

Donner Metals Ltd.

Quarterly Consolidated Financial Statements For the Six Months Ended August 31, 2009 (Unaudited)

Notice to Reader

The accompanying unaudited interim 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 six months ended August 31, 2009.

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

	August 31, 2009	February 28, 2009
ASSETS		
Current		
Cash	\$ 1,578,960	\$ 277,540
Amounts receivable	22,174	15,135
Tax credits recoverable	3,162,973	3,235,087
Advances for exploration	500,257	377,031
Prepaid expenses	33,219	22,632
	5,297,583	3,927,425
Property and equipment	16,998	11,825
Long-term tax credits recoverable	1,259,996	566,264
Investment (note 4)	244,746	280,440
	\$ 6,819,323	\$ 4,785,954
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 116,364	\$ 63,053
Debenture and accrued interest on debenture (note 6)	2,036,518	84,066
	2,152,882	147,119
Debenture (note 6)	-	2,429,017
	2,152,882	2,576,136
Shareholders' equity		
Share capital	15,773,714	12,052,997
Warrants	1,493,241	587,957
Contributed surplus	4,508,098	4,390,686
Deficit	(17,108,612)	(14,821,822)
	4,666,441	2,209,818
	\$ 6,819,323	\$ 4,785,954

Nature of Operations and Basis of Presentation (note 1)
Contractual obligations (note 5)
Subsequent events (note 13)

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 August 31,		Six months ended August 31,	
	2009	2008	2009	2008
Expenses				
Administration and management fees	\$ 118,195	\$ 86,098	\$ 233,922	\$ 173,163
Amortization	1,529	1,317	2,718	2,625
Consulting fees	50,000	-	50,000	-
Directors fees	7,000	6,000	13,000	12,000
Exploration expenditures (schedule)	630,254	1,412,376	1,050,568	2,953,458
Filing and transfer agent fees	8,421	7,001	12,195	8,514
Office and miscellaneous	19,547	13,645	24,972	22,963
Professional fees	25,281	15,693	27,329	19,004
Promotion	98,839	47,925	210,592	145,061
Rent	21,000	9,500	42,000	19,000
Stock-based compensation	50,983	6,097	117,412	11,004
Telephone and communications	5,374	11,053	17,280	31,296
Travel	27,545	22,076	73,082	70,726
Loss before other items	(1,063,968)	(1,638,781)	(1,875,070)	(3,468,814)
Other items				
Interest income	1,904	10,802	2,409	22,347
Interest expense on debenture	(185,967)	(312,871)	(378,435)	(312,871)
Dilution gain (note 4)	-	7,974	-	7,974
Equity in loss on investment (note 4)	(16,392)	(149,555)	(35,694)	(185,432)
	(200,455)	(443,650)	(411,720)	(467,982)
Loss and comprehensive loss for the period	\$ (1,264,423)	\$ (2,082,431)	\$ (2,286,790)	\$ (3,936,796)
Basic and diluted loss per share	\$ (0.02)	\$ (0.04)	\$ (0.03)	\$ (0.09)
Weighted average number of common shares outstanding	80,665,532	46,194,120	68,973,674	45,507,450

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.

(An exploration stage company)

Consolidated Statements of Shareholders' Equity

(Canadian Dollars)

(Unaudited)

