

Forsys Metals Corp.

Consolidated Financial Statements

For the 3 months ended April 30, 2007

(unaudited)

Management's Comments on Unaudited Interim Consolidated Financial Statements

These unaudited interim consolidated financial statements of Forsys Metals Corp. (the "Company") for the 3 months ended April 30, 2007 have been prepared by management and approved by the Board of Directors of the Company.

These unaudited interim consolidated financial statements have not been reviewed by the Company's external auditors.

Forsys Metals Corp.

Consolidated Balance Sheets

| | As at April 30, 2007 \$ (unaudited) | As at January 31, 2007 \$ |
|--|---|------------------------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | 56,019,957 | 11,930,262 |
| Foreign sales tax recoverable | 280,283 | 249,164 |
| Prepaid expenses | 77,161 | 51,549 |
| | <hr/> 56,377,401 | <hr/> 12,230,975 |
| Investment in Mega Diamond Development Ltd. (note 4) | - | 300,000 |
| Mineral properties (note 6) | 42,021,305 | 10,006,752 |
| Capital assets | 272,340 | 233,204 |
| | <hr/> 98,671,046 | <hr/> 22,770,931 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | 344,638 | 91,654 |
| | <hr/> 146,663 | <hr/> - |
| Shareholders' equity | | |
| Capital stock (note 7) | 92,551,622 | 24,119,318 |
| Warrants exercised, shares not issued | - | 45,000 |
| Contributed surplus (note 8) | 13,525,113 | 4,522,347 |
| Deficit | (7,896,991) | (6,007,388) |
| | <hr/> 98,179,745 | <hr/> 22,679,277 |
| | <hr/> 98,671,046 | <hr/> 22,770,931 |

See accompanying notes to interim consolidated financial statements

Duane Parnham
Director

Forsys Metals Corp.

Consolidated Statements of Loss, Comprehensive Loss and Deficit

| | 3 months ended April 30 | |
|--|--------------------------------|-------------|
| | 2007 | 2006 |
| | \$ | \$ |
| | (unaudited) | (unaudited) |
| Revenue | | |
| Consulting fees | - | 8,913 |
| Interest | 422,418 | 56,735 |
| | 422,418 | 65,648 |
| Expenses | | |
| Professional fees | 15,208 | 3,750 |
| Consulting fees | 181,120 | 146,758 |
| Stock-based compensation | 1,709,500 | 421,972 |
| General and administrative | 79,640 | 24,885 |
| Investor relations | 13,333 | - |
| Public company costs | 73,794 | 21,332 |
| Travel | 98,139 | 22,405 |
| Promotion | 104,143 | 62,880 |
| Depreciation | 19,320 | 1,725 |
| Interest | 11,915 | - |
| Foreign exchange gain | 5,910 | 15,025 |
| | 2,312,021 | 720,732 |
| Net loss and comprehensive loss | (1,889,603) | (655,084) |
| Deficit, beginning of period | (6,007,388) | (2,795,639) |
| Deficit, end of period | (7,896,991) | (3,450,723) |
| Net loss per share | (0.03) | (0.02) |
| Weighted average number of shares | 65,534,575 | 43,645,323 |

See accompanying notes to interim consolidated financial statements

Forsys Metals Corp.

