

Donner Metals Ltd.

(An Exploration Stage Company)

Consolidated Financial Statements

For the Years Ended February 28, 2009 and February 29, 2008

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Auditors' report

To the Shareholders of
Donner Metals Ltd.

We have audited the consolidated balance sheets of Donner Metals Ltd. as at February 28, 2009 and February 29, 2008 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2009 and February 29, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants
June 3, 2009

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

	February 28, 2009	February 29, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 277,540	\$ 2,151,647
Amounts receivable	15,135	52,605
Tax credits recoverable	3,235,087	2,882,552
Advances for exploration	377,031	1,136,221
Prepaid expenses	22,632	21,098
	3,927,425	6,244,123
Property and equipment (note 4)	11,825	15,791
Long-term tax credits recoverable	566,264	622,046
Investment (note 5)	280,440	673,210
	\$ 4,785,954	\$ 7,555,170
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 63,053	\$ 63,295
Accrued interest on debenture (note 7)	84,066	-
	147,119	63,295
Debenture (note 7)	2,429,017	-
	2,576,136	63,295
Shareholders' equity		
Share capital (note 8)	12,052,997	10,712,357
Warrants (note 8)	587,957	3,579,643
Contributed surplus	4,390,686	1,110,241
Deficit	(14,821,822)	(7,910,366)
	2,209,818	7,491,875
	\$ 4,785,954	\$ 7,555,170

Nature of Operations and Basis of Presentation (note 1)
Contractual Obligations (notes 6 and 7)
Subsequent events (note 16)

Approved by the Directors:

"Harvey Keats"

"David Patterson"

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.

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Consolidated Statements of Loss and Comprehensive Loss

(Canadian Dollars)

	Year ended February 28, 2009	Year ended February 29, 2008
Expenses		
Administration and management fees	\$ 396,555	\$ 303,806
Amortization	5,022	14,060
Directors' fees	24,000	24,000
Exploration expenditures (schedule)	4,971,562	5,325,215
Filing and transfer agent fees	19,714	27,344
Office and miscellaneous	76,745	64,679
Professional fees	53,093	48,914
Promotion	355,384	256,965
Rent	45,333	36,000
Stock-based compensation (note 9)	31,449	520,160
Telephone and communications	72,871	55,170
Travel	146,386	106,561
Loss before other items and income taxes	(6,198,114)	(6,782,874)
Other items		
Interest income	35,252	182,927
Interest expense on debenture (note 7)	(562,762)	-
Interest on flow-through shares (note 13)	(21,662)	(178,104)
Dilution gain (note 5)	7,974	820,507
Equity in loss on investment (note 5)	(400,744)	(374,523)
	(941,942)	450,807
Loss before income taxes	(7,140,056)	(6,332,067)
Future income tax recovery (note 13)	228,600	1,231,007
Net loss and comprehensive loss for the year	\$ (6,911,456)	\$ (5,101,060)
Basic and diluted loss per share	\$ (0.15)	\$ (0.13)
Weighted average number of common shares outstanding - basic and diluted	47,416,869	40,238,953

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.

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Consolidated Statements of Shareholders' Equity

(Canadian Dollars)

	Common Shares		Warrants	Contributed Surplus	Deficit	Total
	Number	Amount				
Balance at February 28, 2007	39,015,820	\$ 8,079,268	\$ 3,292,063	\$ 672,476	\$ (2,809,306)	\$ 9,234,501
Private placement (note 8)	5,048,460	2,956,305	325,194	-	-	3,281,499
Share issue costs on private placement	-	(196,257)	(21,589)	-	-	(217,846)
Warrants issued on private placement	-	-	27,043	-	-	27,043
Exercise of warrants	267,500	190,193	(43,068)	-	-	147,125
Exercise of stock options (note 9)	489,000	194,865	-	(82,395)	-	112,470
Future income tax impact of renunciation of Canadian Exploration Expenses on flow-through shares	-	(512,017)	-	-	-	(512,017)
Stock-based compensation	-	-	-	520,160	-	520,160
Net loss	-	-	-	-	(5,101,060)	(5,101,060)
Balance at February 29, 2008	44,820,780	10,712,357	3,579,643	1,110,241	(7,910,366)	7,491,875
Private placement (note 8)	6,550,000	996,308	51,692	-	-	1,048,000
Share issue costs on private placement	212,500	(28,630)	(1,887)	-	-	(30,517)
Debenture (note 7)	1,435,000	609,875	210,910	-	-	820,785
Debenture issue costs	-	(9,457)	(3,270)	-	-	(12,727)
Exercise of warrants (note 8c)	1,121	1,144	(135)	-	-	1,009
Future income tax impact of renunciation of Canadian Exploration Expenses on flow-through shares	-	(228,600)	-	-	-	(228,600)
Expiry of warrants	-	-	(3,248,996)	3,248,996	-	-
Stock-based compensation	-	-	-	31,449	-	31,449
Net loss	-	-	-	-	(6,911,456)	(6,911,456)
Balance at February 28, 2009	53,019,401	\$ 12,052,997	\$ 587,957	\$ 4,390,686	\$ (14,821,822)	\$ 2,209,818

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.

