

Donner Metals Ltd.

(An Exploration Stage Company)

Consolidated Financial Statements
February 29, 2008 and February 28, 2007

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

	February 29, 2008	February 28, 2007
ASSETS		
Current		
Cash and cash equivalents	\$ 2,151,647	\$ 7,429,011
Short-term investments	-	1,016,204
Amounts receivable	52,605	12,603
Tax credits recoverable	2,882,552	501,083
Advances for exploration	1,136,221	791,014
Prepaid expenses	21,098	21,730
	6,244,123	9,771,645
Property and equipment (note 5)	15,791	26,406
Long-term tax credits recoverable	622,046	-
Investment (note 6)	673,210	227,226
	\$ 7,555,170	\$ 10,025,277
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 63,295	\$ 71,785
Future income tax (note 12)	-	718,991
	63,295	790,776
Shareholders' equity		
Share capital (note 8)	10,712,357	8,079,268
Warrants (note 8)	3,579,643	3,292,063
Contributed surplus	1,110,241	672,476
Deficit	(7,910,366)	(2,809,306)
	7,491,875	9,234,501
	\$ 7,555,170	\$ 10,025,277

Nature of Operations and Basis of Presentation (note 1)
Contractual Obligations (note 7)
Subsequent event (note 15)

Approved by the Directors:

"David Patterson"

"Harvey Keats"

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.

(An exploration stage company)

Consolidated Statements of Loss and Comprehensive Loss

(Canadian Dollars)

	Year ended February 29, 2008	Year ended February 28, 2007
Expenses		
Administration and management fees	\$ 303,806	\$ 263,747
Amortization	14,060	13,588
Directors fees	24,000	24,000
Exploration expenditures (schedule)	5,325,215	2,223,626
Filing and transfer agent fees	27,344	25,687
Office and miscellaneous	64,679	38,688
Professional fees	48,914	38,929
Promotion	256,965	165,697
Rent	36,000	35,423
Stock-based compensation (note 9)	520,160	598,104
Telephone and communications	55,170	15,974
Travel	106,561	49,013
Loss before other items and income taxes	(6,782,874)	(3,492,476)
Other items		
Interest income	182,927	178,897
Interest on flow-through shares (note 12)	(178,104)	-
Gain on sale of marketable securities (note 4)	-	105,803
Gain on deemed disposition of investment (note 6)	820,507	86,838
Equity in loss on investment (note 6)	(374,523)	(308,236)
	450,807	63,302
Loss before income taxes	(6,332,067)	(3,429,174)
Future income tax recovery (note 12)	1,231,007	1,322,385
Loss and comprehensive loss for the year	\$ (5,101,060)	\$ (2,106,789)
Basic and diluted loss per share	\$ (0.13)	\$ (0.10)
Weighted average number of common shares outstanding - basic and diluted	40,238,953	21,959,076

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, 2006	9,641,278	\$ 1,746,777	\$ -	\$ 130,632	\$ (702,517)	\$ 1,174,892
Private placement (note 8)	27,623,542	9,027,725	3,165,505	-	-	12,193,230
Share issue costs on private placement	400,000	(1,200,474)	126,558	-	-	(1,073,916)
Exercise of stock options (note 9)	351,000	136,990	-	(56,260)	-	80,730
Common shares issued for property option payment	1,000,000	400,000	-	-	-	400,000
Future income tax impact of renunciation of Canadian Exploration Expenses on flow-through shares	-	(2,041,376)	-	-	-	(2,041,376)
Stock-based compensation	-	-	-	598,104	-	598,104
Forgiveness of reorganization costs	-	9,626	-	-	-	9,626
Net loss	-	-	-	-	(2,106,789)	(2,106,789)
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

See accompanying notes to the consolidated financial statements.

DONNER METALS LTD.

(An exploration stage company)

Consolidated Statements of Cash Flows

(Canadian Dollars)

	Year ended February 29, 2008	Year ended February 28, 2007
Cash provided by (used for):		
Operating activities		
Net loss	\$ (5,101,060)	\$ (2,106,789)
Items not involving cash:		
Amortization	14,060	13,588
Exploration option payment	-	400,000
Stock-based compensation	520,160	598,104
Gain on sale of marketable securities	-	(105,803)
Gain on deemed disposition of investment	(820,507)	(86,838)
Equity in loss on investment	374,523	308,236
Write-down of property and equipment	-	601
Future income tax recovery	(1,231,007)	(1,322,385)
Accrued interest income	16,204	(16,204)
Changes in non-cash working capital items:		
Amounts receivable	(40,002)	28,300
Tax credits recoverable	(2,381,469)	(501,083)
Advances for exploration	(345,207)	(791,014)
Prepaid expenses	632	(10,705)
Accounts payable and accrued liabilities	(8,491)	(22,217)
Long-term tax credits recoverable	(622,046)	-
	(9,624,210)	(3,614,209)
Financing activities		
Common shares issued for cash - net of costs	3,350,291	11,200,044
Investing activities		
Purchase of property and equipment	(3,445)	(19,091)
Purchase of short-term investments	-	(1,500,000)
Redemption of short-term investments	1,000,000	500,000
Sale of marketable securities	-	105,803
	996,555	(913,288)
Change in cash and cash equivalents	(5,277,364)	6,672,547
Cash and cash equivalents, beginning of year	7,429,011	756,464
Cash and cash equivalents, end of year	\$ 2,151,647	\$ 7,429,011

Supplemental cash flow information (note 13)

See accompanying notes to the consolidated financial statements.

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Notes to the Consolidated Financial Statements

February 29, 2008

(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 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.

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. Inter-company transactions have been eliminated. Non-controlling interest has not been presented in the consolidated financial statements because the subsidiary is in a deficit position. 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) Marketable securities and short-term investments

Marketable securities consist of common shares of publicly traded companies. The marketable securities are carried at lower of cost and market value. Short term investments consist of money market instruments with terms to maturity, at the date of purchase, greater than ninety days.

d) 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

The Company records additions to property and equipment at 50% in the year of addition.

e) 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.

