a profitable producer of base metals and associated products. It currently has three projects at various stages of advancement. During the nine-month period under review, the Fabie Bay project achieved Commercial Production on March 1, 2008.

During the Quarter ended September 30, 2008, the Fabie Mine continued to operate without lost time injuries. An additional 68,245 tonnes grading 2.87% Cu was identified and added as an indicated resource at the mine. Management is honoured to have been advised that the Fabie mine has been recognized as the Development of the Year by the Quebec Mineral Exploration Association.

Mining of the upper levels took place from the 90m level. In the Third Quarter, Xstrata Copper Canada Limited ("Xstrata") processed a total of 113,300 tonnes at an average grade of 2.47% Cu, as compared to 105,552 tonnes at an average grade of 2.53% Cu in the previous Quarter. The lower grade was in large part due to a higher level of dilution caused by the blasting of the crown pillar in August. Production grades since mid-October have increased and are now at the historical average of 2.73% Cu.

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Subsequent to the end of the Quarter, for the first time since the mill start up, all 10 primary, secondary, tertiary and regrind mills have been operating simultaneously. This should result in improved mill performance going forward.

SUMMARIZED FINANCIAL RESULTS

	2008			2007				2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Production								
Tonnes Blasted	175,333	111,967	83,318	69,423				
Tonnes Processed	113,301	105,552	92,236	27,387				
Payable Copper (000's lbs) ^{Note 3}	5,036	4,683	4,450	1,338	-	-	-	-
Gold (ozs) ^{Note 3}	87	72	93	29	-	-	-	-
Silver (ozs) ^{Note 3}	3,900	5,303	5,541	617	-	-	-	-
Estimated Value of Metal Shipments U.S. (000's)	\$ 9,974	\$ 16,338	\$ 17,170	\$ 5,139	-	-	-	-
Estimated realizable copper prices, net of royalty, treatment & refining charges (Cdn \$ /lb)	1.74	3.57	\$ 3.40	\$ 3.29	-	-	-	-
Royalty, treatment & refining charges (Cdn \$/lb)	0.38	0.47	\$ 0.56	\$ 0.48				
Total cash cost (Cdn \$/lb) ^{Note 1}	2.18	2.53	\$ 2.04	\$ 1.75	-	-	-	-
Net revenues from metal sales (000's) ^{Note 2}	\$ 6,517	\$ 16,706	\$ 6,772	-	-	-	-	-
Other revenues (000's)	(76)	61	104	\$ 60	\$ 64	\$ 11	\$ 14	\$ 53
	<u>6,440</u>	<u>16,767</u>	<u>6,876</u>	<u>60</u>	<u>64</u>	<u>11</u>	<u>14</u>	<u>53</u>
Net earnings (loss) (000's)	\$ (5,467)	\$ 3,516	\$ 1,775	\$ (968)	\$ (687)	\$ (739)	\$ (592)	\$ (1,383)
Earnings per share								
Basic	\$ (0.13)	\$ 0.08	\$ 0.05	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.05)
Diluted	\$ (0.13)	\$ 0.08	\$ 0.05	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.05)
Net cash provided by (used in) operating activities (000 \$)	6,499	3,545	954	(7,942)	3,928	(152)	495	(1,594)
Total assets (000's)	\$ 57,677	\$ 65,573	\$ 55,165	\$ 49,139	\$ 40,382	\$ 34,807	\$ 13,882	\$ 12,681
Total liabilities (000's)	\$ 38,582	\$ 41,146	\$ 38,883	\$ 34,790	\$ 28,597	\$ 22,581	\$ 4,800	\$ 3,078
Shareholder's equity (000's)	\$ 19,095	\$ 24,427	\$ 16,281	\$ 14,349	\$ 11,785	\$ 12,225	\$ 9,083	\$ 9,604

Notes

1. Refer to discussion of non-GAAP measures
2. Q1 represents the month of March only. During the pre-operating period revenues have been offset against the Mine Development Costs
3. Q2, Q1 adjusted for final weights and assays

Shipments of Ore from Fabie Bay began in November 2007 and Commercial Production was achieved on March 1, 2008. As a result, the revenues and net earnings during the periods Q2 - 2006 through Q4 - 2007 represent the results of operation for a development stage organization. They are impacted by the level of mine development in the period.

The results for Q1 - 2008 reflect the pre-operating activities until March 1, 2008, at which time the Corporation determined that commercial production had been achieved as it had achieved 60% of the design capacity over a thirty day period.

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NON-GAAP MEASURES – TOTAL CASH COSTS PER POUND OF COPPER CALCULATION

First Metals has included in this document, certain non-GAAP performance measures, including total cash costs of copper on a produced/sold basis which is consistent with the sales contract with Xstrata Copper Canada Limited. These non-GAAP measures do not have any standardized meaning prescribed by GAAP, nor are they necessarily comparable with similar measures presented by other companies. Cash costs are presented as they represent an industry standard method of comparing certain costs on a per unit basis. The Corporation believes that certain investors use this information to evaluate the Corporation's performance. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The Corporation recognizes that there are limitations within these numbers due to the assumptions inherent in estimating copper production and its pricing which can take up to three months to finalize.

During the third quarter, average throughput of the mill averaged 1,208 tonnes per day (tpd). Recently a number of remedial and preventive maintenance initiatives have been implemented to achieve the average design capacity of the mill of 1,500 tpd. The milling costs are essentially fixed costs and therefore impact the total cash costs per pound as well as the net earnings in a very significant way.

During the three months ended September 30, 2008, the Corporation's total cash operating costs (exclusive of financing costs and income and capital taxes) were Cdn. \$2.18 /lb. which compares with the year-to-date average for the nine month period of Cdn. \$2.29 /lb.

In addition to focusing on the milling throughput, as a result of the dramatic reduction in Copper prices, Management has implemented a number initiatives which are designed to reduce the Cash Operating Costs per pound to a range between Cdn. \$1.70 and Cdn \$1.90.

RESULTS OF OPERATIONS AND OPERATIONAL REVIEW- THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

During the three month period ended September 30, 2008, approximately 113,301 dry metric tonnes, (1,232 tpd) with an average head grade of 2.47% copper were processed. Copper recovery in the quarter averaged 90.51% and the concentrate grade averaged 19.2% copper.