Consolidated Statements of Cash Flows

| | 3 months ended April 30 | |
|---|--------------------------------|-------------------|
| | 2007 | 2006 |
| | \$ | \$ |
| | (unaudited) | (unaudited) |
| Cash provided by (used in) | | |
| Operating activities | | |
| Net loss for the period | (1,889,603) | (655,084) |
| Items not affecting cash | | |
| Stock-based compensation | 1,709,500 | 421,972 |
| Depreciation | 19,320 | 1,725 |
| Changes in non-cash working capital items: | | |
| Foreign sales tax recoverable | (109,865) | - |
| Interest receivable | - | 17,401 |
| Prepaid expenses | (25,612) | - |
| Accounts payable and accrued liabilities | 286,727 | (9,920) |
| | <u>(9,534)</u> | <u>(223,906)</u> |
| Financing activities | | |
| Exercise of options | 474,500 | 31,125 |
| Exercise of warrants | 2,580,461 | 1,820,905 |
| Private placement of Class A common shares | 47,500,000 | - |
| Share issue costs | (2,122,978) | - |
| | <u>48,431,983</u> | <u>1,852,030</u> |
| Investing activities | | |
| Acquisition of Tsumeb Exploration Company Limited | (2,367,925) | - |
| Acquisition of Mega Diamond Development Ltd. | (782,576) | - |
| Mineral resource properties | (1,123,798) | (407,834) |
| Purchase of capital assets | (58,455) | (36,367) |
| | <u>(4,332,755)</u> | <u>(444,201)</u> |
| Net increase in cash | 44,089,694 | 1,183,923 |
| Cash and cash equivalents, beginning of period | 11,930,262 | 10,663,731 |
| Cash and cash equivalents, end of period | <u>56,019,956</u> | <u>11,847,654</u> |

See accompanying notes to interim consolidated financial statements

Forsys Metals Corp.

Notes to Interim Consolidated Financial Statements

April 30, 2007

(unaudited)

1. Nature of operations

Forsys Metals Corp. (the "Company") is in the exploration stage, as such, the continued operations of the Company and the recoverability of amounts shown as mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to complete the development of its properties and upon future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its interests. The amount shown for mineral properties represent costs to date, less amounts written off, and do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for mineral properties.

These unaudited interim consolidated financial statements have been prepared on a going-concern basis, which assumes the continuity of operations and realization of assets and the settlement of liabilities in the normal course of business. If the going-concern assumption is not appropriate, then material adjustments may be necessary in the carrying amount and/or classifications of assets and liabilities in these unaudited interim consolidated financial statements.

2. Disposition of Namibian Minerals Ltd.

The Company announced its intention to dispose of all of its non-uranium assets, comprised of its wholly-owned subsidiary, Namibian Minerals Ltd. ("Namibian Minerals"). Subject to regulatory approval, the Company intends to transfer ownership of Namibian Minerals to its shareholders by way of a special distribution. Namibian Minerals is a private Ontario company that controls interests in gold, copper, zinc, silver and diamond properties through its wholly-owned subsidiary, Westport Resources (Namibia) (Proprietary) Ltd. which is based in Windhoek, Namibia.

3. Accounting presentation and disclosures

These interim consolidated financial statements of the Company have been prepared using accounting policies that are consistent with the policies used in preparing the Company's annual consolidated financial statements for the year ended January 31, 2007. Generally accepted accounting principles for interim financial statements do not conform in all respects to the disclosures required for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements.

Accounting changes

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 1506, "Accounting Changes" which requires that voluntary changes in accounting policy be made only if the changes result in financial statements that provide more reliable and more relevant information. It also requires prior period errors to be corrected retrospectively. The adoption of the standard had no effect on the Company's consolidated financial statements.

Financial instruments

On January 1, 2007, the Company adopted CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" which requires that financial instruments are classified as financial assets and financial liabilities held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

Financial assets and liabilities held for trading

Financial assets and liabilities held for trading are accounted for at fair value with the change in fair value recognized in earnings.

Held-to-maturity investments

Held-to-maturity investments are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. These financial instruments are written down to fair value by a charge to earnings when impaired.

Loans and receivables

Loans and receivables are initially recognized at fair value with any premium or discount from face value being amortized to earnings using the effective interest rate method. These financial instruments are written down to fair value by a charge to earnings when impaired.

Available-for-sale financial assets

Available-for-sale financial assets are accounted for at fair value with the change in fair value recorded in other comprehensive earnings. These financial instruments are written down to fair value by a charge to earnings when impaired.

Other financial liabilities

Other financial liabilities are initially recognized at cost or amortized cost depending on the nature of the financial instrument with any premium or discount from face value being amortized to earnings using the effective interest method.

Transaction costs

Transaction costs incurred in connection with the issuance of financial liabilities are capitalized recorded as a deduction of the carrying value of the related financial liabilities and amortized using the effective interest method.

