DONNER METALS LTD.
Management's Discussion and Analysis
Three Months Ended May 31, 2007

The following 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 unaudited consolidated interim financial statements for the three months ended May 31, 2007 and related notes thereto. The financial information in this MD&A is derived from the Company's unaudited consolidated interim financial statements prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is July 25, 2007.

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 plc. ("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

On June 12, 2006, the Company announced that it had entered into an Option and Joint Venture Agreement (OJVA) with Xstrata for the joint exploration of the Matagami Mining Camp of Quebec for volcanogenic massive sulphide deposits (VMS). The Matagami Project has an area of mutual interest of 4,737 square kilometres and over 2,000 mineral claims covering approximately 499 square kilometres. 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 Matagami Mining Camp is a world-class mining district, with 18 known VMS deposits, including 10 past producers of varying sizes, including the giant Mattagami 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 Mattagami 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.

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

The Company has agreed to incur at least $10 million of expenditures on exploration. In the event that a discovery is made during the option period, the Company will contribute a one-time additional expenditure of $3 million towards establishing an inferred resource on the new discovery. Due to positive exploration results, the Company is 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 up to $23 million by the Company, five separate joint ventures will be formed, covering the property and the area of interest. In each of the five joint venture areas, Xstrata has the option to earn back a 15% interest in such area by incurring up to $20 million on a feasibility study.

As at May 31, 2007, a total of $4,739,237 in exploration expenditures have been incurred pursuant to the OJVA on the Matagami Project.

2006 / 2007 Exploration

Upon completion of the Company's private placement in late September 2006, Xstra Zinc commenced an initial 45,000 metre drill program on the Matagami Project. Since then, one to three drill rigs have been in continuous operation, with the exception of an approximate two week period at the end of December. At the date of this report, drilling is ongoing with three diamond drill rigs.

As of the date of this report the Company has reported on approximately 21,000 metres of the intial 45,000 metre drill program.

The Company has reported on exploration results from the program in news releases dated January 19, January 30, March 5, April 10, June 6 and June 14, 2007. The full text of the news releases and the accompanying assay tables are available on the Company's website at www.donnermetals.com.

Drilling to date has been focused on regional exploration targets and two areas of interest, referred to as Bracemac and McLeod, where significant massive sulphide zinc – copper mineralization has been discovered during the course of the ongoing program.

Bracemac Area

Drilling at the Bracemac area has resulted in the intersection of three stratigraphically stacked horizons of zinc – copper massive sulphide mineralization, referred to as the Upper Bracemac, Bracemac and Key Tuffite horizons. Since the date of the company's last news release (June 14, 2007) definition drilling has continued on the Upper Bracemac horizon, on the Bracemac horizon, and on the recently reported Key Tuffite discovery (June 6, 2007). As of the date of this report the Company has reported on approximately 8,600 metres in 18 holes in the Bracemac area.

Selected significant intersections into each of the horizons are reported below. Readers are cautioned that the results reported below are provided to give an indication of the type of mineralization that the Company is targeting and are strongly encouraged to review the Company's news releases for a more complete reporting of drill results to date.

DDH Number	Horizon	From	To	Core length (metres)	% Zn	% Cu
BRC-06-26	Bracemac	314.0	330.0	16.0	9.12	1.21
BRC-06-27	Bracemac	355.0	363.8	8.8	13.98	3.69
BRC-07-28	Bracemac	335.8	342.7	6.9	9.83	0.90
BRC-06-30	Bracemac	279.0	288.9	9.9	8.95	1.17
BRC-07-32	Bracemac	320.7	341.95	21.25	2.99	1.98
BRC-06-30	Upper Bracemac	192.9	195.2	2.3	10.08	0.49
BRC-06-31	Upper Bracemac	105.6	114.9	9.3	12.13	0.70
BRC-07-35	Upper Bracemac	87.7	90.5	2.8	10.7	0.41
BRC-07-39	Upper Bracemac	119.6	123.1	3.5	9.02	0.56
BRC-07-38	Key Tuffite	392.4	393.7	1.3	11.41	0.26

McLeod Area

On June 14, the Company reported its first results from the McLeod area, where drilling has intersected zinc – copper massive sulphide mineralization at the Key Tuffite horizon and in a second horizon 150 meters above the Key Tuffite. As of the date of this report the Company has reported on approximately 3,300 meters in 5 holes in the McLeod area. Definition drilling continues at the Key Tuffite horizon at McLeod.

