

First Metals Inc.
(A DEVELOPMENT STAGE CORPORATION)
MD&A as of March 31st, 2007

Management's Discussion and Analysis

The following discussion (the "MD&A") of the results of operations of the Corporation should be read in conjunction with the interim financial statements of the Corporation for the period from January 1, 2007 through March 31, 2007, together with the accompanying notes and the audited financial statements and MD&A for the year ended December 31, 2006 (collectively, the "Financial Statements").

This MD&A is written as of May 14, 2007 and provides a summary of the unaudited financial information of the Corporation contained therein. These documents are available on the Corporation's website (www.firstmetalsinc.com) and filed on the SEDAR website (www.sedar.com).

Overview

The Corporation was incorporated on February 23, 2006 with the mission of rapidly becoming a profitable producer of base metals and associated products.

The Fabie Bay project is considered to be in the advanced exploration and pre-production stage, and the Corporation has not yet commenced any mining production on it or on the Magusi River and Duprat projects which are at advanced exploration and early exploration stages respectively. Accordingly, the Corporation does not currently have operating revenues and, until the completion of the recommended exploration and development programs on such mineral projects, receipt of required mining licenses and permits for the mining of one or more commercial ore bodies located thereon, and the mining and shipment of ore, the Corporation is not expected to have any revenues. The mining licence ("Bail Minier") for the Fabie Bay project is expected to be granted within the next month.

Period from incorporation to March 31, 2006

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

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

The Corporation completed the Special Warrant Offerings and 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 project into production. As the Corporation's cash position would not be sufficient to meet all of its proposed cash expenditures for 2007 and, in particular, the costs relating to the permitting, exploration and development of the Fabie Bay and Magusi River projects, it commenced discussions and negotiations for the raising of a term debt facility to fulfill its payment and other obligations under the Purchase Agreement, and complete the recommended exploration and development programs at the Fabie Bay and Magusi River projects.

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The success of the IPO and the simultaneous listing of the shares on the Toronto Stock Exchange on September 1, 2006 culminated an extremely successful first six months of existence for First Metals. As part of these events, the Special Warrants previously issued were exchanged for common shares and warrants of the Corporation and the common shares were qualified for trading by the same prospectus. As the results of the initial investigations have given favourable indications of the opportunity to put the Fabie and Magusi deposits into commercial production, expenditures were redirected to this end.

Equipment leases were entered into, other items of equipment were purchased outright and some development expenditures were undertaken. The Corporation obtained the Certificate of Authorization for the de-watering of the existing open pit and underground; de-watering of the ramp was completed down to the 50 meter level and other development work proceeded. All necessary permits were applied for including the mining permit necessary to put the project into production (beyond the extraction of a 50,000 ton bulk sample for which approval had already been granted).

After initial discussions had been held with several mills in the vicinity, a Letter of Intent was concluded with Xstrata Copper Inc. which is now being expanded to Definitive Agreements for the Custom Milling of ore.

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

During this period the Corporation began more active exploration of its properties, particularly the Fabie Bay and Magusi River properties. The first two payments totalling \$750,000 in accordance with the purchase agreement have been paid to Globex. The mining property has been recorded at its purchase price of \$1,000,000 (with further amounts to be paid by way of a share interest in the Corporation of 10% at the time of reaching commercial production, the cost of which can not yet be established but will be significant) and the outstanding liability on the cash portion of \$250,000 has been shown as due to Globex. Both of these considerations will be paid at the time of achieving Commercial Production. The liability for the share element has been identified in the Notes to the financial statements but not shown as a liability owing to its unquantifiable nature. It will show up as an additional share issue valued at the market price of the time but for no additional consideration, being added to the share capital in the balance sheet.

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

Operations for the three month period ended March 31, 2007

Mining interest

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During the three month period ended March 31, 2007, the Corporation concentrated its activities mainly on the Fabie Bay and Magusi River properties. Surface infrastructure construction including electrical power line, surface electrical distribution, garage, crusher, ventilation & heating systems and site office buildings were substantially completed.

The dewatering of the Fabie Bay Mine open pit has been completed, giving access to the ore body. Underground dewatering has continued to provide access via the ramp (previously constructed by Noranda Mines Limited down to the 400 foot level - approximately 125 metres). This dewatering has now been successfully completed down to the 90 metre level which is sufficient to provide initial access to the orebody underground. The dewatering has revealed that the ramp and other infrastructure, while requiring modest refurbishment, are essentially sound and intact.