Effect of adoption

As a result of the adoption of the standards, the Company has classified its cash and cash equivalents as held for trading; foreign sales tax receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities. On February 1, 2007, cash and cash equivalents previously reported as \$11,892,604 was restated to \$11,930,262 to reflect the reclassification of interest receivable of \$37,658 as cash and cash equivalents.

Comprehensive income and equity

On January 1, 2007, the Company adopted CICA Handbook Section 1530, "Comprehensive Income" which requires disclosure of comprehensive income and CICA Handbook Section 3251, "Equity" which requires presentation of the components of equity, including retained earnings (deficit) accumulated other comprehensive income, contributed surplus, share capital and reserves and the changes therein. Comprehensive earnings is composed of the Company's net earnings and other comprehensive earnings, including unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. The Company does not have any other comprehensive income and the adoption of the standard had no effect on the Company's consolidated financial statements.

Hedges

On January 1, 2007, the Company adopted CICA Handbook Section 1530, "Hedges" which allows optional treatment providing that hedges be designated as either fair value hedges, cash flow hedges or hedges of a self-sustaining foreign operation. The Company does not have hedging programs in place which qualify for hedge accounting and the adoption of the standard had no effect on the Company's consolidated financial statements.

4. Acquisition of Mega Diamond Development Ltd.

On March 13, 2007, the Company acquired all of the issued and outstanding common shares of Mega Diamond Development Ltd. ("Mega"), a private company incorporated in the British Virgin Islands. Mega owns 70% of the issued and outstanding common shares of Ancash Investments (PTY) Ltd. ("Ancash"), a company incorporated in Namibia that is the 100% registered holder of the interests in Exclusive Prospecting Licences 3632, 3635, 3636, and 3637 and has a 30% interest in Exclusive Prospecting Licence 3638, all uranium projects. As at January 31, 2007, cash of \$300,000 had been paid as a good faith payment prior to the completion of the acquisition.

Purchase price

| | |
|--|------------------|
| Cash | \$ 997,150 |
| 4,750,000 Class A common shares | 7,932,500 |
| 4,000,000 Class A common share purchase warrants entitling the holder to acquire one Class A common share at a price of \$6.66 per Class A common share until March 13, 2010 | 3,624,667 |
| Finders fee of 300,000 Class A common shares | 501,000 |
| Acquisition costs | 85,427 |
| | <hr/> 13,140,744 |

Net assets acquired

| | |
|--------------------|---------------|
| Mineral properties | \$ 13,140,744 |
|--------------------|---------------|

The fair value of the warrants of \$3,624,667 was determined using the Black-Scholes valuation model with the following assumptions:

| | |
|---------------------------|---------|
| Expected life of warrants | 3 years |
| Risk-free interest rate | 4.11% |
| Volatility | 128% |
| Dividend yield | 0% |

The Company has an option to acquire an additional 20% of the issued and outstanding common shares of Ancash until March 14, 2010 at a price to be determined on the date of exercise of the option based on the then current valuation of Ancash, provided that the consideration shall not be less than the amount paid for the initial acquisition of 70% of the issued and outstanding common shares of Ancash on a pro rata basis.

5. Acquisition of Tsumeb Exploration Company Limited

On December 9, 2005, the Company acquired all of the issued and outstanding shares of Namibian Metals Ltd. ("Namibian Metals"), a private company incorporated in the British Virgin Islands, the registered and beneficial holder of 90% of the issued and outstanding shares in Tsumeb Exploration Company Limited ("Tsumeb"), a private company incorporated in Namibia, whose primary asset is the Valencia Uranium Licence (EPL1496) in Namibia, Africa. On March 14, 2007, the Company acquired the remaining 10% of the common shares of Tsumeb.