Selected significant intersections into each of the horizons are reported below. Readers are cautioned that the results reported below are provided to give an indication of the type of mineralization that the Company is targeting and are strongly encouraged to review the Company's news releases for a more complete reporting of drill results to date.

DDH Number	Horizon	From	To	Core length (metres)	% Zn	% Cu
MC-05-18W2	Key Tuffite	828.05	856.00	27.95	9.24	0.99
MC-07-22	Key Tuffite	754.53	759.57	5.04	19.3	1.32
MC-07-24	Upper Tuffite	381.27	383.58	2.31	6.83	1.62

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 km^2 in which the Company has varying interests ranging from 52% to 77%.

The core of the South Voisey Bay property remains in good standing because of prior expenditures, however non-core claims will be relinquished from time to time. The Company and its partners will continue to investigate various means to move the South Voisey Bay Project forward. The Company is seeking to option the South Voisey Bay Project to a third party and does not currently have an exploration program planned.

Results of Operations

For the three months ended May 31, 2007, the Company reported a loss of $747,835 (2006 - $146,943). The Company's loss per share was $0.02 (2006 - $0.02). The increase in the loss reported is primarily due to exploration activity on the Matagami Project.

Exploration

In accordance with the OJVA signed with Xstrata described above, the Company has started to incur significant expenditures on its Matagami Project. The Company was required to incur a total of $4 million in expenditures by May 31, 2007 in order to keep the option in good standing and as at May 31, 2007, a total of $4,739,237 in exploration expenditures have been incurred. During the three months ended May 31, 2007, the Company incurred $1,433,822 (2006 - $Nil) of exploration expenditures net of recoverable tax credits. The Company did not have any exploration programs underway during the three months ended May 31, 2006.

General and Administrative

Differences in general and administrative expenses incurred during the three months ended May 31, 2007 and 2006 are as follows:

- Administration fees have increased due to more business activity. The Company paid an arms-length private company $24,000 (2006 - $16,000) for accounting, secretarial and general administrative services.
- Management billed the Company a total of $81,000 (2006 - $52,700) for management services during the three months ended May 31, 2007. Of these amounts, $40,470 (2006 - $Nil) was charged to exploration for technical geological services incurred on the Matagami Project. 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. Management fees charged to operations were slightly lower in 2007 due to the amount of time spent by management negotiating the Matagami Project OJVA and investigating potential new business opportunities during 2006.
- Office and miscellaneous has increased by $6,717 in 2007 mainly due to printing costs incurred for promotional material and corporate information packages.
- Promotion has increased by $69,009 in 2007 due to expenditures incurred to promote the Company's new exploration project in Matagami, Quebec. Amounts included in promotion are monthly investor relations fees, print and internet advertising costs, web site updates, investment and geological conference attendance fees and promotional materials costs.
- The Company uses the fair value based method of accounting for all stock-based awards. The Company recorded $10,837 (2006 - $2,003) of non-cash compensation cost resulting from 50,000 previously granted stock options vesting during the period.
- Telephone and communications have increased by $4,472 in 2007 mainly due to the increased number of news releases disseminated to the public.
- Travel increased by $8,058 in 2007 as management traveled throughout Europe and Canada attending various investment and geological conferences and examining the exploration progress on the Company's Matagami Project. During 2006, management traveled throughout Europe and Africa examining potential investments.

Other Revenues and Expenses

- Interest income increased by $73,351 in 2007 due to the Company having significantly more cash on hand to earn interest.
- As at May 31, 2007, the Company owns 12,360,750 common shares of Knight which is approximately 16% of the issued and outstanding common shares of Knight. The Company accounts for this investment using the equity method. The Company's share of Knight's loss was $77,624 (2006 - $34,655). The loss was larger in 2007 because Knight's share of expenditures on its West Raglan Project was larger. The Company recorded a gain of $364,142 (2006 - $Nil) on deemed disposition. Knight did not issue any shares during the three months ended May 31, 2006 and therefore the Company did not record any gain on deemed disposition.

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 $1,832,100 pursuant to recognizing future income tax assets (such as resource tax pools and losses carried forward).

As at May 31, 2007, the Company's future income tax liability is $179,276. It is anticipated that future exploration and general and administrative expenditures will reduce this liability to $Nil.