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Consolidated Statements of Cash Flows

(Canadian Dollars)

	Year ended February 28, 2009	Year ended February 29, 2008
Cash (used for) provided by :		
Operating activities		
Net loss	\$ (6,911,456)	\$ (5,101,060)
Items not involving cash:		
Amortization	5,022	14,060
Stock-based compensation	31,449	520,160
Accretion expense on debenture	286,696	-
Dilution gain	(7,974)	(820,507)
Equity in loss on investment	400,744	374,523
Write-down of property and equipment	1,511	-
Future income tax recovery	(228,600)	(1,231,007)
Accrued interest income	-	16,204
Changes in non-cash working capital items:		
Amounts receivable	37,470	(40,002)
Tax credits recoverable	(352,535)	(2,381,469)
Advances for exploration	759,190	(345,207)
Prepaid expenses	(1,534)	632
Accounts payable and accrued liabilities	(242)	(8,491)
Accrued interest on debenture	84,066	-
Long-term tax credits recoverable	55,782	(622,046)
	(5,840,411)	(9,624,210)
Financing activities		
Debentures issued for cash - net of costs	3,150,379	-
Redemption of debentures	(200,000)	-
Common shares issued for cash - net of costs	1,018,492	3,350,291
	3,968,871	3,350,291
Investing activities		
Purchase of property and equipment	(2,567)	(3,445)
Redemption of short-term investments	-	1,000,000
	(2,567)	996,555
Change in cash and cash equivalents	(1,874,107)	(5,277,364)
Cash and cash equivalents, beginning of year	2,151,647	7,429,011
Cash and cash equivalents, end of year	\$ 277,540	\$ 2,151,647

Supplemental cash flow information (note 14)

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.

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Notes to the Consolidated Financial Statements

February 28, 2009

(Canadian Dollars)

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's 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 in Canada 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.

These consolidated financial statements have been prepared on the basis of a going concern, which assumes the realization of assets and satisfaction of liabilities in due course. The recoverability of the Company's assets is dependent upon 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. There can be no assurance that such additional financing can be obtained on terms that are acceptable to management. See note 16 for a description of financing obtained subsequent to February 28, 2009.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 76.69% owned subsidiary, SVB Nickel Company Ltd. ("SVBN"). Inter-company transactions have been eliminated.

In accordance with *Accounting Guideline 15 – Consolidation of Variable Interest Entities*, all entities subject to control by the Company on a basis other than ownership of voting interests must be consolidated in the Company's financial statements. The Company does not have any variable interest entities.

b) Cash and cash equivalents

Cash and cash equivalents include short-term money market instruments with terms to maturity, at the date of purchase, not exceeding ninety days.

c) Property and equipment

Property and equipment is recorded at cost and amortized over the estimated useful lives of the assets on the following basis:

Computer software	100% declining balance
Computer hardware	30% declining balance per annum
Office furniture and equipment	20% declining balance per annum

d) Mineral properties

All direct costs related to the acquisition of mineral property interests are capitalized by property. Exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized.

Gains and losses are recognized on property dispositions when the value of the consideration received exceeds and is less than, respectively, the carrying value of the property. Partial dispositions or option proceeds with respect to undeveloped properties are credited against the cost of the related property except that, when the proceeds exceed the cost, the excess is credited to operations. The aggregate costs related to abandoned properties are charged to operations.

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Notes to the Consolidated Financial Statements

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(Canadian Dollars)

2. Significant Accounting Policies (cont'd)

The Company reviews the carrying values of mineral property interests on a regular basis by reference to the project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others. When the carrying value of a property exceeds its estimated future cash flows, an impairment provision is made for the excess of carrying value over fair value.

e) Investment

Investments, over which the Company exerts significant influence, are accounted for using the equity method. Under this method, the Company's share of the earnings and losses is included in operations and its investment therein is adjusted by a like amount. The Company records a dilution gain on deemed disposition of investment when its ownership interest is diluted as a result of share issuances by the investee company, and the Company's proportionate share of the issuance is greater than the cost base of the investment. The Company does not receive any cash proceeds (nor is required to make any payments) from these transactions. Where in management's opinion there has been a loss in value that is other than a temporary decline, the carrying value is reduced to estimated realizable value.

f) Loss per share

Basic loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options, warrants and other dilutive instruments. There was no dilutive effect of these items for the years ended February 28, 2009 and February 29, 2008.

g) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates used herein include the historical volatility of the Company's stock price in determining stock-based compensation, income taxes, contingencies and asset impairment. Actual results could differ materially from these estimates.

h) Stock-based compensation

The Company has adopted the fair value based method to account for stock-based transactions with employees, non-employees and directors. Accordingly, the fair value of the stock options at the date of grant is charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. Any consideration paid on exercise of stock options together with the related portion of contributed surplus is credited to share capital.

i) Flow-through shares

A portion of the Company's exploration activities is financed through proceeds received from the issue of flow-through shares. Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to the share subscribers. To recognize the foregone tax benefits to the Company, the issue price of the shares issued is reduced by the tax effect of the tax benefits renounced to the subscribers. The tax effect of the renouncement is recorded upon renunciation provided that corresponding exploration expenditures are incurred or are reasonably likely to be incurred within the permitted time frame.

2. Significant Accounting Policies (cont'd)

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j) Income taxes

Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of substantive enactment.

Tax credits recoverable arise as a result of incurring Canadian exploration expenditures ("CEE") in the Province of Quebec. There are two separate tax credits recoverable; 1) a credit on duties refundable for losses administered by the Quebec Ministère des Ressources naturelles et Faune whereby the credit is equal to 12% of the lesser of the amount of the Company's annual loss or the amount of the Company's annual CEE, and 2) a tax credit for resources administered by the Ministère du Revenu du Québec whereby the credit is equal to 35% of the Company's annual CEE.

k) Financial instruments

Financial assets are classified as either held-for-trading, available-for-sale, held-to-maturity or loans and receivables, and financial liabilities are classified as either trading or other financial liabilities. Fair value is used for initial measurement for all classes. Fair value is used for subsequent measurement for all classes except for available-for-sale assets (where equity instruments do not have a quoted market price in an active market), loans and receivables, and other financial liabilities where amortized cost using the effective interest method is used.

Gains and losses associated with items designated as held-for-trading are recorded in operations, separate from any interest or dividends earned on these items. Gains and losses associated with items designated as available-for-sale are recorded as unrealized within other comprehensive income (loss) until such time as the item is disposed of or incurs a decline in fair value that is on an other than temporary basis, at which time any gains or losses are then realized and reclassified to operations.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading are included in the initial carrying value of such instruments and amortized using the effective interest method. Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as held-for-trading are expensed as incurred.

3. Changes in Accounting Policies

Accounting Policies Implemented on March 1, 2008

- a) Effective March 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") new Handbook Sections 3862 "*Financial Instruments – Disclosures*" ("HB 3862") and 3863 "*Financial Instruments – Presentation*" ("HB 3863"). The objective of these new standards is to provide more information for users of the Company's financial statements to understand the significance of financial instruments to the Company's financial position, performance and cash flows (note 11). These new standards did not impact the Company's financial results at adoption.
- b) Effective March 1, 2008, the Company adopted the CICA new Handbook Section 1535 "*Capital Disclosures*" ("HB 1535"). The objective of this standard is to disclose more information about an entity's capital and how it is managed (note 12). This new standard did not impact the Company's financial results at adoption.
- c) Effective March 1, 2008, the Company adopted the CICA amended Handbook Section 1400 "*General Standards of Financial Statement Presentation*" ("HB 1400"). The objective of this standard is to include requirements to assess an entity's ability to continue as a going-concern and disclose any material uncertainties that cast doubt on its ability to continue as a going-concern. This new standard did not impact the Company's financial results at adoption.

3. Changes in Accounting Policies (cont'd)

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- d) Effective March 1, 2008, the Company adopted the CICA Handbook Section 3064 "Goodwill and Intangible Assets" ("HB 3064"). HB 3064 replaces CICA Handbook Section 3062 "Goodwill and Other Intangible Assets" ("HB 3062") and CICA Handbook Section 3450 "Research and Development Costs". HB 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous HB 3062. This new standard did not impact the Company's financial results at adoption.
- e) In March 2009, the EIC issued EIC-174 "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-174. The Company adopted this recommendation in its fair value determinations effective for the year ended February 28, 2009. This new standard did not impact the Company's financial results in any period presented.

Accounting Policies Implemented on March 1, 2009

- f) In January 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which clarifies that an entities own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173. The Company will adopt this recommendation in its fair value determinations effective March 1, 2009 and is currently assessing the impact of this change on its financial statements.

