

**Forsys Technologies Inc.**  
**Form 51-901F, Schedule A: Financial Statements**

*Issuer Details*

Name of Issuer Forsys Technologies Inc.		For Quarter Ended Oct. 31, 2004	Date of Report December 29, 2004	
Issuer Address 55 Adelaide Street East, Suite 410				
City Toronto	Province Ontario	Postal Code M5C 1K6	Issuer Fax No. (416) 361-1333	Issuer Telephone No. (416) 360-8006
Contact Name Jorge Estepa		Contact Position Director, Secretary		Contact Telephone No. (416) 360-8006
Contact Email Address <a href="mailto:jestepa@bellnet.ca">jestepa@bellnet.ca</a>			Web Site Address N/A	

**Certificate**

**The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this report will be provided to any shareholder who requests it.**

Directors Signature	Print Full Name	Date Signed
"Wayne Isaacs"	Wayne Isaacs	December 29, 2004
Director's Signature	Print Full Name	Date Signed
"Duane Parnham"	Duane Parnham	December 29, 2004

**Forsys Technologies Inc.**  
**Form 51-901F, Schedule B: Supplementary Information**

For the current year-to-date period ended October 31, 2004.

**1. Analysis of expenses and deferred costs.**

<b>General and Administrative Expenses</b>	
Professional fees	\$ 19,662
Office and general	41,147
Travel	21,222
Consulting fees	<u>96,500</u>
	<u>\$176,531</u>

**2. Related party transactions.**

During the nine months ended October 31, 2004 consulting fees of \$59,000 (2003-\$nil) were paid to directors.

### 3. Summary of securities issued and options granted during the period

- a) There were 2,715,000 common shares issued during the nine months ended October 31, 2004.
- b) There were 470,000 options granted at an exercise price of \$0.24 per share during the nine months ended October 31, 2004.

### 4. Summary of securities as at the end of the reporting period

- a) Authorized share capital:
  - Unlimited Common Shares
  - Unlimited Class B Shares
  - Unlimited Class C Shares
- b) Common shares issued and outstanding: 5,170,488 with a recorded value of \$1,494,624.
- c) Summary of options and warrants at period end:
  - Options: There were 470,000 options exercisable at \$0.24 per share outstanding at period end.
  - Warrants: There were 2,500,000 warrants exercisable at \$0.60 per share outstanding at period end.
- d) Pursuant to an escrow agreement dated August 25, 2004 (the "Escrow Agreement"), entered into between the Issuer, Equity Transfer Services Inc., Wayne V. Isaacs and Duane Parnham, an aggregate of 634,843 common shares (the "Escrowed Shares") will be subject to Exchange Tier 2 Value Security provisions. Pursuant to the terms of the Escrow Agreement, the Escrowed Shares will be released as follows: i) 1/10 of the Escrowed Shares were released on September 20, 2004, the date the Exchange approved the listing of the common shares on Tier 2 (the "Approval Date"); ii) 1/6 of the remaining Escrowed Shares will be released on the six (6) month anniversary of the Approval Date; iii) 1/5 of the remaining Escrowed Shares will be released on the twelve (12) month anniversary of the Approval Date; iv) 1/4 of the remaining Escrowed Shares will be released on the eighteen (18) month anniversary of the Approval Date; v) 1/3 of the remaining Escrowed Shares will be released on the twenty-four (24) month anniversary of the Approval Date; vi) 1/2 of the remaining Escrowed Shares will be released on the thirty (30) month anniversary of the Approval Date; vii) the remaining Escrowed Shares will be released on the thirty six (36) month anniversary of the Approval Date.

### 5. List of the directors and officers

#### *Officers*

Duane Parnham	Chairman and C.E.O.
Wayne Isaacs	President
Miles Nagamatsu	Chief Financial Officer
Jorge Estepa	Secretary

#### *Directors*

Wayne Isaacs	Duane Parnham
Jorge Estepa	Daniel Farrell

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**Forsys Technologies Inc.**

**Form 51-901F, Schedule C: Management Discussion and Analysis**

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**Date**

Please see the accompanying Management Discussion and Analysis contained in Form 51-102F1 dated December 29, 2004 in respect of the three and nine month period ended October 31, 2004.