During the first two months of 2008, the Corporation was in the pre-operating stage, until commercial production was achieved effective March 1, 2008. Net revenues were capitalized and offset against mine development costs. On a year to date basis during the nine month period ended September 30, 2008, approximately 311,089 dry metric tonnes (approximately 1,135 tonnes per day), with an average head grade of 2.54% copper were processed. Copper recovery during the nine months averaged 90.65% and the concentrate grade averaged 19.7% copper.

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Revenues by Metal

	Three Months ended September		Nine Months ended September	
	2008	2007	2008 ^(Note 1)	2007
Copper	\$ 10,557,152	-	\$ 34,567,988	-
Gold	67,008	-	182,320	-
Silver	72,796	-	196,434	-
	10,696,956	-	34,946,742	-
Final pricing adjustments ^(Note 2)	(2,270,322)	-	-	-
Treatment, refining charges	(1,794,829)	-	(4,275,065)	-
Net metal royalty	(115,268)	-	(677,669)	-
Net revenue	\$ 6,516,537	-	\$ 29,994,008	-

Notes:

1. Nine months ended September 2008 represents only seven months of operations as Commercial Production was declared on March 1, 2008.
2. Final pricing adjustments represent the impact of the final settlement of March, April, May and June production which were settled during the quarter representing final weights, assays and pricing based on the contract terms (London Metal Exchange (LME) Average price in the third month following the production month).

Sales by Payable Metal

	Three Months ended September		Nine Months ended September	
	2008	2007	2008	2007
Copper (lbs)	5,035,639	-	11,715,592	-
Gold (ounces)	87	-	204	-
Silver (ounces)	3,900	-	12,158	-

Sales by Payable Metal Deferred during Pre-Operating Period

	Three Months ended September		Nine Months ended September	
	2008	2007	2008	2007
Copper (lbs)	-	-	2,453,316	-
Gold (ounces)	-	-	48	-
Silver (ounces)	-	-	2,586	-

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Average Metal Prices & Foreign exchange rates

	Three Months ended September		Nine Months ended September	
	2008	2007	2008	2007
Copper (US\$/lbs)	1.95	-	3.04	-
Gold (US\$/ounces)	837.38	-	867.51	-
Silver (US\$/ounces)	14.14	-	15.84	-
US\$/CDN\$ exchange rate	1.042		1.028	

Note:

The average metal prices are reported in U.S. dollars and the average includes the production during the pre-operating period.

Net Revenues

Treatment and refining charges represent contractual payments made to Xstrata for smelting and refining the concentrate which is sold to Xstrata under contract.

Net royalty expenses represent net metal return payments to Globex based on 2% of the estimated metal content of the ore which is extracted from the Fabie Bay property.

Operating Costs

During the three month period ended September 30, 2008, the total operating costs increased from nil in 2007 to \$12,061,414 as there was no commercial production during the earlier comparative period. For the same reason, the total operating costs for the nine month period in 2008 were \$28,946,508 compared to nil in the previous year.

Mining and development costs represent the ongoing mining and development costs at the Fabie Bay property following the achievement of commercial production on March 1, 2008.

The milling and ore transportation costs represent the third party payments to an outside contractor which transports the Fabie Ore to a storage facility at Xstrata's Horne milling facilities. There were no comparable costs in the third quarter of 2007 as the Corporation was in the pre-operating stage. Under the milling arrangement with Xstrata, the Corporation pays for the operating costs plus a profit margin. A significant portion of the costs are fixed and as a result of maintenance shutdowns, during the first nine months, the costs were higher than expected on a per unit basis. Since there was no production in 2007, no comparable costs were incurred.

Under the Corporation's accounting policy, no amortization is recorded until the assets are substantially complete and ready for use. Amortization, based on the estimated useful lives of the assets is provided on a straight-line basis for furniture and fixtures, computer and telecommunication equipment; mining equipment under capital leases, mining infrastructure and mill refurbishment costs are being amortized on a unit of production basis. During the pre-operating period, depreciation and amortization was capitalized. Since there was no production in the comparable period in 2007, no depreciation and amortization was recorded in the comparable period.

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Other Expenses

During the three month period ended September 30, 2008, other expenses increased from \$725,460 in the comparable period in 2007 to \$1,527,472 mainly as a result of treating the interest expense as a period cost whereas it had been capitalized during the development and pre-operating period.

For the first nine months of 2008, other expenses increased from \$2,082,257 in the comparable period in 2007 to \$3,886,623 for the same reason.

Income and Mining Tax Recovery

In the third quarter of 2008, as a result of the loss in the quarter, the Corporation reversed the provision for taxes of \$1,675,590 which was set up in the second quarter and also reversed an over provision of \$5,494 for Part XII.6 taxes on flow-through expenditures. In the same period in 2007, the Corporation was in the development stage and therefore the provision of \$25,399 represented an estimate of Part XII.6 taxes on flow-through expenditures.

For the first nine months of 2008, the income and mining tax recovery of \$2,573,541 represents the benefit from recognizing prior years' loss carry forwards of \$2,488,936 along with the recovery of refundable exploration credits and a provision for Part XII.6 taxes on flow-through expenditures. In the previous year, the provision of \$25,399 related solely to Part XII.6 taxes on flow-through expenditures as the Corporation did not generate income from operations during the development stage. The recovery represents management's current estimate of taxable income for the year and its tax planning strategies which will result in the utilization of prior year loss carry forwards which were not previously recognized.

SUMMARY OF QUARTERLY FINANCIAL INFORMATION

All amounts are in Canadian Dollars and the Financial Statements are prepared in accordance with Canadian GAAP. The following table sets forth selected quarterly financial information for each of the last nine quarters.

Quarter ending	Revenue \$	Net earnings (loss) \$	Net earnings (loss) per share ^(Note a) \$
Sept 30, 2008	10,696,956	(5,467,314)	(0.13)
June 30, 2008	16,705,830	3,515,579	0.08
March 31, 2008	6,771,640	1,774,832	0.05
Dec. 31, 2007	60,356	(968,319)	(0.03)
Sept. 30, 2007	63,941	(686,918)	(0.02)
June 30, 2007	11,405	(739,347)	(0.02)
March 31, 2007	14,491	(591,554)	(0.02)
Dec. 31, 2006	53,160	(1,383,342)	(0.05)
Sept. 30, 2006	33,358	(352,127)	(0.02)

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Notes:

- a) Prior to March 31, 2008, the loss per share data is basic and diluted as the exercise of warrants and options would be anti-dilutive and therefore the loss per share is based on the weighted average number of shares outstanding during the period. In the quarter-end March 31, 2008, the basic and fully diluted shares were the same, as the exercise prices of the options and warrants were greater than the average of the stock price.
- b) In the quarter-ends ended June 30, 2008 and September 30, 2008, the basic and fully-diluted earnings per share produce the same results.