4. Property and Equipment

	2009		
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 22,856	\$ 19,858	\$ 2,998
Computer software	20,831	20,358	473
Office equipment and furniture	50,802	42,448	8,354
	<u>\$ 94,489</u>	<u>\$ 82,664</u>	<u>\$ 11,825</u>

	2008		
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 32,643	\$ 29,285	\$ 3,358
Computer software	33,479	31,991	1,488
Office equipment and furniture	53,694	42,749	10,945
	<u>\$ 119,816</u>	<u>\$ 104,025</u>	<u>\$ 15,791</u>

5. Investment

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February 28, 2009

(Canadian Dollars)

	2009		
	Percentage of Ownership	Carrying Value	Market Value
Knight Resources Ltd.	13.7%	\$ 280,440	\$ 618,038

	2008		
	Percentage of Ownership	Carrying Value	Market Value
Knight Resources Ltd.	13.7%	\$ 673,210	\$ 2,842,973

As at February 28(29), 2009 and 2008, 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 for the year ended February 28, 2009 was \$400,744 (2008 - \$374,523). As a result of share issuances to other investors by Knight during the year ended February 28, 2009, the Company recorded a dilution gain of \$7,974 (2008 - \$820,507).

The market value was determined using the closing quoted price of Knight's stock on the TSX Venture Exchange on February 28, 2009 and February 29, 2008.

The financial position and results of operations of Knight as at and for the years ended September 30, 2008 and September 30, 2007 and the three months ended December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008	September 30, 2008	December 31, 2007	September 30, 2007
Total assets	\$ 2,665,516	\$ 4,146,743	\$ 5,910,537	\$ 2,911,920
Total liabilities	\$ 185,161	\$ 1,194,771	\$ 64,978	\$ 500,091
Equity	\$ 2,480,355	\$ 2,951,972	\$ 5,845,559	\$ 2,411,829
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	\$ (471,617)	\$ (3,718,029)	\$ (381,738)	\$ (3,067,416)
Other items	\$ -	\$ 1,328,662	\$ -	\$ 192,000

6. Mineral Properties

The Company's mineral properties are comprised of an option earn-in agreement in the Matagami Mining Camp of Quebec, Canada and wholly owned mineral claims and interests in joint venture agreements in South Voisey Bay, Labrador, 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

Cumulative expenditures by the Company	2009	2008
Exploration expenditures	\$ 18,614,315	\$ 10,661,099
Option payments	400,000	400,000
Refundable tax credits and mining duties	(7,002,270)	(3,914,362)
	\$ 12,012,045	\$ 7,146,737

6. Mineral Properties (cont'd)

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(Canadian Dollars)

In June 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. In November 2007, the Company and Xstrata entered into an agreement whereby Xstrata agreed to contribute additional mineral claims in the Matagami Mining Camp to the OJVA in consideration for an amendment to the option earn-in terms in the OJVA. The Matagami Project has an area of mutual interest of 4,750 square kilometres and over 3,340 mineral claims covering approximately 801 square kilometers ("km²").

Under the revised OJVA, the Company has the option to earn a 50% participating joint venture interest in the Matagami Project by:

- 1) incurring a total of \$20 million of expenditures on exploration and related work as follows:
 - i) \$4 million on or before May 31, 2007 (incurred);
 - ii) an aggregate of \$8 million on or before May 31, 2008 (incurred);
 - iii) an aggregate of \$10 million on or before November 30, 2008 (incurred);
 - iv) an aggregate of \$12 million on or before May 31, 2009 (incurred);
 - 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.

- 2) In the event that a discovery is made during the option period, the Company will contribute an additional expenditure of up to \$5 million (incurred), previously \$3 million, towards establishing an inferred resource on new discoveries. Exploration work in fiscal 2007 resulted in discoveries at Bracemac and Macleod. Expenditures at Bracemac and Macleod subsequent to the discoveries were applied towards the \$5 million additional expenditure requirement.

The Company has agreed to incur at least \$12 million (previously \$10 million) of expenditures on exploration. The Company was also required to issue Xstrata 1 million common shares of its own stock, which were issued in September 2006.

Upon the expenditure of \$20 million and up to \$5 million on a discovery (previously \$20 million and up to \$3 million on a discovery) 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.

South Voisey Bay Properties

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

- i) Six licences covering approximately 257.5 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 February 28, 2009, 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

6. Mineral Properties (cont'd)

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- 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%.

During the year ended February 28, 2009, the Company expended \$60,950 (2008 - \$300,723) on the Donner/Commander Property and \$45,304 (2008 - \$59,804) on the SVBN Property.

7. Debenture

On June 6, 2008, the Company closed a debenture financing for total proceeds of \$3,200,000 less fees and costs of \$49,621. The debentures bear interest at the rate of 12% per annum, payable semi-annually, and have a two year term; however the Company may redeem all or part of the outstanding principal (and accrued interest) at any time. On December 5, 2008, the Company repaid \$200,000 of the debenture principal. The outstanding debentures are secured against all of the Company's present and future-acquired assets, on a first ranking priority basis.