	Common Shares		Warrants	Contributed Surplus	Deficit	Total
	Number	Amount				
Balance at February 28, 2009	53,019,401	\$ 12,052,997	\$ 587,957	\$ 4,390,686	\$ (14,821,822)	\$ 2,209,818
Private placements (note 7)	25,493,521	3,698,691	677,052	-	-	4,375,743
Share issue costs on private placements	-	(479,449)	(86,445)	-	-	(565,894)
Warrants issued on private placements	-	-	106,652	-	-	106,652
Shares issued for debt	4,729,999	501,475	208,025	-	-	709,500
Stock-based compensation (note 8)	-	-	-	117,412	-	117,412
Loss for the period	-	-	-	-	(2,286,790)	(2,286,790)
Balance at August 31, 2009	83,242,921	\$ 15,773,714	\$ 1,493,241	\$ 4,508,098	\$ (17,108,612)	\$ 4,666,441
Balance at February 29, 2008	44,820,780	\$ 10,712,357	\$ 3,579,643	\$ 1,110,241	\$ (7,910,366)	\$ 7,491,875
Debenture bonus shares	1,435,000	609,875	-	-	-	609,875
Debenture warrants	-	-	210,910	-	-	210,910
Debenture issue costs	-	(9,457)	(3,270)	-	-	(12,727)
Exercise of warrants	1,121	1,144	(135)	-	-	1,009
Stock-based compensation	-	-	-	11,004	-	11,004
Loss for the period	-	-	-	-	(3,936,796)	(3,936,796)
Balance at August 31, 2008	46,256,901	\$ 11,313,919	\$ 3,787,148	\$ 1,121,245	\$ (11,847,162)	\$ 4,375,150

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.

(An exploration stage company)

Consolidated Statements of Cash Flows

(Canadian Dollars)

(Unaudited)

Cash provided by (used for):	Three months ended August 31,		Six months ended August 31,	
	2009	2008	2009	2008
Operating activities				
Loss for the period	\$ (1,264,423)	\$ (2,082,431)	\$ (2,286,790)	\$ (3,936,796)
Items not involving cash:				
Amortization	1,529	1,317	2,718	2,625
Stock-based compensation	50,983	6,097	117,412	11,004
Accretion expense on debenture	114,702	221,342	216,181	221,342
Dilution gain	-	(7,974)	-	(7,974)
Equity in loss on investment	16,392	149,555	35,694	185,432
Changes in non-cash working capital items:				
Amounts receivable	(6,039)	1,281	(7,039)	40,438
Tax credits recoverable	1	1,818,923	72,114	694,946
Advances for exploration	(9,213)	1,016,984	(123,226)	1,136,221
Prepaid expenses	(11,847)	(16,417)	(10,587)	(12,171)
Accounts payable and accrued liabilities	20,558	249,473	53,311	229,494
Accrued interest on debenture	(74,235)	91,529	16,754	91,529
Long-term tax credits recoverable	(446,520)	-	(693,732)	-
	(1,608,112)	1,449,679	(2,607,190)	(1,343,910)
Financing activities				
Debentures issued for cash - net of costs	-	2,070,379	-	3,150,379
Common shares issued for cash - net of costs	1,777,255	1,009	3,916,501	1,009
	1,777,255	2,071,388	3,916,501	3,151,388
Investing activities				
Purchase of property and equipment	(3,612)	(408)	(7,891)	(2,350)
Change in cash	165,531	3,520,659	1,301,420	1,805,128
Cash, beginning of period	1,413,429	436,116	277,540	2,151,647
Cash, end of period	\$ 1,578,960	\$ 3,956,775	\$ 1,578,960	\$ 3,956,775

Supplemental cash flow information (note 12)

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.

(An exploration stage company)

Notes to the Consolidated Financial Statements

August 31, 2009

(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'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 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 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 consolidated 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 consolidated 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 six month period ended August 31, 2009 are not necessarily indicative of the results that may be expected for the year ended February 28, 2010. The balance sheet at February 28, 2009 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.

2. Significant Accounting Policies

These interim consolidated 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, 2009 (except as described in note 3). For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended February 29, 2008.

3. Changes in Accounting Policies

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. Effective March 1, 2009, the Company adopted this recommendation in its fair value determinations without any impact to the Company's financial results at adoption.

4. Investment

	August 31, 2009		
	Percentage of Ownership	Carrying Value	Market Value
Knight Resources Ltd.	13.6%	\$ 244,746	\$ 741,645

	February 28, 2009		
	Percentage of Ownership	Carrying Value	Market Value
Knight Resources Ltd.	13.7%	\$ 280,440	\$ 618,038

As at August 31, 2009, 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, 2009 to August 31, 2009 was \$35,694.

