

Donner Metals Ltd.

Quarterly Consolidated Financial Statements For the Nine Months Ended November 30, 2006 (Unaudited)

Notice to Reader

The accompanying unaudited consolidated financial statements of Donner Metals Ltd. ("the Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of the Company's unaudited interim consolidated financial statements as at and for the nine months ended November 30, 2006.

DONNER METALS LTD.
(An exploration stage company)
Consolidated Balance Sheet
(Canadian Dollars)
(Unaudited)

	November 30, 2006	February 28, 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 9,505,821	\$ 756,464
Short term investments	1,508,572	-
Amounts receivable	24,817	40,903
Prepaid expenses	14,034	11,025
	<u>11,053,244</u>	<u>808,392</u>
Property, plant and equipment	17,848	21,504
Investment (note 4)	281,866	448,624
	<u>\$ 11,352,958</u>	<u>\$ 1,278,520</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 458,301	\$ 103,628
Shareholders' equity		
Share capital (note 6)	12,814,473	1,746,777
Contributed surplus (note 6)	1,177,196	130,632
Deficit	(3,097,012)	(702,517)
	<u>10,894,657</u>	<u>1,174,892</u>
	<u>\$ 11,352,958</u>	<u>\$ 1,278,520</u>

Nature of Operations and Basis of Presentation (note 1)
Contractual Obligations (note 5)
Subsequent Events (note 9)

Approved by the Directors:

"Harvey Keats"

"David Patterson"

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.
(An exploration stage company)
Consolidated Statements of Operations
(Canadian Dollars)
(Unaudited)

	Three months ended November 30,		Six months ended November 30,	
	2006	2005	2006	2005
Expenses				
Administration and management fees	\$ 69,211	\$ 62,841	\$ 198,341	\$ 181,899
Amortization	1,307	1,444	3,920	4,661
Audit fees	-	-	(500)	2,500
Consulting fees	-	-	-	9,000
Directors fees	6,000	6,000	18,000	18,000
Exploration expenditures (schedule)	1,253,498	7,093	1,413,534	92,282
Filing and transfer agent fees	5,164	2,271	18,561	11,425
Legal fees	4,785	-	14,304	5,286
Office and miscellaneous	20,076	16,952	30,201	41,200
Promotion	70,406	16,336	113,438	40,192
Rent	7,500	5,000	26,292	27,071
Stock-based compensation	478,726	130,660	534,491	130,660
Telephone and communications	3,083	1,604	9,460	4,037
Travel	14,798	8,120	42,055	14,567
Loss before other items	(1,934,554)	(258,321)	(2,422,097)	(582,780)
Other items				
Interest income	78,294	6,838	88,557	10,893
Gain on sale of marketable securities (note 3)	-	-	105,803	-
Gain on sale of investment (note 4)	-	-	-	558,680
Gain on deemed disposition of investment	86,927	-	86,927	160,776
Equity in loss on investment (note 4)	(134,063)	(124,322)	(253,685)	(518,530)
Earnings (loss) for the period	\$ (1,903,396)	\$ (375,805)	\$ (2,394,495)	\$ (370,961)
Basic and diluted loss per share	\$ (0.06)	\$ (0.04)	\$ (0.15)	\$ (0.04)
Weighted average number of common shares outstanding	29,935,225	9,630,000	16,397,451	9,630,000

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.
(An exploration stage company)
Consolidated Statements of Deficit
(Canadian Dollars)
(Unaudited)

	Six months ended November 30,	
	<u>2006</u>	<u>2005</u>
Deficit, beginning of period	\$ (702,517)	\$ (39,334,031)
Reorganization adjustments	-	39,257,073
Earnings (loss) for the period	(2,394,495)	(370,961)
Deficit, end of period	\$ (3,097,012)	\$ (447,919)

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.
(An exploration stage company)
Consolidated Statement of Cash Flows
(Canadian Dollars)
(Unaudited)