In addition to the debentures, a total of 1,435,000 bonus shares and 1,610,000 bonus warrants were issued to the debenture purchasers. Each bonus warrant entitles the holder to purchase one additional common share of the Company until June 5, 2010 at a purchase price of \$0.38 per share. If the debentures are redeemed on or before June 5, 2009, the expiry date of these warrants will be reduced to June 5, 2009. The bonus shares, and any shares to be issued on exercise of the bonus warrants, were subject to a hold period expiring October 6, 2008.

The total proceeds less costs were allocated to debenture, common shares and warrants based on their fair values on the date of issue. The fair value of the warrants was determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 2.89%, an expected stock price volatility of 60%, and an expected life of two years. The fair value of the common shares was estimated using the closing price of the Company's shares on the date of issue. The fair value of the debenture was estimated using the residual value method. The debenture and the financing costs of \$36,894 allocated to the debenture will be accreted over an expected life of 2 years using the effective interest method.

Allocation of gross proceeds

Fair value of debenture	\$	2,379,215
Fair value of common shares		609,875
Fair value of warrants		210,910
	\$	3,200,000

Allocation of costs

Fair value of debenture	\$	36,894
Fair value of common shares		9,457
Fair value of warrants		3,270
	\$	49,621

Debenture

Opening balance	\$	2,342,321
Redemption		(200,000)
Accretion expense		286,696
Interest accrued		84,066
		2,513,083
Less current portion		(84,066)
	\$	2,429,017

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7. Debenture (cont'd)

Interest expense on debenture

Accretion expense	\$	286,696
Interest paid		192,000
Interest accrued		84,066
	\$	562,762

8. Share Capital

a) Authorized:

An unlimited number of common shares without par value.

b) During the years ended February 28, 2009 and February 29, 2008, the Company completed the following private placements:

- i) On December 8, 2008, the Company closed a non-brokered private placement for gross proceeds of \$1,048,000. These funds were raised through the issuance of 3,750,000 flow-through shares at a price of \$0.16 per share and 2,800,000 flow-through units at a price of \$0.16 per unit. Each flow-through unit is comprised of one flow-through common share and one-half of one common share purchase warrant. The total proceeds were allocated to common shares in the amount of \$996,308 and to warrants in the amount of \$51,692, based on their relative fair values on the date of issue.

Each whole share purchase warrant entitles the holder to acquire one additional non flow-through common share of the Company until December 8, 2010, at a price of \$0.20.

The fair value of the warrants was \$0.03 per warrant and was determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.61%, an expected stock price volatility of 73%, and an expected life of two years.

The Company incurred total issuance costs on the private placement of \$64,517, which were allocated to common shares in the amount of \$60,785 and to warrants in the amount of \$3,733 based on their relative fair values. Of these costs, \$30,517 was incurred in cash and \$34,000 was incurred through the issuance of 212,500 shares to finders.

- ii) On December 19, 2007, the Company closed a non-brokered private placement for gross proceeds of \$3,281,499. These funds were raised through the issuance of 5,048,460 flow-through units at a price of \$0.65 per unit. Each flow-through unit is comprised of one flow-through common share and one-half of one common share purchase warrant. The total proceeds were allocated to common shares in the amount of \$2,956,305 and to warrants in the amount of \$325,194, based on their relative fair values on the date of issue.

Each whole share purchase warrant entitles the holder to acquire one additional non flow-through common share of the Company until December 19, 2009, at a price of \$0.90. However, if over a period of 20 consecutive trading days between the date that is 4 months following the closing date and the expiry of the warrant, the daily close price of the common shares on the TSX-V exceeds \$1.30 on each of those 20 consecutive days, the Company will give written notice to the holders of the warrants that the warrants will expire at 4:00 p.m. (Vancouver time) on the 30th day following the giving of notice unless exercised by the holders prior to such date.

The fair value of the warrants was \$0.11 per warrant and was determined based on the Black-Scholes option pricing model assuming no expected dividends, as risk-free interest rate of 3.76%, an expected stock price volatility of 67%, and an expected life of two years.

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8. Share Capital (cont'd)

The Company incurred total issuance costs on the private placement of \$217,846, which were allocated to common shares in the amount of \$196,257 and to warrants in the amount of \$21,589 based on their relative fair values. Of these costs, \$190,803 was incurred in cash and \$27,043 was incurred through the issuance of 176,923 warrants to finders. Each finders warrant is exercisable into one common share at a price of \$0.65 per share until December 19, 2009. However, if over a period of 20 consecutive trading days between the date that is 4 months following the closing date and the expiry of the finders warrants, the daily close price of the common shares on the TSX-V exceeds \$1.30 on each of those 20 consecutive days, the Company will give written notice to the holders of the finders warrants that the finders warrants will expire at 4:00 p.m. (Vancouver time) on the 30th day following the giving of notice unless exercised by the holders prior to such date.