DONNER METALS LTD.

(An exploration stage company)

Notes to the Consolidated Financial Statements

August 31, 2009

(Canadian Dollars)

(Unaudited)

4. Investment (cont'd)

The market value was determined using the closing quoted price of Knight's stock on the TSX Venture Exchange on August 31, 2009 and February 28, 2009 as applicable.

5. 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	August 31, 2009	February 28, 2009
Exploration expenditures	\$ 20,304,642	\$ 18,614,315
Option payments	400,000	400,000
Refundable tax credits and mining duties	(7,696,002)	(7,002,270)
	<u>\$ 13,008,640</u>	<u>\$ 12,012,045</u>

The Company is party to an Option and Joint Venture Agreement (OJVA) with Xstrata plc. ("Xstrata") 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 4,750 square kilometres and over 3,340 mineral claims covering approximately 801 square kilometers ("km²").

Pursuant to the 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 agreed to contribute an additional expenditure of up to \$5 million (incurred) 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 (incurred) 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 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.

DONNER METALS LTD.

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Notes to the Consolidated Financial Statements

August 31, 2009

(Canadian Dollars)

(Unaudited)

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) Six licences covering approximately 195.6 km² held 100% by SVBN with the exception of a 37.1 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").

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

As at August 31, 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
- 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 six months ended August 31, 2009, the Company expended \$22,381 (2008 - \$62,341) on the Donner/Commander Property and \$31,592 (2008 - \$37,670) on the SVBN Property.

6. Debenture

As of August 31, 2009, the Company has \$2,325,000 of debentures outstanding that are due June 5, 2010. The debentures bear interest at the rate of 12% per annum and the Company may redeem all or part of the outstanding principal (and accrued interest) at any time. The debentures are secured against all of the Company's present and future-acquired assets, on a first ranking priority basis.

DONNER METALS LTD.

(An exploration stage company)

Notes to the Consolidated Financial Statements

August 31, 2009

(Canadian Dollars)

(Unaudited)

6. Debenture (cont'd)

Debenture

Opening balance	\$	2,513,083
Redemption		(675,000)
Accretion expense		216,181
Interest accrued		(17,746)
		<hr/>
		2,036,518
Less current portion		(2,036,518)
		<hr/>
	\$	-

Interest expense on debenture

Accretion expense	\$	216,181
Interest paid		180,000
Interest accrued		(17,746)
		<hr/>
	\$	378,435

7. Share Capital

a) Authorized:

An unlimited number of common shares without par value.

b) During the six months ended August 31, 2009, the Company closed numerous brokered and non-brokered private placements through the issuance of flow-through common shares, flow-through units, and non-flow through units.

- i) The Company issued 7,812,355 flow-through common shares for gross proceeds of \$1,484,348. The Company incurred total issuance costs of \$218,918 of which \$171,057 was incurred in cash and \$47,861 was incurred through the issuance of 610,267 warrants to finders. These warrants entitle the holder to acquire one additional non flow-through common share of the Company for a period of one year at a price of \$0.25.

The fair value of the finder warrants of \$0.08 per warrant was determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 0.59%, an expected stock price volatility of 118%, and an expected life of one year.

- ii) The Company issued 5,980,500 flow-through units for gross proceeds of \$1,136,295. 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 \$943,813 and to warrants in the amount of \$192,482, 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 for a period of two years at a price of \$0.25.

The fair value of the warrants of \$0.06 per warrant was determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.22%, an expected stock price volatility of 90%, and an expected life of two years.

The Company incurred total issuance costs of \$86,605 of which \$70,629 was incurred in cash and \$15,976 was incurred through the issuance of 282,830 warrants to finders. These warrants entitle the holder to acquire one additional non flow-through common share of the Company for a period of one year at a price of \$0.25.

The fair value of the finder warrants of \$0.06 per warrant was determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 0.59%, an expected stock price volatility of 118%, and an expected life of one year.