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Notes to the Consolidated Financial Statements

February 29, 2008

(Canadian Dollars)

2. Significant Accounting Policies (cont'd)

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.

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.

f) 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 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.

g) 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 29, 2008 and February 28, 2007.

h) 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 from these estimates.

i) 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.

j) 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.

DONNER METALS LTD.

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Notes to the Consolidated Financial Statements

February 29, 2008

(Canadian Dollars)

2. Significant Accounting Policies (cont'd)

k) 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.

3. Changes in Accounting Policies

Accounting Policies Implemented on March 1, 2007

a) Financial instruments

Effective March 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") new Handbook Sections 1530 "*Comprehensive Income*" ("HB 1530"), 3855 "*Financial Instruments – Recognition and Measurement*" ("HB 3855"), 3861 "*Financial Instruments – Disclosure and Presentation*" ("HB 3861") and 3865 "*Hedges*" ("HB 3865").

The objective of these new standards is to account for financial assets and liabilities at fair value including derivatives (note 11).

HB 1530 establishes standards for reporting and display of comprehensive income (loss). Comprehensive income (loss) is defined as net income (loss) plus other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that are excluded from net income (loss), such as, unrealized gains and losses of available-for-sale securities.

HB 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives.

HB 3861 establishes standards for presentation of financial instruments and derivatives, and identifies the information that should be disclosed about them.

These standards require that financial assets be classified as either trading, available-for-sale, held-to-maturity or loans and receivables, and financial liabilities be 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.

As at March 1, 2007 and February 29, 2008, the Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, tax credits recoverable, advances for exploration and accounts payable and accrued liabilities. These financial instruments are classified as follows:

- Cash and cash equivalents – held for trading
- Short-term investments – 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 liability

Due to their immediate or short-term nature, the fair values of these financial instruments approximate their fair values.

As at March 1, 2007, there were no available-for-sale assets, derivative financial instruments or other financial instruments held-for-trading. Accordingly, there were no transitional adjustments in respect to these standards that were recorded to opening asset and liability balances and accumulated other comprehensive income (loss).

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Notes to the Consolidated Financial Statements

February 29, 2008

(Canadian Dollars)

3. Changes in Accounting Policies (cont'd)

Gains and losses associated with items designated as 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.

HB 3865 establishes standards for when and how hedge accounting may be applied. Hedging is an activity designed to modify an entity's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging item (or changes resulting from a particular risk exposure relating to those items). The Company has not undertaken hedging activities in the past or during the year ended February 29, 2008 and therefore the adoption of HB 3865 did not have any impact on the Company's financial position, operations or cash flows.

Accounting Policies to be Implemented on March 1, 2008

- b) Effective March 1, 2008 the Company will adopt the CICA Handbook Section 1535 "*Capital Disclosures*" ("HB 1535"). The objective of this new standard is to disclose information concerning the Company's capital and how it is managed. The adoption of this standard is not expected to impact the Company's financial position, operations or cash flows.
- c) Effective March 1, 2008 the Company will adopt the CICA 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. These new standards will supersede HB 3861 "*Financial Instruments – Disclosure and Presentation*". The adoption of these standards is not expected to impact the Company's financial position, operations or cash flows.
- d) Effective March 1, 2008, the Company will adopt the CICA 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 is not expected to impact the Company's future financial results.
- e) Effective March 1, 2008, the Company will adopt 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. The Company is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.
- f) In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly accountable companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. Marketable Securities

During year ended February 28, 2007, the Company sold 138,750 common shares of Alma Resources Ltd. for proceeds and a realized gain of \$105,803. The Company had written down the carrying value of the shares to \$Nil in prior years.

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Notes to the Consolidated Financial Statements**February 29, 2008**

(Canadian Dollars)

5. Property and Equipment

	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>

	2007		
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 32,643	\$ 27,846	\$ 4,797
Computer software	30,504	22,049	8,455
Office equipment and furniture	53,225	40,071	13,154
	<u>\$ 116,372</u>	<u>\$ 89,966</u>	<u>\$ 26,406</u>

6. Investment

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

	2007		
	Percentage of Ownership	Carrying Value	Market Value
Knight Resources Ltd.	18.1%	\$ 227,226	\$ 1,668,701

As at February 29, 2008 and February 28, 2007, 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 29, 2008 was \$374,523 (2007 - \$308,236). As a result of share issuances by Knight during the year ended February 29, 2008, the Company recorded a gain on deemed disposition of \$820,507 (2007 - \$86,838).

The market value was determined using the closing quoted price of Knight's stock on the TSX Venture Exchange on February 29, 2008 and February 28, 2007.

The financial position and results of operations of Knight as at and for the years ended September 30, 2007 and September 30, 2006 and the three months ended December 31, 2007 and December 31, 2006 are as follows:

DONNER METALS LTD.

(An exploration stage company)

Notes to the Consolidated Financial Statements

February 29, 2008

(Canadian Dollars)

6. Investment (cont'd)

	December 31, 2007	September 30, 2007	December 31, 2006	September 30, 2006
Total assets	\$ 5,910,537	\$ 2,911,920	\$ 1,935,308	\$ 1,884,433
Total liabilities	\$ 64,978	\$ 500,091	\$ 33,946	\$ 209,095
Equity	\$ 5,845,559	\$ 2,411,829	\$ 1,913,889	\$ 1,675,338
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	\$ (381,738)	\$ (3,067,416)	\$ (343,219)	\$ (2,154,089)
Other items	\$ -	\$ 192,000	\$ -	\$ 93,088

7. 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	2008	2007
Exploration expenditures	\$ 10,661,099	\$ 2,283,132
Option payments	400,000	400,000
Refundable tax credits and mining duties	(3,914,362)	(501,083)
	\$ 7,146,737	\$ 2,182,049

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 4,737 square kilometres and over 3,350 mineral claims covering approximately 841 square kilometres.