c) Warrants:

	Warrants	Weighted-average exercise price	Weighted-average remaining life (years)
Balance at February 28, 2007	20,449,658	\$0.64	1.6
Expired	(267,500)	\$0.55	
Issued	2,701,153	\$0.88	
Balance at February 29, 2008	22,883,311	\$0.67	0.7
Exercised	(1,121)	\$0.90	
Expired	(20,182,158)	\$0.64	
Issued	3,010,000	\$0.30	
Balance at February 28, 2009	5,710,032	\$0.57	1.2

Warrants exercisable and outstanding are as follows:

Expiry Date	Exercise Price	Number
December 19, 2009	\$0.65	176,923
December 19, 2009	\$0.90	2,523,109
June 5, 2010	\$0.38	1,610,000
December 10, 2010	\$0.20	1,400,000
		5,710,032

9. Stock Options

a) Stock options outstanding

A stock option plan (the "Plan") was adopted by the Company and approved by shareholders in 2005. Under the Plan, the Company may grant options to directors, officers, employees, dependent contractors or consultants. The number of options outstanding at any time may not be more than 10% of the number of common shares issued and outstanding. The exercise price associated with each grant of options is determined by the Company and is subject to the policies of the TSX Venture Exchange. The maximum term of each option is 5 years. The options vest on a basis as determined by the directors or a committee thereof at the time of grant.

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9. Stock Options (cont'd)

	Shares	Weighted-average exercise price	Weighted-average remaining life (years)
Balance at February 28, 2007	3,339,000	\$0.45	0.7
Exercised	(489,000)	\$0.23	
Expired	(2,400,000)	\$0.28	
Granted	3,085,000	\$0.50	
Balance at February 29, 2008	3,535,000	\$0.49	1.5
Expired	(450,000)	\$0.44	
Granted	250,000	\$0.32	
Balance at February 28, 2009	3,335,000	\$0.49	0.6

Stock options exercisable and outstanding are as follows:

Expiry Date	Exercise Price	Exercisable 2009	Outstanding 2009
August 17, 2009	\$0.38	50,000	50,000
August 31, 2009	\$0.30	200,000	200,000
October 8, 2009	\$0.50	2,985,000	2,985,000
January 31, 2010	\$0.50	100,000	100,000
		3,335,000	3,335,000

b) Stock-based compensation:

During the year ended February 28, 2009, the Company granted 250,000 stock options with a weighted average grant date fair value of \$0.06. The Company recognized \$31,449 of stock-based compensation. The Company calculated the fair value of options granted using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 2.65%, a dividend yield of nil, an expected volatility of the Company's share price of 51% and an expected life of the stock options of 1 year.

During the year ended February 29, 2008, the Company granted 3,085,000 stock options and extended the expiry date of 489,000 stock options with a weighted average grant date fair value of \$0.15. The Company recognized \$520,160 of stock-based compensation. The Company calculated the fair value of options granted and of the incremental fair value of the modified options by using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 4.32%, a dividend yield of nil, an expected volatility of the Company's share price of 79% and an expected life of the stock options of 1.75 years.

10. 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 year ended February 28, 2009:

- incurred \$257,055 (2008 - \$188,806) for management fees to a company controlled by the CEO of the Company, to a company controlled by the CFO of the Company, and to a company controlled by the Vice-President of Exploration;
- incurred \$95,587 (2008 - \$134,556) for technical services to a company controlled by the CEO, to a company controlled by the Vice-President of Exploration, and to the Vice-President of Exploration;

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(Canadian Dollars)

10. Related Party Transactions (cont'd)

- c) incurred \$24,000 (2008 - \$24,000) for directors fees to a director of the Company and to companies controlled by two directors of the Company; and
- d) incurred \$45,333 (2008 - \$36,000) for rent to companies with a common director.
- e) certain officers, directors, spouses of directors and a company controlled by an officer of the Company participated in the debenture financing (note 7) in the amount of \$1,130,000, of which \$200,000 was repaid during the year. The Company paid \$67,800 of interest on these debentures.

Amounts receivables include \$286 (2008 - \$277) owing from related parties and accounts payable and accrued liabilities include \$3,534 (2008 - \$Nil) owing to related parties.

11. Financial Instruments

As at February 28, 2009, the Company's financial instruments are cash and cash equivalents, amounts receivable, tax credits recoverable, advances for exploration, accounts payable and accrued liabilities and debenture. The amounts reflected in the balance sheet are carrying amounts and approximate their fair values due to the short-term nature and negligible credit losses. These financial instruments are classified as follows:

Cash and cash equivalents – held-for-trading
Amounts receivable – loans and receivables
Tax credits recoverable – loans and receivables
Advances for exploration – held-for-trading
Accounts payable and accrued liabilities – other financial liabilities
Debenture – other financial liabilities

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents, amounts receivable and tax credits recoverable are exposed to credit risk. The credit risk on cash and cash equivalents is small because the counterparties are highly rated financial institutions. The credit risk on amounts receivable and on tax credits recoverable are small because the counterparties are federal and provincial governments.