Since the Corporation was in the pre-operating stage prior to the achievement of commercial production on March 1, 2008, prior to that date the revenues represent only interest income earned on excess funds.

The net revenues from the shipments of materials during the fourth quarter of 2007 of \$3,993,060 and the net pre-operating revenues of \$2,132,650 in the first quarter of 2008 have been offset against the pre-production and Mine Development costs. During the nine months ended September 30, 2008, the Corporation received an additional \$1,376,581 as a result of final settlements for production during the pre-operating period. In total, net pre-operating revenues of \$7,502,291 have been received.

The increase in the loss in the quarter ended December 31, 2006 of \$1,383,342 compared to the loss of \$352,127 in the quarter ended September 30, 2006 was a result of increased professional fees and an increase in the stock-based compensation recognized in the quarter.

The increase in the loss in the quarter ended June 30, 2007 of \$739,347 compared to the loss of \$591,554 in the quarter ended March 31, 2007 was a result of increased administrative costs as staff joined the organization and an increase in the stock-based compensation applicable to the addition of officers and recognition of directors' contributions.

Purchase Cost of Mining Properties

On April 26, 2006, the Corporation acquired the Fabie Bay, Magusi River and Duprat mining claims and certain additional neighbouring claims from Globex for cash consideration of \$1,000,000 and additional commitments related to the issuance of shares for no additional consideration, which occurred on April 25, 2008, the future payment of a 2% net metal return once commercial production was achieved which has been paid monthly since April 2008 and the future payment of a 10% net profit interest on any earnings from the mining claims after the recoupment of \$10,000,000 in net project capital and deduction for costs such as development costs and working capital. Globex is entitled to receive 10% net profit interest on any earnings from the mining claims.

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

In this period, the Corporation completed the Initial Public Offering of the Corporation'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 Fabie Bay project into production. Equipment leases were negotiated, equipment was purchased and development expenditures were undertaken.

A Certificate of Authorization for the de-watering of the existing open pit and underground at Fabie Bay was obtained. Dewatering of the ramp to the 50 meter level was started. Active exploration of the Fabie Bay and Magusi River properties was undertaken.

Major developments during the three month period ended March 31, 2007

In this period, the Corporation concentrated on developing surface infrastructure, construction, including the electrical power line, surface electrical distribution, garage, crusher, ventilation and heating systems and site office buildings.

The dewatering of the open pit on the Fabie Bay property was completed, giving access to the underground mineralization. Underground dewatering continued to provide access via the ramp down to the 150 metre level.

A close pattern drilling program was implemented across the top of the deposit in the open pit in preparation for blasting and to estimate more precisely the resources of the Fabie Pit. More than 400 drill holes totalling 4,516 meters were drilled.

Major developments during the three month period ended June 30, 2007

The Corporation continued its development activities on Fabie Bay. Dewatering of the underground workings was substantially completed. Underground ventilation and electrical power distribution were re-established. Development, in preparation for underground mining, was initiated. Installation of the 31-km Hydro Quebec power line to Fabie, as well as the 5000 kVA on-site electrical power distribution station, were completed.

Results of the previous quarter's production drilling indicated that, in certain areas, the zone extended slightly beyond the previously assumed historical limits.

A 3,500-meter diamond drilling program designed to confirm historical information and better define the deposit at depth was undertaken. In addition, a 10,000-meter diamond drill program on the Magusi River property was initiated and an airborne geophysical survey was completed.

A custom milling, smelting, sales and mill refurbishment contract for Fabie ore production was completed with Xstrata. Refurbishment of the Horne mill was initiated.

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Key mining equipment was delivered and significant progress was made on the construction and installation of essential surface infrastructure including primary mine ventilation, compressed air plant, crushing, office/dry complex, drill core handling/storage, site security and a maintenance shop.

Key mining personnel were hired and focused on completing surface and underground pre-production activities.

Major developments during the three month period ended September 30, 2007

In this period, a 3,500-meter diamond drilling program on the Fabie Bay property, designed to confirm historical results and better define the deposit at depth, continued. In addition, a 10,000-meter diamond drill program on the Magusi River property continued. Core logging, assaying, data analysis and interpretation were on-going.

Refurbishment of Xstrata's Horne mill continued.

Additional production holes and the sinking cut were drilled in the open pit portion of the Fabie Bay copper deposit. These holes were intended to determine the exact deposit limits and to prepare the bench for blasting. Each of the additional production holes was sampled and, together with the holes drilled in the previous two quarter's, updated resource tonnage and grades were prepared using a 1% copper cut-off grade. The result was a measured mineral resource in the open pit of 99,800 tonnes at a diluted grade of 2.25% copper.

Surface infrastructure was completed during the quarter including the site office complex, security gatehouse and primary ventilation systems. The surface crusher was successfully tested and commissioned. All of the required mobile equipment units needed for underground development and production were acquired.

In addition, construction of the warehouse facility, installation of the mine air heating and primary compressor plants, as well as equipping of the maintenance garage were all initiated and scheduled for completion early in the fourth quarter. Upgrading of the site access road to semi-trailer haulage standards commenced and was completed in the following quarter. Construction of the 'Megadome' ore storage and transfer facility, located near the entrance of the Xstrata Horne mill and smelter complex, was substantially completed.

The total workforce was increased to 60 to accommodate the increasing pace of underground pre-production development and stope preparation.

Major developments during the three-month period ended December 31, 2007

In this period, the 10,000-meter diamond drill program on the Magusi River property was completed. Core logging, assaying, data analysis and interpretation of this initial program were all on-going at the end of the quarter. Planning and design of a follow-up 20,000-meter diamond drilling program was completed and drilling was initiated in the first week of January 2008.

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All key site surface infrastructure was completed and operational as of the end of the quarter. Upgrading of the 31-km site access road to semi-trailer haulage standards was completed. Construction of the 'Megadome' was also completed.

Blasting of the open pit portion of the Fabie Bay copper deposit was initiated on November 1, 2007. A total of 33,154 tonnes of open pit and underground development material was transported to the 'Megadome' ore storage facility. Of this, 28,513 tonnes were transferred to Xstrata's Horne mill for processing during the fourth quarter.