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;
 - 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;
 - vi) an aggregate of \$20 million on or before May 31, 2011; and
- 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 (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 are being applied towards the \$5 million additional expenditure requirement.

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February 29, 2008

(Canadian Dollars)

7. Mineral Properties (cont'd)

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) 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 February 29, 2008, 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 year ended February 29, 2008, the Company expended \$300,723 (2007 - \$Nil) on the Donner/Commander Property and \$59,804 (2007 - \$Nil) on the SVBN Property.

Rainbow Property

The Company had an option earn-in agreement with Falconbridge whereby the Company could earn a 50% interest in a nickel property in Nunavut (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.

During the year ended February 28, 2007, the Company expended \$41,577 on exploration. The Company was required to incur \$1,328,710 in expenditures by December 31, 2006 in order to keep the option in good standing. Consequently, the option on the Rainbow Project lapsed as at this date.

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Notes to the Consolidated Financial Statements

February 29, 2008

(Canadian Dollars)

8. Share Capital

a) Authorized:

An unlimited number of common shares without par value.

b) During the years ended February 29, 2008 and February 28, 2007, the Company completed the following private placements:

- i) 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 and was determined based on the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 3.76%, an expected stock price volatility of 67%, and an expected life of two years.

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. These finders warrants are 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.

- ii) On September 29, 2006, the Company closed brokered and non-brokered private placements for gross proceeds of \$12,193,230. These funds were raised through the issuance of 19,063,542 flow-through units at a price of \$0.46 per unit and 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 (the "flow-through warrants"). Each non flow-through unit is comprised of one common share and one common share purchase warrant (the "non flow-through warrants"). The total proceeds were allocated to common shares in the amount of \$9,027,725 and to warrants in the amount of \$3,165,505, based on their relative fair values on the date of issue.

All warrants issued pursuant to the 2006 private placements are exercisable into non flow-through common shares of Company and expire on September 29, 2008. The flow-through warrants have an exercise price of \$0.75 per common share, and the non flow-through warrants have an exercise price of \$0.55 per common share. The fair values of the flow-through warrants and the non flow-through warrants were \$0.25 and \$0.28, respectively. These fair values were determined based on the Black-Scholes option pricing model assuming no expected dividends and the following assumptions:

DONNER METALS LTD.

(An exploration stage company)

Notes to the Consolidated Financial Statements

February 29, 2008

(Canadian Dollars)

8. Share Capital (cont'd)

	Flow-Through Warrants	Non Flow-Through Warrants
Risk-free interest rate	3.88%	3.88%
Expected stock price volatility	110%	110%
Expected life (in years)	2.0	2.0

The Company incurred total issuance costs on the private placement of \$1,781,412, which were allocated to common shares in the amount of \$1,326,903 and to warrants in the amount of \$454,509 based on their relative fair values. Of these costs, \$1,073,916 was incurred in cash, \$160,000 was incurred through the issuance of 400,000 non flow-through units as a corporate finance fee, and \$547,496 was incurred through the issuance of 1,957,887 non flow-through warrants to investment dealers and finders.

Also on September 29, 2006, the Company issued Xstrata 1,000,000 common shares with a fair value of \$0.40 per share as an option payment pursuant to the Matagami OJVA (note 7).

c) Warrants:

	Warrants	Weighted-average exercise price	Weighted-average remaining life (years)
Balance at February 28, 2006	2,235,438	\$2.00	0.0
Expired	(2,235,438)	\$2.00	
Granted	20,449,658	\$0.64	
Balance at February 28, 2007	20,449,658	\$0.64	1.6
Exercised	(267,500)	\$0.55	
Granted	2,701,153	\$0.88	
Balance at February 29, 2008	22,883,311	\$0.67	0.7

Warrants exercisable and outstanding are as follows:

Expiry Date	Exercise Price	Number
September 29, 2008	\$0.55	10,650,387
September 29, 2008	\$0.75	9,531,771
December 19, 2009	\$0.65	176,923
December 19, 2009	\$0.90	2,524,230
		22,883,311

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9. Stock Options

a) Stock options outstanding

A stock option plan (the "Plan") was adopted by the Company and approved in 2005. Under the Plan, the Company may grant options to directors, officers, employees, independent 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.

	Shares	Weighted-average exercise price	Weighted-average remaining life (years)
Balance at February 28, 2006	840,000	\$0.23	1.7
Exercised	(351,000)	\$0.23	
Granted	2,850,000	\$0.49	
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

Stock options exercisable and outstanding are as follows:

Expiry Date	Exercise Price	Exercisable 2008	Outstanding 2008	Exercisable 2007	Outstanding 2007
October 3, 2007	\$0.50	-	-	2,350,000	2,400,000
November 6, 2007	\$0.23	-	-	489,000	489,000
July 5, 2008	\$0.355	300,000	300,000	275,000	300,000
December 21, 2008	\$0.60	150,000	150,000	150,000	150,000
October 8, 2009	\$0.50	2,947,500	2,985,000	-	-
January 31, 2010	\$0.50	-	100,000	-	-
		3,397,500	3,535,000	3,264,000	3,339,000

b) Stock-based compensation:

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 total fair value of \$521,749 and recognized \$520,160 of stock-based compensation. The Company calculated the compensation cost 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.

During the year ended February 28, 2007, the Company granted 2,850,000 stock options with a total fair value of \$610,019 and recognized \$598,104 of stock-based compensation. The Company calculated the fair value cost by using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 4.02%, a dividend yield of nil, an expected volatility of the Company's share price of 110% and expected life of the stock options of 1.2 years.