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

The pit has now been drilled off in preparation for a 50,000 tonne bulk sample, for which permission was received in the last quarter of last year.

A Letter of Intent was concluded in the last quarter of 2006 with Xstrata Copper, a division of Falconbridge Inc. ("Xstrata") to custom mill and produce a concentrate at the Horne Mill .This letter is now being expanded to definitive agreements which are expected to be completed in the coming weeks.

Period Subsequent to March 31, 2007

Subsequent to the quarter end, the Corporation completed an offering of \$20,000,000 principal amount of 14% senior secured notes. The proceeds from the sale of the Notes will be 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 previously announced letter of intent between the Corporation and Xstrata and for general working capital purposes.

Result of operations from January 1, 2007 through March 31, 2007

The Corporation reported a net loss of \$ 591,554 or \$ 0.02 per share for the three month period ended March 31, 2007 compared to \$ 20,000 for the same period in 2006. The main expenses in the period are general and administrative for the operations office in Rouyn-Noranda and the Head Office in Toronto of \$ 398,835 and management and professional fees \$ 207,210. The significant increase in these levels over the \$ 20,000 and nil comparative figures for the comparable period a year ago reflect the significant increase in activities being undertaken. A year ago, the Corporation was newly incorporated and commencing its activities (and the period following incorporation, consisted of less than half of a full quarter). The description above has briefly outlined the significant increase in the level of activities now being undertaken toward the commencement of mining operations at the Fabie Bay project.

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The Corporation is still at the exploration and development stage and had no operating revenue in the period. Interest and other revenues represent \$ 14,491 for the period compared to \$95,778 in 2006 (nine months ended December 31) and nil in the comparable quarter ended March 31, 2006.

Liquidity and Capital Resources

As a result of the completion of the \$20,000,000 financing referred to above, the Corporation has satisfied its financial requirements for completing the Fabie Bay project. Presently, the bulk of these funds are 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. In the interim, \$3,000,000 has been released to the Corporation for working capital purposes.

The rate at which mining and milling commence in the coming months will have a profound impact on the extent of the Corporation's working capital requirements. At present, it is anticipated that initial mining and milling rates will be less than the design capacity of 1500 tonnes per day. This gradual ramp up of production will reduce the Corporation's working capital requirements to a level at which the financing raised will be sufficient.

Cash and cash flows and Working capital

Cash flow used for operations was \$ 494,886 during the period ended March 31, 2007.

Working capital at March 31, 2007 was negative \$ 1,258,358. Future periods will see expenditures without corresponding revenues. Therefore, readers should be aware that cash balances will fall in the following quarters. The recent financing will provide sufficient funds to bring the deposits into production and achieve revenue sufficient to be self sustaining based on today's metal prices.

Cash provided from financing activities totalled \$ 1,092,064 for the period primarily from equipment financing net of repayments.

The Corporation invested a total of \$ 4,651,923 in long-term assets in the three month period ended March 31, 2007. The acquisition of Mining Claims amounted to \$ 18,698 and the deferred development and exploration expenses relating to this property amounted to \$ 2,933,775. Mining equipment was also acquired for \$1,699,450.

The net change in cash balances as a result of operations, financing and investment activities was a net outflow of \$3,064,973 during the three month period ended March 31, 2007.

For the reasons noted above, comparisons with figures from the year earlier period are not meaningful.

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

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development for commercial production of copper and zinc. As the results of such activities appear to warrant bringing both the Fabie Bay and Magusi River projects into commercial production, it is anticipated that the development funding required for the Magusi project will be supplied by cash flow from the Fabie Bay project once it reaches commercial production.

Until such time as commercial production is achieved (and there can be no assurance it will be), the Corporation will continue to incur administrative costs and exploration expenditures that are either deferred or expensed, depending upon the nature of those expenditures, resulting in continuing operating losses. In the future, the financial performance of the Corporation will become more closely linked to the prices obtained for the copper and zinc produced by the Corporation. To date, copper and zinc prices have continued to be at levels that are significantly higher than estimated production costs.

Exchange rates

The Corporation reports its financial results in Canadian dollars. The Corporation's revenues, if any, will be primarily, if not completely, earned in U.S. dollars, but its costs are in Canadian dollars.

The Canadian dollar appreciated relative to the U.S. dollar during 2004 and 2005 as the average rate for December 2005 was C\$1.16/U.S.\$, compared to C\$1.32/U.S.\$ in the fourth quarter of 2003. The Canadian dollar was reasonably stable relative to the U.S. dollar during 2006 with an average rate of C\$1.14. For the first quarter of 2007, the Canadian dollar has depreciated modestly to average C\$1.17 for the quarter, recovering after the quarter end to average C\$1.13 in April.