Refurbishment of the Xstrata Horne mill circuit, dedicated to Fabie Bay was completed during the period. Circuit commissioning was initiated November 22, 2007 and, to the end of the year, a total of 27,522 tonnes were milled at an average head grade of 2.82% copper. Copper recovery for the period averaged 87.5%. Metallurgical results continued to improve as circuit dynamics were better understood. During the fourth quarter of 2007, 3,676 tonnes of copper concentrate were delivered and processed at the Xstrata Horne smelter based on final weights and assays; the production was 1,337,865 lbs of copper, 29 troy ounces of Gold and 619 troy ounces of Silver.

At that time, all of the personnel required for operations were in place. In spite of the current mining labour shortage, First Metals has been successful in attracting highly experienced and qualified individuals for all positions.

Major developments during the three month period ended March 31, 2008

Fabie Bay

On April 28, 2008, the Corporation announced that it achieved commercial production as of March 1, 2008 at the Fabie Bay Mine. During the month of March, 44,500 tonnes of copper ore, grading 2.56% Cu were mined and trucked from the Fabie Bay Mine near Rouyn-Noranda, Quebec.

Magusi Property

The Corporation announced on January 23, 2008 that it had made application to the Quebec Ministries of Sustainable Development, Environment and Parks and Natural Resources and Wildlife to extract a 50,000 tonne bulk sample from the Magusi River Project. The permit was issued to the Corporation on March 13, 2008.

Major developments during the three month period ended June 30, 2008

Fabie Bay

Details of the Fabie Bay Operation are outlined earlier in this MD&A.

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Magusi Property

During the quarter, the in-fill diamond drill program totalling approximately 20,000 metres from surface to the 350 metre level on a 20 by 20 metre pattern was completed. The program was designed to provide additional information on the structure of the Copper and Zinc lenses to allow for mine planning.

Golder & Associates were engaged to prepare a detailed crown pillar and rock mechanics study.

SGS/Lakefield were engaged to undertake metallurgical testing which will be used in the evaluation and planning.

Detailed planning, engineering and procurement activities related to the infrastructure needed to begin the ramp development were significantly advanced during the second quarter of 2008.

In addition, Scott Wilson Roscoe Postle Associates were engaged to prepare a preliminary scoping study which will include development requirements, mining methods, production/development schedules and capital/operating costs.

The Magusi Block Model was also being updated and the Corporation targeted to produce a Resource Calculation by the end of August 2008.

Major developments during the three month period ended September 30, 2008

Fabie Bay

Details of the Fabie Bay Operation are outlined earlier in this MD&A.

Magusi Property

Detailed planning, engineering, procurement, installation and construction activities related to the infrastructure needed to initiate ramp development were completed. The ramp was collared during the period and to the end of the quarter, 52 meters of advance were achieved. An additional 10 meters was completed (total 62 meters) in early October prior to the suspension of activities at Magusi as outlined earlier herein.

Golder & Associates completed the crown pillar and rock mechanics study and SGS-Lakefield substantially completed metallurgical testing designed to determine metal recovery expectations and metallurgical performance. Elemental analysis results obtained from SGS Lakefield were submitted to Xstrata Zinc for review to determine the acceptability of the quality of the material for processing. Preliminary negotiations of concentrate smelting terms were initiated.

The Magusi Block Model was updated and Scott Wilson Roscoe Postle Associates are preparing an updated National Instrument 43-101 compliant Resource Calculation. This report should be released shortly.

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The project has been placed on standby and ramp development infrastructure has been demobilized to the Fabie site. As at September 30th, \$6,071,174 has been invested in the Magusi project of which \$3,100,000 was funded by the flow-through share financing completed in December 2007. Other than maintaining the claims in good standing, there are no significant ongoing costs associated with the project while on standby. Activities related to improving project economics including the evaluation of mining methods and resolving project risks such as financing arrangements with a processing facility continue.

Once metal prices improve, the Magusi project could be re-started with minimal delay. In the view of the management, no impairment charge against the Magusi Development costs is appropriate.

FINANCING ACTIVITIES

On May 4, 2007, First Metals Inc. issued \$20,000,000 in Senior Secured Notes with interest payable at 14% (the "Notes"). Each \$1,000 Note, which has a term of 5 years and 1 day, was offered at a purchase price of 98% of the principal amount thereof and is callable by the Corporation at any time following 24 months from the closing. Interest is paid quarterly. The Notes contain fixed and floating charges over all of the Corporation's assets.

In addition, for each \$1,000 in principal amount of Notes issued, the purchasers received, for no additional consideration, share purchase warrants to acquire a total of one hundred common shares of the Corporation at an exercise price of \$1.35 per share expiring 5 years and 1 day from July 30, 2007, the date the Escrow Release Conditions were achieved. In aggregate, 2 million share purchase warrants were issued. A Collateral Agent has been appointed and a lien over all of the property and assets of the Corporation has been established.

The proceeds from the sale of the Notes have been used to complete underground development at the Fabie Bay Copper Mine near Rouyn-Noranda, Québec, refurbishment of the Horne Mill pursuant to the terms of the agreement between the Corporation and Xstrata as well as to meet general working capital needs.

The Notes restrict the indebtedness of the Corporation including Capital leases and guaranteed indebtedness based on outstanding amounts when the Notes were issued. These requirements are monitored on an ongoing basis and at September 30, 2008, the Corporation was in compliance.

LIQUIDITY

Working Capital

Working capital at September 30, 2008 was \$4,941,799 compared to \$1,679,850 at December 31, 2007, representing an increase of \$3,261,949.