| | |
|---|------------|
| Purchase price | \$ |
| 90% interest acquired on December 9, 2005 | |
| Cash of US\$1,980,000 | 2,347,808 |
| 5,000,000 Class A common shares | 1,500,000 |
| 3,000,000 Class A common share purchase warrants entitling the holder to acquire one Class A common share at a price of \$0.375 per Class A common share until November 23, 2007 | 597,000 |
| Finders fee of 650,000 Class A common shares | 195,000 |
| Net income for the period December 9, 2005 to March 14, 2007 | 116,197 |
| 10% interest acquired on March 14, 2007 | |
| Cash of US\$2,000,000 | 2,336,800 |
| 3,000,000 Class A common shares | 10,500,000 |
| 3,000,000 Class A common share purchase warrants entitling the holder to acquire one Class A common share at an price of \$3.50 per Class A common share at the earlier of (i) March 14, 2009 and (ii) 60 business days after the date that the Company notifies the holder that the closing price for the Class A common shares on the Toronto Stock Exchange has exceeded \$5.50 per Class A common share for 20 consecutive trading days | 3,685,422 |
| Finders fee of 300,000 Class A common shares | 1,050,000 |
| Acquisition costs | 31,126 |
| | 22,359,353 |

| | |
|------------------------------|-------------|
| Net assets acquired | \$ |
| Cash | 1,495,065 |
| Non-cash working capital | 275,841 |
| Mineral properties | 26,142,315 |
| Accounts payable to Westport | (1,161,432) |
| Loan payable to the Company | (4,392,436) |
| | 22,359,353 |

The fair value of the warrants of \$3,685,422 was determined using the Black-Scholes valuation model with the following assumptions:

| | |
|---------------------------|--------|
| Expected life of warrants | 1 year |
| Risk-free interest rate | 4.09% |
| Volatility | 87% |
| Dividend yield | 0% |

6. Mineral properties

As a result of the acquisition of remaining 10% of the common shares of Tsumeb, the Company holds a 100% interest in Exclusive Prospecting Licence 1496 for the Valencia uranium project, which is subject to renewal on February 19, 2009.

The Company has the option to earn a 60% interest in the Exclusive Prospecting Licence 3136 for the Elbe copper, gold, zinc and silver project. On March 13, 2007, the option was amended so that the Company has until March 12, 2010 to issue 300,000 Class A common shares and incur exploration and development expenditures of Namibian\$5,000,000.

The Company held Exclusive Reconnaissance Licence 95 for the Rundu diamond project, which expired on April 22, 2007 and was not renewed by the Company.

7. Share capital

Issued and outstanding Class A common shares

| | Number of shares | \$ |
|---|---------------------|-------------|
| Balance as at January 31, 2006 | 42,890,288 | 14,112,399 |
| Issued for cash: | | |
| Exercise of options | 870,333 | 572,616 |
| Exercise of warrants | 9,711,134 | 5,935,079 |
| Fair value assigned to options exercised | – | 514,172 |
| Fair value assigned to warrants exercised | – | 2,985,052 |
| Balance as at January 31, 2007 | 53,471,755 | 24,119,318 |
| Issued for cash: | | |
| Private placement | 10,000,000 | 47,500,000 |
| Exercise of options | 785,000 | 474,500 |
| Exercise of warrants | 1,859,949 | 2,580,461 |
| Issued as payment for : | | |
| Acquisition of Mega Diamond Development Ltd. (note 4) | 4,750,000 | 7,932,500 |
| Finder's fee for acquisition of Mega Diamond Development Ltd. (note 4) | 300,000 | 501,000 |
| Acquisition of Tsumeb Exploration Company Limited (note 5) | 3,000,000 | 10,500,000 |
| Finder's fee for acquisition of Tsumeb Exploration Company Limited (note 5) | 300,000 | 1,050,000 |
| Fair value assigned to warrants issued | – | (1,727,218) |
| Fair value of options exercised | – | 426,133 |
| Fair value of warrants exercised | – | 1,317,907 |
| Share issue costs | – | (2,122,978) |
| Balance as at April 30, 2007 | 74,466,704 | 92,551,622 |

On February 27, 2007, the Company completed a private placement of 10,000,000 Class A common shares for gross cash proceeds of \$47,500,000. Agents were paid a cash commission of 4% of the gross proceeds of the private placement and certain out of pocket expenses totaling \$1,954,670. In addition, the Company issued 500,000 warrants, with each warrant entitling the holder to acquire a Class A common share at a price of \$4.75 until February 27, 2009. The fair value of the warrants of \$1,727,218 was determined using the Black-Scholes valuation model with the following assumptions:

| | |
|---------------------------|---------|
| Expected life of warrants | 2 years |
| Risk-free interest rate | 4.02% |
| Volatility | 105% |
| Dividend yield | 0% |