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Notes to the Consolidated Financial Statements

August 31, 2009

(Canadian Dollars)

(Unaudited)

7. Share Capital (cont'd)

- iii) The Company issued 11,700,666 non flow-through units for gross proceeds of \$1,755,100. Each non flow-through unit is comprised of one common share and one common share purchase warrant. The total proceeds were allocated to common shares in the amount of \$1,270,530 and to warrants in the amount of \$484,570, based on their relative fair values on the date of issue.

Each share purchase warrant entitles the holder to acquire one additional non flow-through common share of the Company for a period of two years at a price of \$0.25.

The fair value of the warrants of \$0.04 per warrant was determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.22%, an expected stock price volatility of 90%, and an expected life of two years.

The Company incurred total issuance costs of \$260,371 of which \$217,556 was incurred in cash and \$42,815 was incurred through the issuance of 753,060 warrants to finders. These warrants entitle the holder to acquire one additional non flow-through common share of the Company for a period of one year at a price of \$0.25.

The fair value of the finder warrants of \$0.06 per warrant was determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 0.59%, an expected stock price volatility of 118%, and an expected life of one year.

- c) The Company exchanged \$709,500 of outstanding debentures (\$675,000 of principal and \$34,500 of accrued interest) for 4,729,999 shares and 4,729,999 share purchase warrants. This amount was allocated to common shares in the amount of \$501,475 and to warrants in the amount of \$208,025, based on their relative fair values on the date of issue.

Each share purchase warrant entitles the holder to acquire one additional common share of the Company for a period of two years at a price of \$0.25.

The fair value of the warrants of \$0.04 per warrant was determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.22%, an expected stock price volatility of 90%, and an expected life of two years.

- d) Warrants:

	Warrants	Weighted-average exercise price	Weighted-average remaining life (years)
Balance at February 28, 2009	5,710,032	\$0.57	1.2
Issued	21,067,072	\$0.25	
Balance at August 31, 2009	26,777,104	\$0.32	1.4

8. Stock Options

During the six months ended August 31, 2009, the Company granted 1,930,000 stock options (2008 – Nil) with a weighted average grant date fair value of \$0.09. The Company recognized \$117,412 of stock-based compensation (2008 - \$11,004). 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 0.77%, a dividend yield of Nil, an expected volatility of the Company's share price of 112% and an expected life of the stock options of 1 year.

DONNER METALS LTD.

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Notes to the Consolidated Financial Statements

August 31, 2009

(Canadian Dollars)

(Unaudited)

9. 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 periods ended August 31:

- a) incurred \$154,922 (2008 - \$105,663) 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 of the Company;
- b) incurred \$64,737 (2008 - \$58,382) for technical services to a company controlled by the CEO and to a company controlled by the Vice-President of Exploration of the Company;
- c) incurred \$13,000 (2008 - \$12,000) for directors fees to a director of the Company and to separate companies controlled by two separate directors of the Company;
- d) incurred \$42,000 (2008 - \$19,000) for rent to a company with a common director; and
- e) certain officers, directors and spouses of directors and a company controlled by an officer of the Company received \$57,300 (2008 - \$Nil) of debenture interest income.

Amounts receivables include \$282 (February 28, 2009 - \$286) owing from related parties and accounts payable and accrued liabilities include \$Nil (February 28, 2009 - \$3,534) owing to related parties.

10. Financial Instruments

As at August 31, 2009, the Company's financial instruments are cash, 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 their short-term nature and negligible credit losses. These financial instruments are classified as follows:

Cash – 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, amounts receivable and tax credits recoverable are exposed to credit risk. The credit risk on cash 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:

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(An exploration stage company)

Notes to the Consolidated Financial Statements

August 31, 2009

(Canadian Dollars)

(Unaudited)

10. Financial Instruments (cont'd)

	August 31, 2009	February 28, 2009
Amounts receivable		
0 to 60 days	\$ 22,174	\$ 15,135
61 to 120 days	-	-
> 120 days	-	-
	<u>\$ 22,174</u>	<u>\$ 15,135</u>
Tax credits recoverable		
0 to 365 days	\$ 1,704,636	\$ 3,107,191
> 365 days	2,718,333	694,160
	<u>\$ 4,422,969</u>	<u>\$ 3,801,351</u>

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.