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Current Assets

Total current assets increased by \$6,476,337 to \$22,436,000 as at September 30, 2008 compared with \$15,959,663 at December 31, 2007. The main components of the current asset change were:

- Cash and cash equivalents increased by \$3,271,060 reflecting cash generated from operating activities, expenditures on property, plant and equipment, as described in this section.
- Restricted Cash decreased by \$108,871 from \$6,086,871 at December 31, 2007 to \$5,978,000 at September 30, 2008. Xstrata has recently provided the Corporation with supporting documentation and as part of the review, Management concluded that interest on the funds on deposit would not accrue to the Corporation. These funds along with other funds will be used to discharge the accrued mill refurbishment costs. It is likely that the obligation will be settled during the fourth quarter.
- At September 30, 2008, the Corporation had amounts and settlements receivable from Xstrata of \$5,202,692 (December 31, 2007 - \$5,553,972) which represented a \$351,280 decrease. The metal settlements reflect management's best estimates of the metal content and the appropriate forward prices. The July production was valued based on the actual October LME average of U.S. \$2.23 per pound and the August and September productions were priced based on the two week and six week forwards at the time of finalizing this MD&A. which average U.S. \$1.80 per pound. The September 30, 2008 receivables represent the full value of the metal shipments for the months of August and September (including related taxes) as well as an estimated final repayment to Xstrata of a portion of the provisional payment for July production which was received on September 15, 2008. As a result of changes in the weights, assays and final pricing, the provisional payment exceeds the final payment by approximately \$1,228,000.
- Accounts receivable increased by \$263,401 from \$319,371 at December 31, 2007 to \$582,772 at September 30, 2008. The increase mainly relates to GST and PST recoverable on increased operating costs and development expenditures.
- Inventories increased by \$819,700 from \$269,462 at December 31, 2007 to \$1,089,162 mainly as a result of the purchasing of materials and supplies, some of which were earmarked for the Magusi development.
- Future income tax assets of \$2,488,936 represent loss carry forwards which will be utilized to eliminate taxes that would otherwise be payable because of taxable income after adding back depreciation, depletion and amortization.

Current Liabilities

Total current liabilities increased by \$3,214,388 to \$17,494,201 as at September 30, 2008 compared with \$14,279,813 at December 31, 2007. The main components of the current liabilities changes were:

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- Accounts payable and accrued liabilities increased by \$4,413,329 from \$4,088,638 at December 31, 2007 to \$8,501,967 at September. The increase is mainly a result of increased trade payables as a result of being in commercial production at Fabie Bay and also due to development expenditures on the Magusi River project whereas at December 31, 2007 commercial production had not yet been achieved. In addition, the GST and QST payable on metal settlements were significantly higher at September 30, 2008 than at December 31, 2007 because of the increased production.
- The current portion of Obligations under capital leases was reduced by \$948,941 from \$3,044,780 at December 31, 2007 to \$2,095,839 at September 30, 2008 as two major leases matured during the period. In addition to new leases for equipment totalling \$1,677,388 were executed during the quarter.

Net Cash Flow

During the third quarter of 2008, cash and cash equivalents increased by \$2,221,366 compared to an increase of \$4,329,891 in the corresponding period in 2007. During the three months ended September 30, 2008, net cash provided by operating activities was \$6,143,168 offset by investments in mineral interests and property, plant and equipment of \$4,385,211. In the comparative period the Corporation cash had increased from the receipt of proceeds of the Note financing.

On a year to date basis, for the first nine months of 2008, cash and cash equivalents increased by \$3,271,060 as a result of the achievement of commercial production as compared to an increase in cash and cash equivalents of \$2,140,782 which was a result of the funds from Senior Secured Notes offset by investments in mineral interest and Fabie Bay development activities in the first nine months of 2007.

Operating Activities

Cash generated from operating activities was \$6,143,168 for the quarter ended September 30, 2008 compared to \$3,927,849 in the comparable period ended September 30, 2007. The increase is mainly a result of the settlements received of \$11,332,267.

Cash generated from operating activities for the nine month period ended September 30, 2008 was \$9,641,964 compared to \$4,270,726 in the comparative period ended September 30, 2007. The increase is mainly a result of achieving commercial production during the period.

Financing Activities

During the third quarter of 2008, the Corporation increased its obligations under capital leases by \$1,677,388 as compared to \$1,498,538 in the comparable period in 2007.

During the nine month period ended September 30, 2008, the financing activities reflected \$55,000 from the exercise of stock options, the increase in obligations under capital leases of

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\$1,677,388, the \$250,000 final payment to Globex and payments of \$2,490,295 on capital lease obligations. In the comparable period in 2007, the Corporation raised \$16,090,340 from the Senior Secured Notes financing along with \$1,995,358 from the exercise of share options and warrants of \$1,705,145. During the comparable period in 2007 the Corporation increased its obligations under capital leases by \$4,216,112.

Investing Activities

During the third quarter of 2008, \$4,587,777 was invested in Mineral Interests and Property, Plant and Equipment compared to \$7,064,445 in the previous year.

On a year to date basis, \$5,316,856 has been invested in Mineral Interests and Equipment in 2008 as compared to \$20,553,991 in the first nine months of 2007 during the development phase for the Fabie Bay property.

Contractual Commitments

As at September 30, 2008, the Corporation had the following commitments:

	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>Greater than 3 years</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Capital leases	818,498	3,339,897	77,994	4,236,389
Drilling program	121,000			121,000
Milling processing deposit	675,000			675,000
Equipment operating leases	115,202	951,632		1,066,834
Magusi development	550,000	-		550,000
Office space	26,231	44,487		70,718
Mine closure reclamation	-	222,000		222,000
	<u>2,305,931</u>	<u>4,558,016</u>	<u>77,994</u>	<u>6,941,941</u>

CAPITAL RESOURCES

Senior Secured Notes

The completion of the \$20,000,000 Senior Secured Notes financing, referred to above was designed to meet the Corporation's financial requirements for completing the Fabie Bay project. Originally, the bulk of these restricted funds were held in escrow awaiting the completion of the two conditions for their release: (1) the receipt of the mining permit and (2) the definitive Custom Milling agreement with Xstrata. Subsequent to June 30, 2007, all of the conditions outlined above were satisfied and this escrow was released.

From the release, \$5.6M was placed in escrow to satisfy the Corporation's obligations for funding the mill refurbishment program at the Xstrata's Horne Mill and the remaining \$9.5M, net of fees and commissions, became available to the Corporation to complete the development program at the Fabie site. Prior to the release from escrow, the funds were already accounted for as cash of

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the Corporation, but with restrictions, as the cash was earmarked for the payment of the mill refurbishment.

The Corporation's cash and cash equivalents at September 30, 2008 were \$6,939,768 and an additional \$5,978,000 was held as restricted cash, in escrow to fund the refurbishment of the Horne Mill. This escrow has been committed to refurbishment work undertaken and is expected to be paid to Xstrata after true costs have been finalized, likely in 2008. Further details are provided in Note 4 to the interim financial statements.

Flow-through Financing

On December 21, 2007, the Corporation completed a flow-through financing consisting of 2,799,996 units priced at \$1.10/unit resulting in gross proceeds of \$3,080,000. A unit consisted of a flow-through share and a half warrant, with a whole warrant entitling the holder to purchase a common share at \$1.75 in the first year and \$2.00 in the subsequent year. The share issue costs totalled \$170,653. These funds have been used to fund the 20,000 meter drilling program which has now been completed at the Magusi Property.