Cash provided by (used for):	Three months ended November 30,		Six months ended November 30,	
	2006	2005	2006	2005
Operating activities				
Earnings (loss) for the period	\$ (1,903,396)	\$ (375,805)	\$ (2,394,495)	\$ (370,961)
Items not involving cash:				
Amortization	1,307	1,444	3,920	4,661
Exploration option payment	400,000	-	400,000	-
Stock-based compensation	478,726	130,660	534,491	130,660
Gain on sale of marketable securities	-	-	(105,803)	-
Gain on sale of investment	-	-	-	(558,680)
Gain on deemed disposition of investment	(86,927)	-	(86,927)	(160,776)
Equity in loss on investment	134,063	124,322	253,685	518,530
Accrued interest income	(8,572)	-	(8,572)	-
Changes in non-cash working capital items:				
Amounts receivable	(2,522)	(7,885)	16,086	(26,509)
Advances for exploration	418,630	-	-	-
Prepaid expenses	(6,070)	(6,449)	(3,009)	7,789
Accounts payable and accrued liabilities	432,086	(66,163)	364,299	60,918
	(142,675)	(199,876)	(1,026,325)	(394,368)
Financing activities				
Net proceeds from reorganization financing	-	-	-	796,019
Common shares issued for cash	11,127,363	-	11,170,143	-
Reorganization costs	-	-	-	(214,710)
	11,127,363	-	11,170,143	581,309
Investing activities				
Purchase of property, plant and equipment	-	-	(264)	-
Purchase of long term investment	-	-	-	(570,000)
Sale of long term investment	-	-	-	830,000
Purchase of short term investment	(1,500,000)	-	(1,500,000)	-
Sale of marketable securities	-	-	105,803	-
	(1,500,000)	-	(1,394,461)	260,000
Change in cash and cash equivalents	9,484,688	(199,876)	8,749,357	446,941
Cash and cash equivalents,				
beginning of period	21,133	1,148,879	756,464	502,062
Cash and cash equivalents, end of period	\$ 9,505,821	\$ 949,003	\$ 9,505,821	\$ 949,003

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.
(An exploration stage company)
Consolidated Statement of Cash Flows
(Canadian Dollars)
(Unaudited)

	Three months ended November 30,		Six months ended November 30,	
	2006	2005	2006	2005
Cash and cash equivalents consists of:				
Cash			\$ 7,997,485	\$ 949,003
Guaranteed Investment Certificates			1,508,336	-
			\$ 9,505,821	\$ 949,003
Cash paid for:				
Interest	\$ -	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -	\$ -
Supplemental cash flow information:				
Shares issued for net assets other than cash	\$ -	\$ -	\$ -	\$ 728,389
Shares issued for option payment	\$ 400,000	\$ -	\$ 400,000	\$ -
Finders fees paid in common shares	\$ 160,000	\$ -	\$ 160,000	\$ -
Compensation warrants for share issue costs	\$ 547,496	\$ -	\$ 547,496	\$ -
Fair value of stock options exercised	\$ 29,813	\$ -	\$ 35,423	\$ -
Forgiveness of reorganization costs	\$ -	\$ -	\$ 9,626	\$ -

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.
(An exploration stage company)
Notes to the Consolidated Financial Statements
November 30, 2006
(Canadian Dollars)
(Unaudited)

1. Nature of Operations and Basis of Presentation

Donner Metals Ltd. (the "Company") was incorporated on June 28, 2005, pursuant to the Business Corporations Act of British Columbia. The Company is a public company and its shares are listed on the TSX Venture Exchange and the Frankfurt Stock Exchange. The Company is engaged in the identification, acquisition, exploration and development of mineral resources and is considered to be in the exploration stage as it has not placed any of its mineral properties into production. As of the date of this report, the Company has not determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for property, plant and equipment is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration of the property and future profitable production from the property or proceeds from disposition.