# Forsys Technologies Inc.

## Consolidated Balance Sheets

	October 31, 2004 \$ (unaudited)	January 31, 2004 \$
<b>Assets</b>		
<b>Current</b>		
Cash	276,970	-
Accounts receivable	8,183	-
Prepaid expenses	29,000	-
Current assets of discontinued operations	-	736,591
	314,153	736,591
<b>Mineral resource properties</b>	36,000	-
<b>Long-lived assets of discontinued operations</b>	-	136,308
	350,153	872,899
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	30,523	22,734
Current liabilities of discontinued operations	-	940,633
	30,523	963,367
<b>Shareholders' equity</b>		
Share capital	1,494,624	970,080
Deficit	(1,174,994)	(1,060,548)
	319,630	(90,468)
	350,153	872,899

See accompanying notes to unaudited interim consolidated financial statements

Duane Parnham  
Director

## Forsys Technologies Inc.

### Consolidated Statements of Operations and Deficit

	3 months ended October 31		9 months ended October 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Expenses</b>				
Professional fees	5,000	-	17,662	-
Consulting fees	55,000	-	96,500	-
General and administrative expenses	4,828	17,312	41,147	23,411
Travel	663	-	21,222	-
	65,491	17,312	176,531	23,411
<b>Loss from continuing operations</b>	(65,491)	(17,312)	(176,531)	(23,411)
Income (loss) from discontinued operations	-	12,953	19,324	(72,017)
Gain on sale of discontinued operations	-	-	67,761	-
<b>Net earnings (loss) for the period</b>	(65,491)	(4,359)	(89,446)	(95,428)
Deficit, beginning of period	(1,084,503)	(870,358)	(1,060,548)	(779,289)
<b>Deficit, end of period</b>	(1,149,994)	(874,717)	(1,149,994)	(874,717)
<b>Net earnings (loss) per share</b>				
Continuing operations			(0.06)	(0.01)
Discontinued operations			0.03	(0.03)
Net earnings (loss)			(0.03)	(0.04)
<b>Weighted average number of shares</b>			2,853,290	2,455,488

See accompanying notes to unaudited interim consolidated financial statements

# Forsys Technologies Inc.

## Consolidated Statements of Cash Flows

	3 months ended October 31		9 months ended October 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period from continuing operations	(65,491)	(24,059)	(176,531)	(47,470)
Changes in non-cash working capital items:				
Accounts receivable	(4,027)	-	(8,184)	-
Prepaid expenses	(75,000)	-	(84,000)	-
Accounts payable and accrued liabilities	(13,376)	-	7,789	-
	(157,894)	(24,059)	(260,926)	(47,470)
<b>Financing activities</b>				
Private placement of units	58,000	-	500,000	-
Share issue costs	(11,455)	-	(11,455)	-
	46,545	-	488,545	-
<b>Investing activities</b>				
Proceeds on sale of discontinued operations	-	-	155,000	-
	-	-	155,000	-
Cash from (used in) discontinued operations	-	24,059	(135,649)	47,470
<b>Net increase in cash</b>	(111,349)	-	246,970	-
<b>Cash, beginning of period</b>	358,319	-	-	-
<b>Cash, end of period</b>	246,970	-	246,970	-

See accompanying notes to unaudited interim consolidated financial statements

# Forsys Technologies Inc.

## Notes to Interim Consolidated Financial Statements

### October 31, 2004

(unaudited)

#### 1. Management's comments on unaudited financial statements

These unaudited interim consolidated financial statements of Forsys Technologies Inc. (the "Company") for the 9 months ended October 31, 2004 have been prepared by management and approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

#### 2. 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, 2004. 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. Amounts presented in the comparative prior periods have been reclassified to conform to the presentation adopted in the current period for discontinued operations.