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(Canadian Dollars)

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 29, 2008:

- a) incurred \$188,806 (2007 - \$161,248) 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;
- b) incurred \$134,556 (2007 - \$68,177) 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;
- c) incurred \$24,000 (2007 - \$24,000) for directors fees to a director of the Company and to companies controlled by two directors of the Company; and
- d) incurred \$36,000 (2007 - \$33,773) for rent to companies with a common director.

Amounts receivables include \$277 (2007 - \$257) owing from related parties and accounts payable and accrued liabilities include \$Nil (2007 - \$7,816) owing to related parties.

11. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. A financial asset is any asset that is i) cash; ii) a contractual right to receive cash or another financial asset from another party; iii) a contractual right to exchange financial instruments with another party under conditions that are potentially favorable to the entity; or iv) an equity instrument of another entity. A financial liability is any liability that is a contractual obligation to i) deliver cash or another financial asset to another party; or ii) exchange financial instruments with another party under conditions that are potentially unfavorable to the entity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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 banks. The credit risk on amounts receivable and on tax credits recoverable are small because the counterparties are federal and provincial governments.

12. Income Taxes

Interest on flow-through shares of \$178,104 (2007 - \$Nil) is wholly composed 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. Substantially all of the difference between the future income tax recovery of \$1,231,007 (2007 - \$1,322,385) 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:

	2008	2007
Canadian basic statutory tax rate	31.8%	32.0%
Potential income tax recovery based on reported net loss	\$ 1,938,861	\$ 1,097,115
Effect of non-deductible income and expenses	(41,711)	(216,230)
Tax benefits not recognized and other	(526,239)	(755,153)
Adjustment of valuation allowance	(139,904)	1,196,653
	\$ 1,231,007	\$ 1,322,385

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Notes to the Consolidated Financial Statements

February 29, 2008

(Canadian Dollars)

12. Income Taxes (cont'd)

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

	2008	2007
Future income tax assets (liabilities):		
Flow-through share renunciation	\$ (512,017)	\$ (2,041,376)
Resource pools	(658,897)	709,805
Capital investment	399,897	-
Non-capital losses carried forward (expiring on various dates up to fiscal 2028)	589,979	216,540
Share issue costs	312,503	390,690
Property and equipment	8,439	5,350
Valuation allowance	(139,904)	-
	\$ -	\$ (718,991)

The Company has unrecognized investment tax credits totaling approximately \$1,350,000.

13. Supplemental Cash Flow Information

	2008	2007
Cash	\$ 2,151,647	\$ 6,412,741
Cash equivalents	\$ -	\$ 1,016,270
	\$ 2,151,647	\$ 7,429,011
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash investing and financing activities		
Finders fees paid in shares and units	\$ -	\$ 160,000
Compensation warrants for share issue costs	\$ 27,043	\$ 547,496
Property option payment paid in shares	\$ -	\$ 400,000
Future income tax impact of renunciation of Canadian Exploration Expenses pursuant to flow-through shares	\$ 512,017	\$ 2,041,376
Stock-based compensation transferred to share capital on exercise of stock options	\$ 82,395	\$ 56,260
Stock-based compensation transferred to share capital on exercise of warrants	\$ 43,068	\$ -

14. Segmented Information

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.

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Notes to the Consolidated Financial Statements

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(Canadian Dollars)

15. Subsequent Event

Subsequent to February 29, 2008, the Company completed a debenture financing for gross proceeds of \$3,200,000. The debentures will bear interest at the rate of 12% per annum and have a two year term; however the Company may redeem all or part of the outstanding principal (and accrued interest) at any time.

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.

DONNER METALS LTD.

(An exploration stage company)

Schedule of Exploration Expenditures (note 7)

(Canadian Dollars)

	Year ended February 29, 2008	Year ended February 28, 2007
Matagami Property		
Drilling	\$ 5,271,024	\$ 825,030
Environment, health & safety	44,648	3,913
Geochemistry	3,695	13,738
Geology	666,242	322,845
Geophysics	1,430,400	693,081
Option payment	-	400,000
Other	770,942	195,424
Property maintenance	68,654	160,043
Technical services	122,362	69,058
	8,377,967	2,683,132
Refundable tax credits	(2,791,233)	(409,764)
Mining duties refund	(622,046)	(91,319)
	4,964,688	2,182,049
South Voisey Bay Properties		
SVBN Property		
Geology	280	-
Geophysics	45,274	-
Property maintenance	14,250	-
	59,804	-
Commander Property		
Geophysics	143,607	-
Mobilization and camp operations	167,923	-
Overhead fees	(18,801)	-
Technical services	7,994	-
	300,723	-
	360,527	-
Rainbow Property		
Demobilization	-	41,577
	\$ 5,325,215	\$ 2,223,626

DONNER METALS LTD.
Management's Discussion and Analysis
Year Ended February 29, 2008

The following management's discussion and analysis of the results of operations and financial condition ("MD&A") for Donner Metals Ltd. ("the Company") should be read in conjunction with the audited consolidated annual financial statements as at and for the year ended February 29, 2008 and related notes thereto. The financial information in this MD&A is derived from the Company's unaudited consolidated annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The effective date of this MD&A is June 25, 2008.

This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

Description of Business

The Company is engaged in the identification, acquisition, exploration and development of mineral resources with a focus on base metals.

The Company is party to an option agreement with Xstrata Canada Corporation – Xstrata Zinc Canada Division ("Xstrata") (formerly Falconbridge Limited) concerning certain of Xstrata's holdings in the Matagami Camp, Quebec. In addition, the Company has a project in the South Voisey Bay area of Labrador, Newfoundland. The Company's primary focus is the Matagami Project.

The Company is a reporting issuer in British Columbia, Alberta and Ontario and its shares are listed on the TSX Venture Exchange and the Frankfurt Stock Exchange under the symbols DON and D4M respectively.