11. 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.

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Notes to the Consolidated Financial Statements

August 31, 2009

(Canadian Dollars)

(Unaudited)

11. Capital Management (cont'd)

As at August 31, 2009, significant anticipated future expenditures include: 1) approximately \$7,000,000 of Matagami exploration expenditures by May 31, 2011 (note 5) in order to earn a 50% participating joint venture interest in the Matagami Project; and 2) the repayment of the \$2,325,000 debenture by June 5, 2010 (note 6).

12. Supplemental Cash Flow Information

	Three months ended August 31,		Six months ended August 31,	
	2009	2008	2009	2008
Cash paid for interest	\$ -	\$ -	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -
Non-cash financing activities:				
Fair value of warrants transferred to share capital on exercise of warrants	\$ -	\$ 135	\$ -	\$ 135
Shares issued for redemption of debenture and accrued interest	\$ 709,500	\$ -	\$ 709,500	\$ -
Finders fees paid in warrants	\$ 61,152	\$ -	\$ 106,652	\$ -

13. Subsequent Events

- a) Subsequent to August 31, 2009, the Company announced that it would be undertaking a brokered private placement in an amount up to \$2,000,000. The private placement will consist of 8,000,000 flow-through units ("FT Unit") at a price of \$0.25 per FT Unit. Each FT Unit will consist of one flow-through common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one non-flow-through common share at a price of \$0.35 per share for a period of 12 months. Industrial Alliance Securities Inc. is the agent for the brokered private placement.

In addition, the Company is undertaking a non-brokered private placement in an amount up to \$1,100,000. The private placement will consist of 5,000,000 non-flow-through units ("NFT Unit") at a price of \$0.22 per NFT Unit. Each NFT Unit will consist of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.35 per share for a period of 12 months.

The private placements are subject to the approval of the TSX Venture Exchange and have not closed as of the date of this report.

DONNER METALS LTD.

(An exploration stage company)

Schedule of Exploration Expenditures (note 5)

(Canadian Dollars)

(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2009	2008	2009	2008
Matagami Property				
Drilling	\$ 558,240	\$ 1,928,018	\$ 845,541	\$ 4,144,658
Environment, health & safety	200	446	2,819	1,330
Geochemistry	245	-	245	595
Geology	147,093	115,994	335,546	270,804
Geophysics	173,899	21,799	273,127	36,012
Operator fees	90,072	206,626	147,889	445,797
Other	5,582	-	6,151	4,549
Property maintenance	15,702	-	15,702	25
Technical services	32,482	21,095	63,307	45,885
	1,023,515	2,293,978	1,690,327	4,949,655
Refundable tax credits	(365,144)	(795,034)	(567,304)	(1,714,174)
Mining duties refund	(81,375)	(177,197)	(126,428)	(382,034)
	576,996	1,321,747	996,595	2,853,447
South Voisey Bay Properties				
SVBN Property				
Geology	1,549	1,942	1,549	3,524
Geophysics	7,500	14,108	7,500	14,108
Mobilization & camp operations	13,263	10,494	13,263	10,494
Overhead fees	-	2,767	-	2,767
Technical services	9,280	2,502	9,280	6,777
	31,592	31,813	31,592	37,670
Commander Property				
Geology	-	6,773	-	7,081
Geophysics	-	24,173	-	24,173
Mobilization & camp operations	20,951	20,273	20,951	20,273
Overhead fees	-	5,094	-	5,094
Technical services	715	2,503	1,430	5,720
	21,666	58,816	22,381	62,341
	53,258	90,629	53,973	100,011
	\$ 630,254	\$ 1,412,376	\$ 1,050,568	\$ 2,953,458