

# First Metals Inc. Receives Indenture Default and Interest Forbearance from Majority of Bond Holders

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TORONTO, 08/31/10 - [First Metals Inc](#) (TSX: FMA) ('FMA' or the 'Corporation') today announced that the Corporation has received a forbearance from the majority of bond holders until November 1st, 2010 allowing debt restructuring discussions to progress and continued discussions with Kaskattama Inc.

An interest payment of \$130,900 due August 31st, 2010 will not be made by the Corporation which will put the Corporation in default under the indenture. The terms of the indenture provide that a 66 2/3 majority of the bondholders can forbear any action by the bond holders. Based on the current majority of bond holders who have signed forbearance resolutions, the Corporation is confident it would be able to secure the 66 2/3 majority if a meeting is required to be called in this respect.

In conjunction with the negotiation of a proposed transaction, the Corporation is completing a review of its operations. Given the state of the Corporation's finances, operations and capital structure there is no certainty that the Corporation will be able to continue as a going concern if a transaction is unable to be completed and/or satisfactory arrangements cannot be made with certain of the Corporation's stakeholders, including its bond holders.

During this forbearance period, the Corporation expects to continue to discuss with its bond holders various proposals being exchanged between the bond holders and the Corporation which generally contemplate, among other things, a deleveraging of the Corporation through a debt for equity exchange. There are no assurances, however, that such discussions will be successful.

In the event that the forbearance expires or terminates prior to the successful conclusion of the Corporation's negotiations with its bond holders regarding the restructuring of its outstanding debt, the Corporation will be in default of its obligations under the indenture and the bond holders will have an immediate right without further default on the part of the Corporation and not conditional on any other occurrence, to accelerate the debt obligations under the indenture and demand immediate repayment in full and seek to foreclose on the collateral supporting such obligations. If the Corporation's debt obligations are accelerated or are not restructured on acceptable terms, it is likely the Corporation will be unable to repay such obligations and may seek protection under the Bankruptcy and Insolvency Act or similar relief.

## About FMA

First Metals Inc. is a resource company with two main Zinc-Copper deposits, Fabie Bay and Magusi River. Fabie Bay was producing until December 2008 when production was suspended. The company filed a proposal under Part III of the Bankruptcy and Insolvency Act in April 2009. The company received approval for its proposal under Part III of the Bankruptcy and Insolvency Act in June 2009.

*Some of the statements contained in this release are forward-looking statements, such as estimates and statements that describe the Corporation's future intentions, plans, objectives or goals, including words to the effect that the Corporation or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.*

## Contacts:

[First Metals Inc](#)  
Michael Churchill, CEO  
(416) 594-3223  
churchill.michael@gmail.com

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