Risks and Uncertainties

The Company's principal activity of mineral exploration is considered to be very high risk. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, commodity prices, political and economic, with some of the most significant risks being:

1. Substantial expenditures are required to explore for mineral reserves and the chances of identifying economical reserves are extremely small;
2. The junior resource market, where the Company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires them;
3. Although the Company has taken steps to verify title to the mineral properties it has an interest in or is earning into, there is no guarantee that the property will not be subject to title disputes or undetected defects; and

4. The Company is subject to the laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous material and other matters. The Company conducts its exploration activities in compliance with applicable environmental protection legislation and is not aware of any existing environmental problems related to its properties that may cause material liability to the Company.

Exploration Projects

Matagami Project

In June 2006, the Company entered into an Option and Joint Venture Agreement (OJVA) with Xstrata Canada Corporation – Xstrata Zinc Canada Division (“Xstrata”) (formerly Falconbridge Limited) for the joint exploration of the Matagami Mining Camp of Quebec for volcanogenic massive sulphide (VMS) deposits. The Matagami Project has an area of mutual interest of 4,737 square kilometres and 3,350 mineral claims covering approximately 841 square kilometres.

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 (see below).

Taking advantage of Xstrata’s extensive historical database, the Company and Xstrata are using a combination of 3D data integration, innovative advanced technologies, new concepts and diamond drilling to explore for new deposits in this prolific mining camp. The Company’s strategy is to explore for and discover zinc - copper deposits in the Matagami Camp and to leverage the general infrastructure and existing processing facilities within a known and well-established cost structure for developing VMS deposits. The Company’s exploration objective is to investigate multiple stratigraphic horizons with potential for VMS mineralization, including the prolific Key Tuffite horizon, throughout the Matagami Camp.

The Matagami Mining Camp is a world-class mining district, with 18 known VMS deposits, including 10 past producers of varying sizes, including the giant Matagami Lake deposit (25.64 million tonnes of 8.2% Zn, 0.56% Cu, 20.91 g/t Ag and 0.41 g/t Au) discovered in 1957 and mined from 1963 to 1988. The area is host to historical production of 8.6 billion pounds of Zn and 853 million pounds of Cu and has established infrastructure including the town of Matagami, a railway, a paved road, and a 2,600 t/day mill owned by Xstrata.

The development of new exploration techniques and concepts has led directly to numerous discoveries in the Matagami Mining Camp. In 1957, as a result of the newly developed airborne EM system, the Matagami Lake deposit was discovered and within the next two and a half years, six more major deposits were identified. Between 1985 and 1992, four new deposits were discovered, and in 1999 a new EM system was flown over the Matagami camp, which led to the discovery of the Perseverance deposits in 2000. Xstrata has published a measured and indicated resource at Perseverance of 5.12 million tonnes of 15.82% Zn, 1.24% Cu, 29.00 g/t Ag and 0.38 g/t Au.

Proximity of the Matagami Project to past producers and existing deposits does not provide any assurance that economic mineralization exists on the Matagami Project, however past production and recent discoveries in the camp demonstrate the potential for additional discoveries.

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Pursuant to the June 2006 and November 2007 agreements, 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 on or before May 31, 2011 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;
- 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 \$12 million (previously \$10 million) of expenditures on exploration. In the event that a discovery is made during the option period, the Company will contribute a one-time additional expenditure of up to \$5 million (previously \$3 million) towards establishing an indicated resource on new discoveries. Due to positive exploration results, the Company has been incurring expenditures to meet this one-time additional expenditure requirement. The Company has also issued to Xstrata 1,000,000 of its common shares.

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), five separate joint ventures (50% the Company and 50% Xstrata) 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 February 29, 2008, the Company has incurred approximately \$6.6 million towards the Company's \$20 million exploration expenditure earn-in requirement and approximately \$3.1 million of the up to \$5 million one-time expenditure towards establishing an indicated resource on new discoveries.

As of the date of this report, the Company has incurred approximately \$8.0 million towards the Company's \$20 million exploration expenditure earn-in requirement and has now incurred the up to \$5 million one-time expenditure towards establishing an indicated resource on new discoveries.

Matagami Project Exploration

Upon completion of the Company's private placement in late September 2006, Xstrata commenced diamond drilling on the Matagami Project. At the date of this report, drilling is ongoing with four diamond drill rigs.

As of the date of this report the Company has reported on approximately 61,000 metres of diamond drilling in 128 holes.

The Company has reported on exploration results from the program in 14 news releases from January 19, 2007 to May 27, 2008. The full text of all news releases and the accompanying assay tables are available on the Company's website at www.donnermetals.com.

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Drilling to date has been focused on delineating six mineralized zones at the Bracemac and McLeod areas where significant occurrences of zinc and copper mineralization have been encountered. Exploration targets have also been investigated between Bracemac and McLeod, and elsewhere on the property.

Bracemac Area

Drilling at the Bracemac area has resulted in the discovery of three stratigraphically stacked zones of zinc – copper massive sulphide mineralization, referred to as the Upper Bracemac, Bracemac and Key Tuffite zones. Twenty-six drill holes have intersected sulphides of economic interest, including 16 drill holes in the Key Tuffite Zone, six in the Bracemac Zone and four in the Upper Bracemac Zone. Complete results and other technical information are posted at www.donnermetals.com. Delineation drilling and exploration drilling continues at Bracemac with the objective of discovering sufficient zinc, copper mineralization in multiple lenses to justify production.