The aging of amounts receivable and tax credits recoverable are as follows:

	2009	2008
Amounts receivable		
0 to 60 days	\$ 15,135	\$ 52,605
61 to 120 days	-	-
> 120 days	-	-
	<u>\$ 15,135</u>	<u>\$ 52,605</u>
Tax credits recoverable		
0 to 365 days	\$ 3,107,191	\$ 3,413,279
> 365 days	694,160	91,319
	<u>\$ 3,801,351</u>	<u>\$ 3,504,598</u>

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February 28, 2009

(Canadian Dollars)

11. Financial Instruments (cont'd)

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to interest rate risk as the Company invests cash at floating rates of interest in highly liquid instruments. Fluctuations in interest rates offset the fair value of variable rate deposits and other highly liquid investments.

c) Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to currency risk is negligible because the Company's operations are in one country, being Canada. The dollar amount and number of transactions conducted in currencies other than the Canadian dollar are not significant.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are all current and due within 90 days of the balance sheet date. The Company ensures that it has sufficient capital to meet short term financial obligations after taking into account its exploration obligations and cash and cash equivalents on hand.

12. Capital Management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to continue exploration of the Company's Matagami Project and to meet ongoing operating costs.
- To ensure that flow-through funds are spent on Canadian Exploration Expenditures in order to meet the required renunciation obligations.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes shareholders' equity and debt in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets, especially in regards to exploration results on its Matagami Project. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements and/or issuance of debt. The Company is not exposed to externally imposed capital requirements.

As at February 28, 2009, significant anticipated future expenditures include: 1) approximately \$8,000,000 of Matagami exploration expenditures by May 31, 2011 (note 6) in order to earn a 50% participating joint venture interest in the Matagami Project; and 2) the repayment of the \$3,000,000 debenture by June 5, 2010 (note 7).

13. Income Taxes

The Company has incurred \$21,662 (2008 - \$178,107) of Part XII.6 tax which is incurred on the issuance of flow-through shares using the look-back rule. These taxes are deductible for tax purposes and are shown as interest on flow-through shares on the statements of loss and comprehensive loss. Substantially all of the difference between the future income tax recovery of \$228,600 (2008 - \$1,231,007) and the expected statutory corporate income tax recovery relates to losses and resource pools not recognized. This difference and the related tax effect are as follows:

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(Canadian Dollars)

13. Income Taxes (cont'd)

	2009	2008
Canadian basic statutory tax rate	30.9%	31.8%
Potential income tax recovery based on reported net loss	\$ 2,191,997	\$ 1,938,861
Effect of non-deductible income and expenses	(151,487)	(41,711)
Effect of non-deductible portion of capital items	884,006	(1,568,613)
Effect of change in tax rates	497,073	-
Adjustment of valuation allowance	(3,192,989)	902,470
	<u>\$ 228,600</u>	<u>\$ 1,231,007</u>

The Company has accumulated losses of approximately \$3,800,000 which may be deducted in the calculation of taxable income in future years. These losses expire on various dates up to fiscal 2029. The Company has unrecognized investment tax credits totaling approximately \$2,025,000.

Significant components of the company's future tax liabilities and assets are as follows:

	2009	2008
Future income tax assets (liabilities):		
Flow-through share renunciation	\$ (228,600)	\$ (512,017)
Resource pools	1,994,791	(658,897)
Capital investment	452,724	399,897
Non-capital losses carried forward	1,015,406	589,979
Share issue costs	241,970	312,503
Property and equipment	10,196	8,439
Debenture	(153,594)	-
Valuation allowance	(3,332,893)	(139,904)
	<u>\$ -</u>	<u>\$ -</u>

14. Supplemental Cash Flow Information

	2009	2008
Cash paid for interest	\$ 192,000	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash financing and investing activities:		
Finders fees paid in shares and units	\$ 34,000	\$ -
Compensation warrants for share issue costs	\$ -	\$ 27,043
Stock-based compensation transferred to share capital on exercise of stock options	\$ -	\$ 82,395
Stock-based compensation transferred to share capital on exercise of warrants	\$ 135	\$ 43,068

Cash and cash equivalents are comprised of \$277,540 (2008 - \$2,151,648) of cash and \$Nil (2008 - \$Nil) of cash equivalents.

15. Segmented Information

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The Company operates in one business segment being the acquisition, exploration and development of mineral properties in Canada. All of the Company's assets are located in Canada.