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the nine month period ended November 30, 2006 are not necessarily indicative of the results that may be expected for the year ended February 28, 2007. The balance sheet at February 28, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The November 30, 2005 comparative figures are derived from the unaudited consolidated interim financial statements of the Company and Donner Minerals Ltd. ("Minerals") because the Company continued Mineral's business and operations pursuant to an August 16, 2005 corporate reorganization of Minerals. References herein to the Company's business and operations that pre-date the August 16, 2005 corporate reorganization are references to the business and operations of Minerals.

2. Significant Accounting Policies

These interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended February 28, 2006. For further information, refer to the financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended February 28, 2006.

3. Marketable Securities

During the three months ended August 31, 2006, the Company sold 138,750 common shares of Alma Resources Ltd. for proceeds of \$105,803 and realized a capital gain of the same. The Company had written down the carrying value of the shares to \$Nil in prior years.

4. Investment

DONNER METALS LTD.
(An exploration stage company)
Notes to the Consolidated Financial Statements
November 30, 2006
(Canadian Dollars)
(Unaudited)

	November 30, 2006		
	Percentage of Ownership	Carrying Value	Market Value
<u>Knight Resources Ltd.</u>	17.7%	\$ 281,866	\$ 1,483,290

	February 28, 2006		
	Percentage of Ownership	Carrying Value	Market Value
<u>Knight Resources Ltd.</u>	18.4%	\$ 448,624	\$ 1,668,701

4. Investment (cont'd)

As at November 30, 2006, the Company owns 12,360,750 common shares of Knight Resources Ltd. ("Knight"). This investment is accounted for using the equity method. Knight has directors and officers in common with the Company. The Company's share of Knight's net loss from March 1, 2006 to November 30, 2006 was \$253,685. As a result of share issuances by Knight from March 1, 2006 to November 30, 2006, the Company recorded a gain on deemed disposition of \$86,927.

The market value was determined using the closing quoted price of Knight's stock on the TSX Venture Exchange on November 30, 2006 and February 28, 2006 as applicable.

5. Mineral Properties

The Company's mineral properties are comprised of wholly owned mineral claims and interests in joint venture agreements in South Voisey Bay, Labrador, an option earn-in agreement in Rainbow Lake, Nunavut, and an option earn-in agreement in the Matagami Mining Camp of Quebec, Canada. Although the Company holds some interests in mineral properties through joint venture agreements, none of the Company's operations are carried on through joint venture entities.

Matagami Property

On June 12, 2006, the Company entered into an Option and Joint Venture Agreement (OJVA) with Xstrata plc. ("Xstrata") (formerly Falconbridge Limited) for the joint exploration of the Matagami Mining Camp of Quebec for volcanogenic massive sulphide deposits. The Matagami Project has an area of mutual interest of 4,737 square kilometres and over 2,000 mineral claims covering approximately 499 square kilometres. The Company has the option to earn a 50% participating joint venture interest in the Matagami Project by incurring a total of \$20 million of expenditures on exploration and related work as follows:

- i) \$4 million on or before May 31, 2007;
- ii) an aggregate of \$8 million on or before May 31, 2008;
- iii) an aggregate of \$10 million on or before November 30, 2008;
- iv) an aggregate of \$12 million on or before May 31, 2009;
- v) an aggregate of \$16 million on or before May 31, 2010; and
- vi) an aggregate of \$20 million on or before May 31, 2011.

The Company has agreed to incur at least \$10 million of expenditures on exploration. The Company is also required to issue Xstrata 1 million common shares of its own stock (issued).

DONNER METALS LTD.
(An exploration stage company)
Notes to the Consolidated Financial Statements
November 30, 2006
(Canadian Dollars)
(Unaudited)

In the event that a discovery is made during the option period, the Company will contribute a one-time additional expenditure of \$3 million towards establishing an inferred resource on the new discovery.

Upon the expenditure of \$20 million by the Company, five separate joint ventures will be formed, covering the property and the area of interest. In each of the five joint venture areas, Xstrata has the option to earn back a 15% interest in such area by incurring up to \$20 million on a feasibility study.

As at November 30, 2006, a total of \$1,013,534 in exploration expenditures has been incurred pursuant to the option earn-in agreement on the Matagami Property. The Company is required to incur \$2,986,466 in expenditures by May 31, 2007 in order to keep the option in good standing.