Capital Resources

All of the major equipment required to produce from the Fabie Mine has been acquired.

Currently the Corporation does not have any loans or indebtedness beyond the Senior Secured Notes, Obligations under Capital Leases and normal trade payables. The Senior Secured Notes restrict the Corporation from incurring additional indebtedness without Noteholder approval. Under these arrangements, Liens and Capital Lease Obligations created after the closing date are limited to \$3,000,000 outstanding at any one time. Management monitors this restriction on an ongoing basis and is in compliance with the restriction.

RISKS AND UNCERTAINTIES

The Corporation's operations and results are subject to a number of risks at any given time. The Risks relating to the business conducted by the Corporation include (i) start-up and continued production at the Horne Mill, (ii) development and operating risks at the Fabie Bay Mine, (iii) exploration risks, (iv) environmental risks and hazards (v) uninsurable risks, (vi) market factors and volatility of commodity prices, (vii) exchange rate fluctuations, (viii) share price fluctuations and volatility, (ix) management influence and control, (x) loss of mining claims, (xi) ability to arrange additional financing if required and (xii) changes in regulatory requirements. .

Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. For a more complete discussion of these risks and others, reference should be made to the December 31, 2007 Management Discussion and Analysis and the IPO prospectus.

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Production of mineral resources also involves a high degree of risk. Working underground exposes workers to risks, particularly during development. Working with heavy equipment and explosives is also inherently risky.

Under the current contract with Xstrata, they have agreed to process all of the ore from the Fabie Bay deposit. At the present time, the Corporation is exploring options for processing the ore from the Magusi property including its Custom Milling by Xstrata. Production from Magusi is dependent upon securing a milling source.

The Corporation's Custom Milling agreement with Xstrata mitigates much of the environmental risk associated with tailings as the ownership of the facility generating the tailings, and thus the prime responsibility remains with Xstrata.

KEY ECONOMIC TRENDS

The financial performance of the Corporation will be directly affected by the activities conducted on the Fabie Bay and Magusi River projects in conjunction with their development for commercial production of copper, zinc, gold and silver.

The financial performance of the Corporation is closely linked to the prices obtained for the copper, zinc, gold and silver produced by the Corporation.

Copper Prices

Overview:

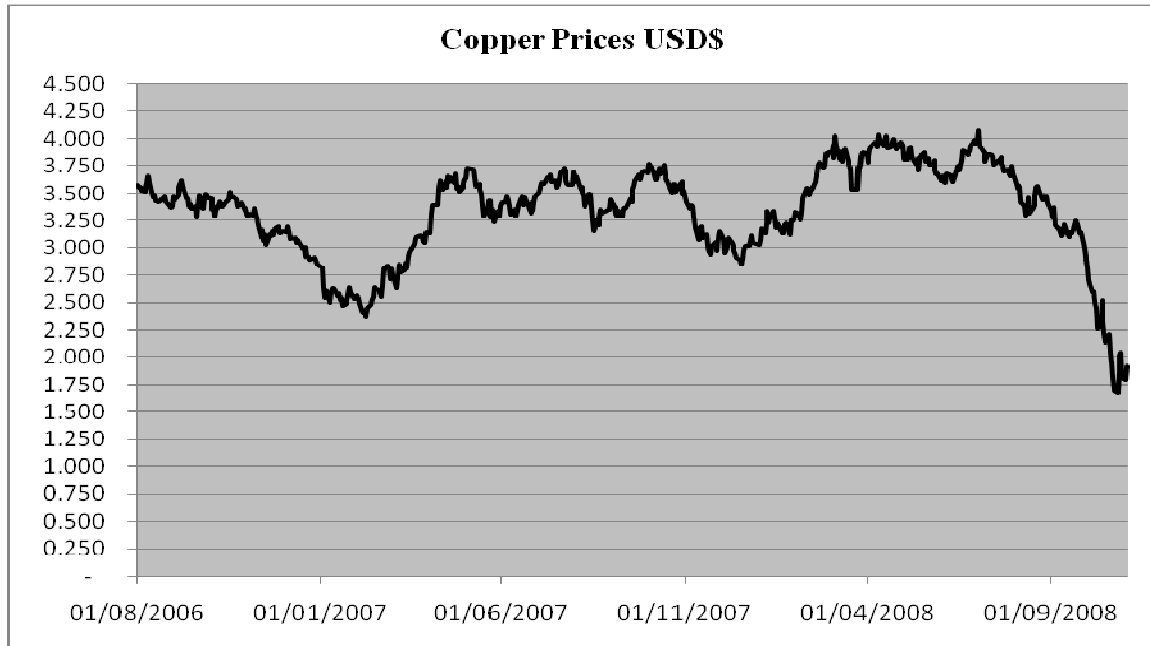
During the period displayed on the graph below, the Copper price was U.S. \$3.57 /lb in August 2006 which was the date when the Corporation issued its IPO. During 2007, the Copper prices traded in a range between U.S. \$2.37 /lb in February 2007 and U.S. \$3.76 in October 2007. During the first seven months of 2008, the Copper prices traded around an average of U.S. \$3.68.

During the three month period from July 1, 2008 through September 30, 2008, the Copper prices have fallen from U.S. \$3.95 per pound to U.S. \$2.91 at the end of the quarter. They continued to fall during October and ended the month at U.S. \$1.81 per pound. The 54% decline in the price of Copper has dramatically reduced the value of the current quarter's metal revenues.

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In recent weeks, in conjunction with an economic slowdown, there have been a number of production shutdowns which should bring a balance between supply and demand. However, there continue to be a wide range of price forecasts between U.S. \$1.50/lb and U.S. \$3.50/lb for 2009.