16. Subsequent Events

- a) Subsequent to February 28, 2009, the Company closed a private placement for gross proceeds of \$901,595. The funds were raised through the issuance of 2,180,500 flow-through units at a price of \$0.19 per flow-through unit, 3,103,000 non flow-through units at a price of \$0.15 per non flow-through unit, and 115,000 flow-through common shares at a price of \$0.19 per flow-through common share. Each flow-through unit is comprised of one common share and one-half of one share purchase warrant where each whole warrant is exercisable into one non flow-through common share at a price of \$0.25 expiring in two years. Each non flow-through unit is comprised of one common share and one share purchase warrant exercisable into one common share at a price of \$0.25 expiring in two years.

The private placement closed in stages. Accordingly, of the 4,193,250 warrants issued, 1,000,000 will expire March 23, 2011, 3,000,000 will expire March 27, 2011, and 193,250 will expire March 31, 2011.

The Company paid finder fees of \$54,096 and issued 323,910 finder warrants, of which 126,900 will expire March 23, 2010, 180,000 will expire March 27, 2010 and 17,010 will expire March 31, 2010. Each finder warrant will be exercisable into one common share at a price of \$0.25.

- b) Subsequent to February 28, 2009, the Company closed a brokered private placement for gross proceeds totaling \$954,353. The funds were raised by issuing a total of 2,315,015 flow-through shares at a price of \$0.19 per share (\$439,853), and 3,430,000 non flow-through units at a price of \$0.15 per unit (\$514,500). Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.25 per share until May 5, 2011.

The Company paid cash commissions totalling \$76,348 and issued 459,602 broker warrants exercisable at \$0.25 per share, expiring May 5, 2010.

- c) Subsequent to February 28, 2009, the Company closed a non-brokered private placement for gross proceeds totaling \$537,400. The funds were raised by issuing a total of 1,527,333 non flow-through ("NFT") units at a price of \$0.15 per NFT unit (\$229,100), 1,570,000 flow-through ("FT") units at a price of \$0.19 per FT unit (\$298,300), and 52,631 FT shares at a price of \$0.19 per FT share (\$10,000). Each NFT unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.25 for two years. Each FT unit is comprised of one common share and one-half of one share purchase warrant where each whole warrant is exercisable into one common share at a price of \$0.25 for two years.

The private placement closed in stages. Accordingly, of the 2,312,333 warrants issued, 650,000 will expire May 21, 2011, and 1,662,333 will expire May 26, 2011.

The Company has also paid finder fees of \$19,224 and issued 109,120 finder warrants, which expire May 26, 2010. The finder warrants are exercisable into one common share at a price of \$0.25.

- d) Subsequent to February 28, 2009, the Company closed a non-brokered private placement for gross proceeds totaling \$448,850. The funds were raised by issuing a total of 367,000 non flow-through ("NFT") units at a price of \$0.15 per NFT unit (\$55,050), 2,020,000 flow-through ("FT") units at a price of \$0.19 per FT unit (\$383,800), and 52,631 FT shares at a price of \$0.19 per FT share (\$10,000). Each NFT unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.25 until June 2, 2011. Each FT unit is comprised of one common share and one-half of one share purchase warrant where each whole warrant is exercisable into one common share at a price of \$0.25 until June 2, 2011.

The Company has also paid finder fees of \$27,508 and issued 150,960 finder warrants, which expire June 2, 2010. The finder warrants are exercisable into one common share at a price of \$0.25.

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Schedule of Exploration Expenditures (note 6)

(Canadian Dollars)

	Year ended February 28, 2009	Year ended February 29, 2008
Matagami Property		
Drilling	\$ 6,431,285	\$ 5,271,024
Environment, health & safety	2,503	44,648
Geochemistry	595	3,695
Geology	618,127	666,242
Geophysics	94,256	1,430,400
Operator fees	715,531	748,691
Other	7,151	22,251
Property maintenance	1,393	68,654
Technical services	82,375	122,362
	7,953,216	8,377,967
Refundable tax credits	(2,540,849)	(2,791,233)
Mining duties refund	(547,059)	(622,046)
	4,865,308	4,964,688
South Voisey Bay Properties		
SVBN Property		
Geology	5,285	280
Geophysics	16,150	45,274
Mobilization and camp operations	13,789	-
Overhead fees	3,303	-
Property maintenance	-	14,250
Technical services	6,777	-
	45,304	59,804
Commander Property		
Geology	5,506	-
Geophysics	22,711	143,607
Mobilization and camp operations	21,395	167,923
Overhead fees	4,903	(18,801)
Technical services	6,435	7,994
	60,950	300,723
	106,254	360,527
	\$ 4,971,562	\$ 5,325,215