Financial Condition, Liquidity and Capital Resources

The Company's working capital position at May 31, 2007 was $8,138,480 compared to $9,699,859 at February 28, 2007.

The working capital position has decreased by $1,561,379 because the Company 1) expended $1,433,822 on exploration; 2) expended approximately $126,000 on general and administrative costs net of interest income; and 3) did not complete any equity financings during the three months ended May 31, 2007.

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 financing 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 approximately $4 million in expenditures on the Matagami Project between June 1, 2007 and December 31, 2007.

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.

Change in Accounting Policy

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.

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.

The adoption of these standards has resulted in the Company recognizing available-for-sale investments and all derivative and other financial instruments held for trading as assets or liabilities at fair value. As at March 1, 2007, there were no derivative financial instruments or other financial instruments held for trading. As at March 1, 2007, there was $1,016,204 of short-term investments classified as available-for-sale that was previously recorded at fair value. 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).

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 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 three months ended May 31, 2007 and therefore the adoption of HB 3865 did not have any impact on the Company's financial position, operations or cash flows.

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
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)
February 28, 2006	$	6,538	$	(254,598)	$	(0.02)
November 30, 2005	$	6,838	$	(375,805)	$	(0.04)
August 31, 2005	$	2,884	$	(394,006)	$	(0.04)

The Company's loss of $747,835 for the three months ended May 31, 2007 was primarily due to exploration expenditures of $1,433,822, gain on deemed disposition of Knight of $364,142 and the recognition of future income tax assets of $539,714. 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 seven 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. The loss reported for May 31, 2006 was smaller compared to the previous three quarters primarily because the Company did not incur any exploration expenditures during the three months ended May 31, 2006. The losses reported for the August 2005 to February 2006 quarters did not vary significantly as the Company was incurring the same types of expenditures on a consistent basis. Interest income reported for November 30, 2006 through May 31, 2007 is significantly larger because the closing of the $12 million private placement gave the Company greater cash reserves to earn interest.

Related Party Transactions

Management fees of $13,530 (2006 - $28,700) were paid or accrued to a company controlled by Mr. Harvey Keats, the CEO of the Company. Management fees of $27,000 (2006 - $24,000) were paid or accrued to a company controlled by Mr. David Patterson, the Chairman and CFO of the Company.

Fees of $27,470 (2006 - $Nil) 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 $13,000 (2006 - $Nil) relating to technical geological services incurred for the Company's exploration properties were paid or accrued to Mr. Robin Adair, the Vice-President of Exploration of the Company or to a company controlled by Mr. Robin Adair.

Directors fees of $3,000 (2006 - $3,000) were paid or accrued to Mr. Ken Thorsen, a director of the Company. Directors fees of $3,000 (2006 - $3,000) were paid or accrued to a company controlled by Mr. Laurie Sadler, a director of the Company.

Rent of $7,500 (2006 - $7,500) was paid or accrued to a company in which Mr. David Patterson is a director.

Outstanding Share Data

As at July 25, 2007, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common shares	39,015,820	n/a	n/a
Stock options	489,000	$0.23	November 6, 2007
Stock options	300,000	$0.355	July 5, 2008
Stock options	2,400,000	$0.50	October 3, 2007
Stock options	150,000	$0.60	December 21, 2008
Warrants	9,531,771	$0.75	September 29, 2008
Warrants	8,960,000	$0.55	September 29, 2008
Warrants	1,957,887	$0.55	September 29, 2008
Fully Diluted	**62,804,478**		

Directors and Officers

Harvey Keats	Director and CEO
David Patterson	Director, CFO and Chairman
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

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and implementation of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with Canadian generally accepted accounting principles. Management maintains appropriate information systems, procedures, and controls to ensure the integrity of the financial statements and maintains appropriate information systems, procedures, and controls to ensure that information used internally and disclosed externally is complete and reliable.

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer, do not expect that our disclosure controls and procedures of our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

However, given the nature of the business, management is committed to continuously mitigate any risks and systematically improve operating controls where and when possible in the most cost effective manner.

As at May 31, 2007, management recognized the limitation of segregation of duties due to the size of the organization. Management is mitigating such risks by reviewing its compensatory controls to detect and remediate control deficiencies on an ongoing basis.

Management did not make any changes to the Company's internal control over financial reporting during the three months ended May 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.