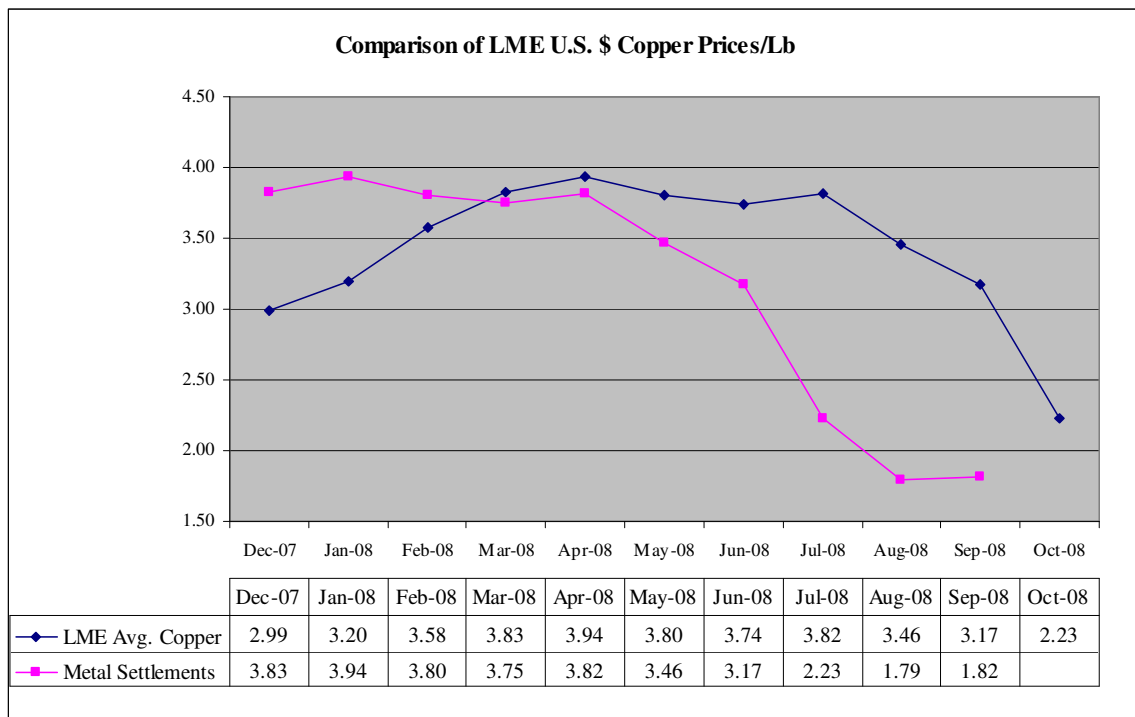
LME Average Prices and Valuation of Metal Settlements:

First Metals began shipping material in November 2007 and received a provisional payment for the November and December production on January 15, 2008. These provisional payments were based on an average copper price of U.S. \$2.98/lb. The final settlements are based on the average pricing during the third month following production. Accordingly, the final payment for November production was based on the average LME prices for February (U.S. \$3.57/lb) and correspondingly the December production was based on the average LME pricing for March 2008 (U.S. \$3.14/lb.).

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The chart below outlines the average LME Prices in US dollars per pound of Copper which have averaged U.S \$3.62 during the first nine months of 2008. In addition to the LME prices, the graph also displays the settlement prices which the Corporation has received as final settlements for the December 2007 through March 2008 shipments which are based on the average of the LME prices in the third month following production (average settlement pricing for nine month period U.S. \$3.04/lb.).



The net revenue which is received by the Corporation reflects smelting, refining, and treatment charges as well as a deduction for net metal royalties.

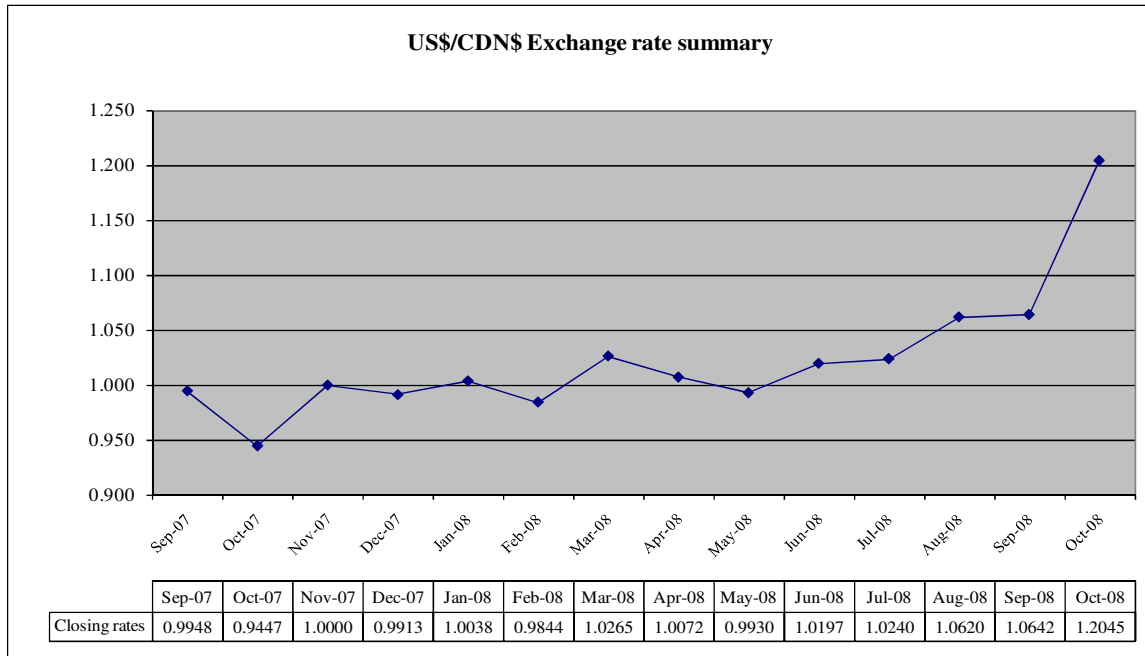
Despite the concerns regarding the demand for copper in the United States, management is aware that significant demand for copper currently exists in international markets.

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Exchange Rates

The Corporation reports its financial results in Canadian dollars. The majority of its costs are incurred in Canadian dollars, while its metal sales are completely realized in U.S. dollars.



For the first nine months of 2008, the Canadian dollar averaged C\$1.02/U.S.\$. During the third quarter the Canadian dollar averaged C\$1.05/U.S.\$. During the month of October the Canadian dollar has deteriorated rapidly compared to the U.S.\$.

As an initial policy direction, Management has adopted a policy of converting U.S. dollar receipts as received. It is exploring strategies to mitigate the impact on the operations of changes in both foreign exchange and commodity prices.

CHANGES IN ACCOUNTING POLICIES

Adoption of Accounting Changes

On January 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1400, Financial Statement Presentation. In accordance with the transitional provisions, prior periods have not been restated. The principal changes resulting from these new standards are described below:

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Section 1535, Capital disclosures, establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Corporation is required to disclose quantitative and qualitative information about its objectives, policies and procedures for managing capital.