McLeod Area

Drilling at McLeod, approximately 1 kilometre southeast of Bracemac, has resulted in the expansion of a previously discovered zinc, copper sulphide zone known as Old McLeod and the discovery of two new zinc, copper sulphide zones known as New McLeod and West McLeod. Twenty-five drill holes have intersected sulphides of economic interest, including 13 drill holes in New McLeod, five holes in Old McLeod (including 2 old Xstrata holes), four holes in West McLeod and three holes in the general McLeod Area. Complete results and other technical information are posted at www.donnermetals.com. Delineation drilling and exploration drilling continues at McLeod with the objective of discovering sufficient zinc, copper mineralization in multiple lenses to justify production.

Regional Drilling

Regional drilling elsewhere on the property to identify new zinc and copper occurrences has also been carried out and will continue in 2008.

South Voisey Bay Project, Labrador

The South Voisey Bay Project is located in central Labrador, in the province of Newfoundland and Labrador. The South Voisey Bay Project covers approximately 383 km² in which the Company has varying interests ranging from 52% to 77%.

In the fall of 2007, the Company undertook a low frequency UTEM geophysical exploration program on a portion of the Donner/Commander joint venture and the South Voisey Bay Properties as a possible first step in re-activating the entire South Voisey Bay Project. The new geophysical data will be integrated with existing geological, geochemical and geophysical data with the objective of designing additional geophysical programs for the entire South Voisey Bay Project and to generate drill targets for 2008.

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Results of Operations

For the year ended February 29, 2008, the Company reported a loss of \$5,101,060 (2007 - \$2,106,789). The Company's loss per share was \$0.13 (2007 - \$0.10). The increase in the loss reported is primarily due to exploration activity on the Matagami Project.

Exploration

During the year ended February 29, 2008, the Company incurred \$4,964,688 (2007 - \$2,182,049) of exploration expenditures net of recoverable tax credits. The Matagami Project commenced exploration activities during the three months ended August 31, 2006. Included in these amounts are \$122,362 (2007 - \$68,177) for technical geological services provided by management. The fees in Fiscal 2008 are higher due to the significant time required to oversee the growing Matagami project.

During the year ended February 29, 2008, the Company incurred \$300,723 (2007 - \$Nil) of exploration expenditures on the Donner/Commander joint venture property as described above under the heading South Voisey Bay Project. Included in these amounts are \$7,994 (2007 - \$Nil) for technical geological services provided by management to oversee and operate the project.

During the year ended February 29, 2008, the Company incurred \$14,250 (2007 - \$Nil) for five year renewal fees paid to the Government of Newfoundland and Labrador in order to renew expiring mineral licenses on the South Voisey Bay Properties. During the year ended February 29, 2008, the Company also incurred \$45,554 (2007 - \$Nil) of exploration expenditures on South Voisey Bay properties held by SVB Nickel Company Ltd.

General and Administrative

Differences in general and administrative expenses incurred during the years months ended February 29, 2008 and February 28, 2007 are as follows:

- The Company paid an arms-length private company \$115,000 (2007 - \$102,500) for accounting, secretarial and general administrative services. The administration fees have increased due to more business activity.
- Management billed the Company a total of \$188,806 (2007 - \$161,247) for management services during the year ended February 29, 2008. The Company's increased exploration and business activity contributed to the increase in these costs. Management devotes a portion of their time to the Company and a portion of their time to other companies where they are directors and/or officers. Accordingly, management invoices the Company based on the percentage of time each of the individuals devote to the Company.
- Office and miscellaneous has increased by \$25,991 in 2008 mainly due to printing costs incurred for promotional material and corporate information packages, an increase in insurance premiums due to the Company's active exploration program, and shipping costs incurred to transport the Company's display booth and promotional materials to conferences in North America and Europe.
- Professional fees have increased by \$9,985 mainly due to increased audit fees.
- Promotion has increased by \$91,268 in 2008 due to expenditures incurred to promote the Company's exploration project in Matagami, Quebec. Amounts included in promotion are

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Management's Discussion and Analysis
Year Ended February 29, 2008

monthly investor relations fees, print and internet advertising costs, web site updates, and investment and geological conference attendance fees.

- The Company uses the fair value based method of accounting for all stock-based awards. The Company recorded \$520,160 (2007 - \$598,104) of non-cash compensation cost mainly due to the grant of 3,085,000 stock options and the extension of 489,000 stock options. 2,850,000 stock options were granted during the year ended February 28, 2007. Although the Company granted and extended more stock options in 2008, the stock-based compensation incurred was less due to a decrease in the historical volatility of the Company's stock in 2008.
- Telephone and communications have increased by \$39,196 in 2008 primarily due to the increased number of news releases disseminated to a wider audience.
- Travel increased by \$57,548 in 2008 as management traveled throughout Europe and North America attending various investment and geological conferences and examining the exploration progress on the Company's Matagami Project.

Other Revenues and Expenses

- During 2007, the Company sold all of its investment in Alma Resources Ltd. (138,750 common shares) and reported a gain of \$105,803.
- As at February 29, 2008, the Company owns 12,360,750 common shares of Knight which is approximately 14% of its issued and outstanding common shares. The Company accounts for this investment using the equity method. The Company's share of Knight's loss was \$374,523 (2007 - \$308,236). The loss was larger in 2008 because Knight's expenditures on its West Raglan Project was greater than in the same period in 2007. The Company recorded a gain of \$820,507 (2007 - \$86,838) on deemed disposition. Knight issued considerably more shares through private placements during the year ended February 29, 2008 compared to the same period in 2007 and therefore the Company recorded higher gains on deemed dispositions of its investment.

Income Taxes

A portion of the Company's exploration activities are financed through proceeds received from the issue of flow-through shares. Under the terms of the flow-through shares issued, the tax benefits of the related expenditures are renounced to the flow-through share subscribers. The Company recognizes the foregone tax benefits to the Company and share capital is reduced for the tax effect of the tax benefits renounced to the subscribers. The tax effect of the renouncement is recorded upon filing of the renouncement documents provided that the corresponding exploration expenditures are incurred or there is a reasonable assurance that they will be incurred within the permitted time frame.