Options

| | Number of options | Weighted average exercise price \$ |
|---|----------------------|---|
| Outstanding as at January 31, 2006 | 2,285,500 | 0.46 |
| Granted | 2,425,000 | 2.06 |
| Exercised | (870,333) | 0.66 |
| Cancelled | (16,667) | 0.55 |
| Outstanding as at January 31, 2007 | 3,283,500 | 1.43 |
| Granted | 910,000 | 7.74 |
| Exercised | (785,000) | 0.60 |
| Outstanding as at April 30, 2007 | 3,948,500 | 3.05 |
| Exercisable as at April 30, 2007 | 1,905,167 | 1.71 |

On February 21, 2007, the Company granted 910,000 options to acquire Class A common shares at a price of \$7.74 per share until February 21, 2012. The fair value of the options was determined using the Black-Scholes valuation model with the following assumptions:

| | |
|--------------------------|---------|
| Expected life of options | 3 years |
| Risk-free interest rate | 4.03% |
| Volatility | 128% |
| Dividend yield | 0% |

A summary of the Company's options outstanding and exercisable at April 30, 2007 is presented below:

| Exercise price | Options outstanding | Options exercisable | Expiry date |
|----------------|------------------------|------------------------|--------------------|
| \$0.45 | 220,500 | 220,500 | October 14, 2009 |
| \$0.50 | 600,000 | 600,000 | July 7, 2010 |
| \$0.75 | 100,000 | 100,000 | September 6, 2010 |
| \$1.15 | 440,000 | 240,000 | March 23, 2011 |
| \$2.00 | 340,000 | 190,000 | April 11, 2011 |
| \$2.20 | 1,228,000 | 384,667 | September 27, 2011 |
| \$5.69 | 110,000 | 18,333 | January 5, 2012 |
| \$7.74 | 910,000 | 151,667 | February 21, 2012 |
| | 3,948,500 | 1,905,167 | |

Warrants

| | Number of warrants | Weighted average exercise price \$ |
|---|-----------------------|---|
| Outstanding as at January 31, 2006 | 13,395,879 | 0.97 |
| Exercised | (9,711,134) | 0.61 |
| Outstanding as at January 31, 2007 | 3,684,745 | 1.44 |
| Issued | 7,500,000 | 5.27 |
| Exercised | (1,859,950) | 1.39 |
| Outstanding as at April 30, 2007 | 9,324,795 | 4.53 |

A summary of the Company's options outstanding and exercisable at April 30, 2007 is presented below:

| Exercise price | Number of warrants | Expiry date |
|----------------|-----------------------|-------------------|
| \$0.45 | 10,000 | August 7, 2007 |
| \$1.50 | 1,814,795 | October 31, 2007 |
| \$4.75 | 500,000 | February 27, 2009 |
| \$3.50 | 3,000,000 | March 14, 2009 |
| \$6.66 | 4,000,000 | March 13, 2010 |
| | 9,324,795 | |

8. Contributed surplus

| | \$ |
|---|-------------|
| Balance as at January 31, 2006 | 6,087,682 |
| Stock-based compensation | 1,933,889 |
| Fair value of options exercised | (514,172) |
| Fair value of warrants exercised | (2,982,052) |
| Balance as at January 31, 2007 | 4,522,347 |
| Stock-based compensation | 1,709,500 |
| Fair value of warrants issued pursuant to private placement | 1,727,218 |
| Fair value of warrants issued on acquisition of Mega | 3,624,667 |
| Fair value of warrants issued on acquisition of Tsumeb | 3,685,422 |
| Fair value of options exercised | (426,133) |
| Fair value of warrants exercised | (1,317,907) |
| Balance as at April 30, 2007 | 13,525,113 |

9. Related party transactions

During the 3 months ended April 30, 2007, consulting fees of \$71,250 (2006 - \$76,750) were paid to directors of the Company.

10. Comparative figures

Certain of the prior period's comparative figures have been reclassified to conform to the presentation adopted in the current period.