Section 3031, Inventories, provides guidance on the determination of costs and the subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Section 3862, Financial instruments – disclosures, requires entities to disclose quantitative and qualitative information that enable users to evaluate (a) the significance of financial instruments for the Corporation's financial performance, and (b) the nature and extent of risks arising from financial instruments to which the Corporation is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks.

Section 3863, Financial Instruments – Presentation establishes the standards for the classification of financial instruments as liabilities or equity and the classification of related gains, income, and/or losses in the statement of operations. The adoption of these standards did not result in any changes to the Corporation's financial statements.

Section 1400, General Standards of Financial Statement Presentation was amended to include guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and taking into account all available information about the future, which is at least, but not limited to twelve months from the balance sheet date.

Critical accounting assumptions, policies and estimates

The preparation of the Corporation's unaudited interim financial statements requires management to make certain estimates that effect the amounts reported in the financial statements. Note 3 to the Financial Statements for the Year ended December 2007 summarized the significant accounting policies and also identified that certain accounting policies require management to make estimates or assumptions that in some cases are inherently uncertain. In preparing the current interim financial statements, management has used the same approaches and methods as were used for the Audited Financial Statements of the Corporation for the year ended December 31, 2007.

The critical accounting assumptions and estimates used in the preparation of these interim statements include the Corporation's assumption that it is a going concern, an estimate of recoverable value of its mineral properties, and the carrying value of the plant and equipment, as well as the value of its stock based compensation. Other items requiring estimates for the nine months ended September 30, 2008 are future metal prices, metal settlements and future income taxes. Changes in metal prices and operating assumptions are monitored on an ongoing basis. Changes in the accounting estimates in these items could have a material impact on the financial presentation of the Corporation.

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Future Adoption of Accounting Changes

The Corporation has begun to plan for the adoption of the International Financial and Reporting Standards (IFRS) which will be required in 2011. At this time, it is premature to outline, the impacts to the Corporation.

International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 and will be applicable to the Company commencing with its fiscal year beginning April 1, 2011. The transition date of April 1, 2011 for the Corporation will require the restatement for comparative purposes of amounts reported by the Corporation for the year ended March 31, 2011. While the Corporation has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

RELATED PARTY TRANSACTIONS

During the initial development stages, the Corporation entered into management service agreements and a financial advisory service agreement, each with a director or a company controlled by a director. The agreements were designed to provide the Corporation with; strategic direction, overall financing strategies, financial planning and reporting, operations planning, mine development strategies and investor relations and marketing strategies.

Under the terms of the management service agreements, the shareholder or the company controlled by a shareholder was entitled to monthly fees ranging from \$3,600 to \$11,600 per month, including car and home office allowance. The individual fees reflected the individual's level of service and did not exceed market comparable rates. All of these agreements expired in the second quarter of the current year. A total of \$185,000 (2007 - \$256,250) was paid in connection with these agreements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures (DCP)

First Metal's management, with the participation of its Chief Executive Officer and Chief Financial Officer has evaluated the design and effectiveness of the Corporation's disclosure controls and procedures as defined in the rules of the Canadian Securities Administrators as of September 30, 2008. Based on that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective as of September 30, 2008.

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Internal Controls Over Financial Reporting (ICFR)

The Corporation's management, with the participation of the Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal controls over financial reporting. Under the supervision of the Chief Financial Officer, the Corporation's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles ("GAAP"). The Corporation's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflects the transactions and dispositions of the assets of the Corporation;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of the Corporation's management and directors, and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the annual financial statements or interim financial statements.

The Corporation's management, including its Chief Executive Officer and Chief Financial Officer, believe that any disclosures and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls system are met. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected.

On an ongoing basis, the Corporation reviews the effectiveness of all aspects of the organization including the DCP's and ICFR. In the period under review, there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

The Corporation's management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Corporation's internal controls over financial reporting and management has concluded that the internal controls over financial reporting were effective as of September 30, 2008.

OUTSTANDING SHARE DATA

The Corporation's authorized share capital is an unlimited number of common shares without par value. As at September 30, 2008, there were 42,851,198 outstanding common shares and 3,508,636 stock options outstanding. The weighted-average remaining contractual life of

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outstanding options was approximately 1.45 years and a total of 2,909,886 options were exercisable at a weighted average exercise price of \$1.08

At September 30, 2008, the Corporation has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Description	Number of warrants	Exercise price (Average)	Expiry date
Issued with Senior Secured Notes	2,000,000	\$ 1.35	July 31, 2012
Issued with 2007 Flow-through offering	1,399,997	\$ 1.75 - \$2.00	December 21, 2009
	3,399,997		

FURTHER INFORMATION

Additional disclosures concerning the Corporation's general and administrative expenses and Mineral Interests are provided in the interim financial statements available through both the SEDAR website (www.sedar.com) and on the Corporation's own website (www.firstmetalsinc.com).

OUTLOOK

The Corporation looks forward to the continued production and the achievement of positive cash flow from operations. Additional resources have been applied to advancing the development of the Magusi deposit towards commercial production. Studies are ongoing to determine the economic viability and the mining methods and associated costs for achieving this goal.

SUBSEQUENT EVENTS

On October 8, 2008, the board of directors granted a total of 350,000 stock options to certain members of senior management. The options vest 50% after one year and the remainder after two years and are exercisable at \$.40 per share prior to October 8, 2013.

On October 17, 2008, Richard Lister, a Director of the Corporation since August 2006, resigned from the Board of Directors to pursue other opportunities. Mr. Lister was a member of the Audit Committee and the Governance and Compensation Committees.

On October 24, 2008 the Corporation entered into agreement with its bankers to sell U.S. \$3,000,000 in return for Cdn \$3,817,950 with half for delivery on November 17, 2008 and the remainder on December 15, 2008.

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FORWARD LOOKING STATEMENTS

Certain of the statements made and information contained herein are “forward-looking information” within the mean of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitations, risk and uncertainties relating to the future prices of copper, zinc or other metal prices and foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Corporation's expectations; operating and capital costs, the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour, inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Corporation's Business as outlined in the Corporation's Initial Public Offering (“IPO”) available on the SEDAR website (www.sedar.com).

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 in this MD&A describe the Corporation's expectations as of November 10, 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.