As a result of renouncing \$8,769,229 of Canadian Exploration Expenses during Fiscal 2007, the Company recorded a reduction in share capital of \$2,041,376 with a corresponding liability for future income taxes. The Company has reduced this future income tax liability by \$2,041,376 (\$1,322,385 in Fiscal 2007 and \$718,991 in Fiscal 2008) pursuant to recognizing future income tax assets (such as resource tax pools and losses carried forward).

As a result of renouncing \$3,281,499 of Canadian Exploration Expenses during Fiscal 2008, the Company recorded a reduction in share capital of \$512,017 with a corresponding liability for future income taxes. The Company has reduced this future income tax liability by \$512,017 in

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Fiscal 2008 pursuant to recognizing future income tax assets (such as resource tax pools and losses carried forward).

As at February 29, 2008, the Company's future income tax liability is \$Nil.

Fourth Quarter Operations

During the fourth quarter, the Company reported a loss of \$862,183 compared to earnings of \$287,706 in 2007. The primary reason for the loss reported in the 2008 fourth quarter relates to exploration expenditures of approximately \$1,000,000, general and administrative expenses of approximately \$250,000, future income tax recovery of \$512,017 (discussed above) and income taxes of \$178,104 incurred relating to the issuance of flow-through shares. Some of the larger expenses incurred and significant discrepancies between 2008 and 2007 fourth quarters are as follows:

- The Company incurred approximately \$91,000 (2007 - \$65,000) for administration and management fees. The amount was due to increased activities in anticipation of fund raising.
- The Company incurred approximately \$1,000,000 (2007 - \$800,000) for exploration costs. The amount is higher in 2007 because the Company has increased its spending on its Matagami Project as well as incurring costs on its South Voisey Bay properties.
- The Company recorded an equity earnings from operations of Knight totaling approximately \$40,000 compared to an equity loss of approximately \$54,500 in 2007. Knight's expenditures have decreased during 2008 which has resulted in the Company recording a smaller share of the loss.
- The Company incurred approximately \$2,000 (2007 - \$64,000) for stock-based compensation. The Company granted 100,000 (2007 - 150,000) stock options during the 2008 fourth quarter.
- The Company incurred approximately \$61,000 (2007 - \$52,000) for promotion. This amount is higher in 2008 due to the Company's increased business activity.

Financial Condition, Liquidity and Capital Resources

The Company's working capital position at February 29, 2008 was \$6,180,828 compared to \$9,699,859 at February 28, 2007.

The working capital position has decreased by \$3,519,031 because the Company 1) expended \$5,325,215 on exploration; 2) expended approximately \$740,000 on general and administrative costs net of interest income; and 3) collected \$3,350,291, net of costs, from the issuance of commons shares pursuant to a private placement and exercise of warrants and stock options.

The Company does not generate sufficient cash flow from operations to fund its exploration activities, its acquisitions and its administration costs. The Company is reliant on equity financings to provide the necessary cash to continue its operations. There can be no assurance that equity financings will be available to the Company in the future that will be obtained on terms satisfactory to the Company.

The Company anticipates incurring exploration expenditures in calendar 2008 in an amount exceeding its current cash on hand, and anticipated tax credits recoverable. Accordingly, the Company will need to undertake additional financings during calendar 2008.

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Subsequent Events

Subsequent to February 29, 2008, the Company completed a debenture financing for gross proceeds of \$3,200,000. The debentures will bear interest at the rate of 12% per annum and have a two year term; however the Company may redeem all or part of the outstanding principal (and accrued interest) at any time. The debentures will be 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, are subject to a hold period expiring October 6, 2008.

Off-Balance Sheet Arrangements

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

Changes in Accounting Policies

Effective March 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants new Handbook Sections 1530 "*Comprehensive Income*" ("HB 1530"), 3855 "*Financial Instruments – Recognition and Measurement*" ("HB 3855"), 3861 "*Financial Instruments – Disclosure and Presentation*" ("HB 3861") and 3865 "*Hedges*" ("HB 3865").

The objective of these new standards is to account for more assets and liabilities at fair value including non-financial derivatives. There were no transitional adjustments in respect to these standards that were recorded to opening asset and liability balances and accumulated other comprehensive income (loss). A description of the new accounting rules is provided in Note 3 of the audited consolidated financial statements for the year ended February 29, 2008.

Effective March 1, 2008 the Company will adopt the CICA 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. These new standards will supersede HB 3861 "*Financial Instruments – Disclosure and Presentation*". The adoption of these standards is not expected to impact the Company's financial position, operations or cash flows.

Effective March 1, 2008, the Company will adopt the CICA 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

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standard is not expected to impact the Company's future quarterly financial results.

Effective March 1, 2008, the Company will adopt 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. The Company is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Selected Annual Information

The following selected consolidated financial data has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited consolidated financial statements. All dollar amounts are in Canadian dollars.

For the Years Ended February 29/28	2008	2007	2006
Financial Results			
Interest income	\$ 182,927	\$ 178,897	\$ 17,431
Net loss	\$ 5,101,060	\$ 2,106,789	\$ 625,559
Basic and diluted loss per share	\$ (0.13)	\$ (0.10)	\$ (0.06)
Financial Position			
Working capital	\$ 6,180,828	\$ 9,699,859	\$ 704,764
Total assets	\$ 7,555,170	\$ 10,025,277	\$ 1,278,520
Share capital	\$ 10,712,357	\$ 8,079,268	\$ 1,746,777
Warrants	\$ 3,579,643	\$ 3,292,063	\$ -
Contributed surplus	\$ 1,110,241	\$ 672,476	\$ 130,632
Deficit	\$ 7,910,366	\$ 2,809,306	\$ 702,517

The Company's net loss has increased each year as the Company spends funds to explore its Matagami and South Voisey Bay properties. Interest income is much higher in 2008 and 2007 due to the closing of a \$3 million private placement in December 2007 and a \$12 million private

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placement in September 2006 which provided the Company with significantly more cash reserves to earn interest. The \$3 million and \$12 million worth of units issued pursuant to the private placements completed in 2008 and 2007 were assigned to share capital and warrants based on their relative fair values. Contributed surplus has increased in 2008 and 2007 due to the granting and expensing of stock options.