5. Mineral Properties (cont'd)

South Voisey Bay Properties

The Company's South Voisey Bay properties (the "Combined Property") are comprised of the following:

- i) Eight licences covering approximately 297.5 km² held 100% by SVBN with the exception of a 37.25 km² licence held 75% by SVBN (the "SVBN Property");
- ii) One licence covering approximately 39.5 km² owned 52.38% by the Company and 47.62% by Northern Abitibi Mining Corp. (the "Donner/Northern Abitibi Property"); and
- iii) One licence covering approximately 35.5 km² and owned 51.68% by the Company and 48.32% by Commander Resources Ltd. (the "Donner/Commander Property").

TeckCominco Limited ("TeckCominco") has a right to earn 50% of the Company's interest in any deposits discovered and developed on the Combined Property. TeckCominco can earn this interest by funding the Company's share of feasibility costs and arranging the Company's share of production financing.

As at November 30, 2006, the Company has outstanding share issuance commitments relating to the South Voisey Bay properties as follows:

- a) A commitment to issue 10,000 shares upon incurring \$1 million in exploration on the Turpin claims which are now included in the property held by SVBN. The Company has not yet triggered this commitment; and
- b) A commitment to issue 25,000 shares upon incurring \$1 million in exploration on the Thistle II claims which are now included in the property held by SVBN. The Company has not yet triggered this commitment.

There are Net Smelter Royalty ('NSR') agreements on certain South Voisey Bay mineral licenses ranging up to 3%.

Rainbow Property

DONNER METALS LTD.
(An exploration stage company)
Notes to the Consolidated Financial Statements
November 30, 2006
(Canadian Dollars)
(Unaudited)

The Company has an option earn-in agreement with Falconbridge whereby the Company can earn a 50% interest in a nickel property in Nunavut known as the Rainbow Property by incurring a total of \$4.5 million of expenditures on exploration and related work on or before December 31, 2007. The Rainbow Property is located 240 kilometres west of Hudson Bay and 380 kilometres northwest of Churchill, Manitoba and covers approximately 325 km².

As at November 30, 2006, a total of \$1,671,490 in exploration expenditures has been incurred pursuant to the option earn-in agreement on the Rainbow Property. The Company was required to incur \$1,328,510 in expenditures by December 31, 2006 in order to keep the option in good standing. An exploration program was not carried out in 2006 and consequently, the option on the Rainbow Project lapsed on December 31, 2006.

6. Share Capital and Contributed Surplus

Issued and outstanding:

	Number of Shares	Share Capital	Contributed Surplus
Balance at February 28, 2006	9,641,278	\$ 1,746,777	\$ 130,632
Exercise of stock options:			
Cash	221,000	50,830	-
Fair value of stock options exercised	-	35,423	(35,423)
Private placement:			
Cash	27,623,542	12,193,230	-
Finders fees	400,000	(764,265)	-
Share issue costs	-	(309,652)	-
Compensation warrants	-	(547,496)	547,496
Property option payment	1,000,000	400,000	-
Forgiveness of reorganization costs	-	9,626	-
Stock-based compensation (note 7)	-	-	534,491
Balance at November 30, 2006	38,885,820	\$ 12,814,473	\$ 1,177,196

On September 29, 2006, the Company closed brokered and non-brokered private placements totaling \$12,193,230. These funds were raised by the Company issuing a total of 19,063,542 flow-through units at a price of \$0.46 per unit and a total of 8,560,000 non flow-through units at a price of \$0.40 per unit. Each flow-through unit is comprised of one flow-through common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional non flow-through common share of the company until September 29, 2008, at a price of \$0.75 per share. Each non flow-through unit is comprised of one

DONNER METALS LTD.
(An exploration stage company)
Notes to the Consolidated Financial Statements
November 30, 2006
(Canadian Dollars)
(Unaudited)

common share and one common share purchase warrant, entitling the holder to purchase one additional common share of the Company until September 29, 2008, at a price of \$0.55 per share.