Additional financing

The exploration and development of the Corporation's mineral projects required substantial additional financing. The Corporation is pleased that the necessary additional financing has been raised on reasonable terms involving only a modest equity element in the issue of 2,000,000 warrants to acquire shares of the Corporation for a period of 5 years at a price of \$1.35 per share.

Related Party Transactions

The Corporation continued to receive Management and Financial services from six Insiders of the Corporation. Under the terms of the service agreements, these Insiders are entitled to monthly fees ranging from \$3,600 to \$11,600 per month, including car and home office allowances.

A total of \$118,550 (comparative amounts: period up to March 31, 2006 \$20,000: 9 months April to December 2006 \$425,000) was paid during the period ended March 31, 2007 in connection with these agreements.

These transactions are measured at the exchange amount, which approximates the fair value as agreed between management and the related parties.

Subsequent to the quarter end, a shareholder who is also an Officer, Director and Promoter of the Corporation loaned the Corporation \$30,000 on an unsecured basis and

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completely free of interest or other consideration, which was subsequently repaid in full without interest or other consideration.

Subsequent Events

On May 4th, 2007, First Metals Inc. completed a **term debt financing** of \$ 20 Million principal amount of 14% senior secured Notes. The offering was led by Jennings Capital Inc. (“Jennings”)

Each 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 Corporation at any time following 24 months from the closing. In addition, for each \$1,000 in principal amount of Notes acquired, the Note purchasers also received, for no additional consideration, a share purchase warrant to acquire a total of one hundred common shares of the Corporation at an exercise price of \$1.35 per share expiring five (5) years and one (1) day from the date the Escrow Release Conditions (as identified above) are met. A total of 2 million share purchase warrants were issued. Jennings received a \$400,000 advisory fee and a 4% cash commission for services rendered in connection with the Offering.

Effectiveness of disclosure Controls and Procedures

The Corporation has evaluated the effectiveness of its disclosure controls and procedures as of December 31, 2006 and March 31, 2007 and concluded that they are effective and no change in the Corporation’s internal control over financial reporting has occurred during the quarter that has materially affected or is reasonably likely to materially affect the Corporation’s internal control over financial reporting.

Further Information

Periodic information updates and quarterly financial results will be posted both at SEDAR website (www.sedar.com) and on the Corporation’s own website (www.firstmetalsinc.com).

Additional Information

Summary of Quarterly results

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 five (5) quarters of the incorporation of the Corporation.

Quarter ending	Revenue \$	Net loss \$	Net loss per share \$
March 31, 2007	14,491	591,554	0.02
December 31, 2006	50,859	1,309,566	0.05
September 30, 2006	33,358	391,312	0.01
June 30, 2006	11,561	146,325	0.01
March 31, 2006	---	20,000	0.01

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* Figures are actualized with December 31, 2006 audited financial statements.

Outlook

First Metals inc. will continue exploration and development of the Fabie Bay and Magusi projects where it is anticipated that more than \$5,000,000 will be spent during 2007 to increase and upgrade mineral resources and continue underground development. It is anticipated that during this period the Corporation will receive the grant of the mining permit allowing it to put the Fabie Bay project into Commercial Production.

Following the anticipated completion of definitive agreements with Xstrata for the custom milling of the Corporation's ore from the Fabie Bay project, Xstrata is anticipated to undertake and complete the refurbishment of its Horne Mill at the Corporation's expense, estimated to be in the region of \$5 Million. After Commercial Production is achieved, it is expected that the Magusi River project will be developed at an expected cost of approximately \$7 Million to be provided from cash flow from the commercial production from Fabie Bay.

Readers are directed to the following paragraphs of this Discussion where safe haven is claimed with respect to forward looking statements.

Forward Looking Statements

This MD&A was prepared by the management and has not been reviewed by the Corporation's external auditors. This discussion contains forward-looking statements that involve certain risks and uncertainties which may include, but are not limited to, statements with respect to the future financial or operating performance of the Corporation and its projects, the future price of copper or zinc or other metal prices, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value

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of Canadian dollars relative to other currencies; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; future prices of copper or zinc; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; and the factors discussed in the section entitled "Risk Factors" in the prospectus filed in connection with the Corporation's Initial Public Offering ("IPO") and available on the SEDAR website (www.sedar.com).

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

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

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking statements.