Selected Quarterly Information

The following selected consolidated financial data has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's yearly and interim consolidated financial statements. All dollar amounts are in Canadian dollars.

Fiscal Quarter Ended	Interest Income	Earnings (Loss)	Basic & Diluted Earnings (Loss)/Share
February 29, 2008	\$ 21,562	\$ (862,183)	\$ (0.02)
November 30, 2007	\$ 32,237	\$ (2,094,817)	\$ (0.05)
August 31, 2007	\$ 49,438	\$ (1,396,225)	\$ (0.04)
May 31, 2007	\$ 79,690	\$ (747,835)	\$ (0.02)
February 28, 2007	\$ 90,340	\$ 287,706	\$ 0.02
November 30, 2006	\$ 78,294	\$ (1,903,396)	\$ (0.06)
August 31, 2006	\$ 3,924	\$ (344,156)	\$ (0.04)
May 31, 2006	\$ 6,339	\$ (146,943)	\$ (0.02)

The Company's loss of \$2,094,817 for the three months ended November 30, 2007 was primarily due to exploration expenditures of \$1,541,546 and stock-based compensation of \$502,117. The Company reported earnings of \$287,706 for February 28, 2007 primarily due to the recognition of future income tax assets of \$1,322,385. The loss reported for November 30, 2006 is significantly larger than the previous two quarters as the Company started active exploration on its Matagami Project and granted 2,400,000 stock options with a fair value of \$478,726. Interest income has fallen over the three most recent quarters as the Company is using significant amounts of cash from the \$3 million and \$12 million private placements closed in Fiscal 2008 and Fiscal 2007.

Related Party Transactions

Management fees of \$62,730 (2007 - \$55,247) were paid or accrued to a company controlled by Mr. Harvey Keats, the CEO of the Company. Management fees of \$114,000 (2007 - \$106,000) were paid or accrued to a company controlled by Mr. David Patterson, the Chairman and CFO of the Company. Management fees of \$12,076 (2007 - \$Nil) were paid or accrued to a company controlled by Mr. Robin Adair, the Vice-President of Exploration of the Company.

Fees of \$86,920 (2007 - \$44,177) relating to technical geological services incurred for the Company's exploration properties were paid or accrued to a company controlled by Mr. Harvey Keats, the CEO of the Company. Fees of \$43,436 (2007 - \$24,000) relating to technical geological services incurred for the Company's exploration properties were paid or accrued to

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Mr. Robin Adair, the Vice-President of Exploration of the Company or to a company controlled by Mr. Robin Adair.

Directors fees of \$12,000 (2007 - \$12,000) were paid or accrued to a company controlled by Mr. Ken Thorsen and to Mr. Ken Thorsen, a director of the Company. Directors fees of \$12,000 (2007 - \$12,000) were paid or accrued to a company controlled by Mr. Laurie Sadler, a director of the Company.

Rent of \$36,000 (2007 - \$33,773) was paid or accrued to companies in which Mr. David Patterson is a director.

Outstanding Share Data

As at June 25, 2008, the Company had the following securities issued and outstanding:

	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Common shares	46,255,780	n/a	n/a
Stock options	300,000	\$0.355	July 5, 2008
Stock options	150,000	\$0.60	December 21, 2008
Stock options	2,985,000	\$0.50	October 8, 2009
Stock options	100,000	\$0.50	January 31, 2010
Warrants	9,531,771	\$0.75	September 29, 2008
Warrants	8,762,500	\$0.55	September 29, 2008
Warrants	1,887,887	\$0.55	September 29, 2008
Warrants	2,524,230	\$0.90	December 19, 2009
Warrants	176,923	\$0.65	December 19, 2009
Warrants	1,610,000	\$0.38	June 5, 2010
Fully Diluted	74,284,091		

Directors and Officers

Harvey Keats	Director and CEO
David Patterson	Director, Chairman and CFO
Kerry Sparkes	Director
Ken Thorsen	Director
Laurie Sadler	Director
Robin Adair	Vice President of Exploration

Additional Information

Additional information about the Company may be found on SEDAR at www.sedar.com. Additional information relating to the Company's operations and activities can also be found by visiting the Company's website at www.donnermetals.com.

Disclosure and Internal Controls and Procedures

On November 23, 2007, the Canadian Securities Administrators (the "CSA") issued a notice to update market participants on the status of the initiative to repeal and replace Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and the related forms and companion policy. This notice stipulated that the amended version of MI 52-109 will no longer require the CEO and CFO of a venture issuer to certify that they have designed and evaluated the effectiveness of disclosure controls and procedures and internal control over financial reporting. Also on this date, certain securities jurisdictions (BC and Alberta) issued exemptive relief orders to permit a venture issuer to file interim and annual certificates for periods ending on or after December 31, 2007 in a form that reflects the proposed changes to MI 52-109.

Due to the size and operations of the Company, Management is limited in its ability to design, implement and evaluate effective disclosure controls and procedures and internal controls over financial reporting on a cost effective basis. In particular, appropriate segregation of duties is an issue due to the size of the Company. Management tries to mitigate these risks by implementing and reviewing compensatory controls on an ongoing basis.

As such, Management has exercised reasonable diligence to ensure that there are appropriate information systems, procedures, and controls to ensure the integrity of the financial statements and has exercised reasonable diligence to ensure that there are appropriate information systems, procedures, and controls to ensure that information used internally and disclosed externally is complete and reliable.