The Company paid fees and commissions of \$764,265 and issued 1,957,887 warrants exercisable at \$0.55 expiring on September 29, 2008 to investment dealers and finders. The company also issued 400,000 non flow-through units as a corporate finance fee. The Company paid and incurred other share issue costs totaling \$309,652.

7. Stock Options

The Company uses the fair value based method of accounting for all stock-based awards. During the nine months ended November 30, 2006, the Company granted 2,700,000 stock options with a compensation cost of \$557,243. The Company calculated the compensation cost by using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 4.03%, a dividend yield of nil, an expected volatility of the Company's share price of 110% and an expected life of the stock options of 1.1 years. As at November 30, 2006, \$26,759 of compensation cost remains to be incurred pursuant to 150,000 stock options that will vest over the next nine months.

	Number of Options	Fair Value Amount	
		Unvested	Vested
Balance at February 28, 2006	840,000	\$ 4,007	\$ 130,632
Options granted	2,700,000	26,759	530,484
Options exercised	(221,000)	-	(35,423)
Options vested	-	(4,007)	4,007
Balance at November 30, 2006	3,319,000	\$ 26,759	\$ 629,700

8. Related Party Transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the period ended November 30, 2006:

- a) incurred \$126,740 (2005 - \$92,899) for management fees to a company controlled by the CEO of the Company and a company controlled by the CFO of the Company;
- b) incurred \$27,060 (2005 - \$18,292) for technical services to a company controlled by the CEO and to a company controlled by a director of the Company;
- c) incurred \$18,000 (2005 - \$18,000) for directors fees to a director of the Company and a company controlled by a director of the Company; and
- d) incurred \$24,642 (2005 - \$23,771) for rent to a company with a common director.

9. Subsequent Events

- a) Subsequent to November 30, 2006, the Company granted 150,000 incentive stock options to an officer of the Company exercisable at a price of \$0.60 per share expiring on December 21, 2008
- b) Subsequent to November 30, 2006, the Company issued 130,000 common shares pursuant to the exercise of 130,000 incentive stock options at a price of \$0.23 per share.

DONNER METALS LTD.
(An exploration stage company)
Notes to the Consolidated Financial Statements
November 30, 2006
(Canadian Dollars)
(Unaudited)

DONNER METALS LTD.
(An exploration stage company)
Schedule of Exploration Expenditures
(Canadian Dollars)
(Unaudited)

	Three months ended November 30,		Six months ended November 30,	
	2006	2005	2006	2005
Matagami Property				
Drilling	\$ 277,603	\$ -	\$ 278,286	\$ -
Environment, health & safety	1,509	-	3,913	-
Geology	100,248	-	192,307	-
Geophysics	287,877	-	293,694	-
Option payment	400,000	-	400,000	-
Other	76,347	-	83,744	-
Property maintenance	96,999	-	133,649	-
Technical services	12,915	-	27,941	-
	1,253,498	-	1,413,534	-
Rainbow Property				
Camp operations (recovery)	-	-	-	(253)
Drilling	-	-	-	2,760
Geology	-	-	-	9,060
Other	-	-	-	1,661
Property maintenance	-	-	-	5,043
Technical services	-	1,210	-	8,190
	-	1,210	-	26,461
Stephens Lake Property				
Drilling (recovery)	-	-	-	(12,134)
Geology	-	-	-	232
Other (recovery)	-	1	-	(1,062)
Property maintenance	-	-	-	1,276
Technical services	-	1,209	-	5,104
	-	1,210	-	(6,584)
South Voisey Bay Property				
Property maintenance	-	3,300	-	59,600
Technical services	-	1,373	-	4,998
	-	4,673	-	64,598
Donner/Commander Property				
Property maintenance	-	-	-	3,669
Donner/Northern Abitibi Property				
Property maintenance	-	-	-	4,138
	\$ 1,253,498	\$ 7,093	\$ 1,413,534	\$ 92,282