#### 3. Discontinued operations

On March 31, 2004, the Company completed the sale of its discontinued operations consisting of all of the issued and outstanding common shares of all of the Company's wholly owned subsidiaries, SilverWare POS Inc. (Ontario), SilverWare POS Inc. (Illinois), SilverWare POS Inc. (Florida), which was inactive, SilverWare POS Inc. (California), which was also inactive and Forsys Software Corporation (collectively, the "Subsidiaries") to a non-arm's length party for \$155,000, resulting in a gain on sale of discontinued operations of \$67,761. The Subsidiaries constituted all of the Company's operations which were involved in the development, marketing, and distribution of point-of-sale and management information systems for the hospitality industry. These interim financial statements include the results of operations of the discontinued operations from February 1, 2004 to March 31, 2004, during which period, revenues were \$544,000 (For the 3 months ended April 30, 2003 - \$817,000)

#### 4. Nature of operations

The Company completed an arm's length option agreement dated April 15, 2004, as amended on September 7, 2004 (the "Agreement") with Logan Resources Ltd. ("Logan"), whereby the Company was granted an option to earn a 51% interest in the Albert Creek Property (the "Property") by issuing 150,000 common shares of the Company with a deemed value of \$36,000 and incurring an aggregate of \$300,000 in exploration expenditures over a 3 years, as follows: \$100,000 on or before February 15, 2005, \$100,000 on or before February 15, 2006 and \$100,000 on or before February 15, 2007. The Company has an option to earn an additional 20% interest in the Property by delivering to Logan a bankable feasibility study should Logan acquire the remaining 49% interest in the Property. In order for Logan to acquire an additional 24% interest in the Property, Logan is required to issue 240,000 common shares of Logan and incur or cause a third party to incur \$100,000 in exploration expenditures on or before September 30, 2005. In order for Logan to acquire the remaining 25% in the Property, Logan is required to issue an additional 360,000 common shares of Logan on or before September 30, 2007.

On October 13, 2004, the Company entered into a letter of intent to acquire up to 100% of the issued and outstanding common shares of 1400956 Ontario Inc. ("1400956"). The Company will acquire an initial 25% interest in 1400956 on the date of signing a definitive agreement by paying \$15,000 in cash and the issuance of 1,500,000 common shares of the Company. The Company will be granted an option to acquire an additional 25% interest in 1400956 at any time for a period of 12 months from the date of the definitive agreement in exchange for the issuance of 1,500,000 common shares of the Company. The Company will also have the option to acquire the remaining 50% interest in 1400956 at any time for a period of 18 months from the date that the Company exercises its option to acquire the additional 25% interest in exchange for the issuance of 5,000,000 common shares of the Company. Three individuals, including a director of the Company, are minor shareholders in 1400956, who are representing the shareholders of 1400956 in negotiations with the Company.

1400956 owns a 100% interest in Westport Resources Namibia (PTY) Ltd. ("Westport"), based in Windhoek, Namibia. Westport currently holds two exclusive prospecting licences covering 86,000 hectares of prospective mineral projects targeting base and precious metals deposits. Westport's main exploration projects consist of the Sperrgebiet Non-Sulfide Zinc Project and the Omaruru Gold Project. Westport has also submitted an application for an additional 1,000,000 hectares targeting diamond deposits.

The acquisition of an initial 25% interest in 1400956 through the payment of \$15,000 and the issuance of 1,500,000 common shares of the Company was approved by the TSX Venture Exchange on December 23, 2004.

#### 5. Share capital

Share capital consists of 5,170,488 issued and outstanding common shares [January 31, 2004 – 2,455,488].

#### Private placements

On September 20, 2004, the Company completed a non-brokered private placement of 2,500,000 units ("Units") at a price of \$0.20 per Unit, for gross proceeds of \$500,000. Each Unit is comprised of one common share of the Company and one-half of one non-

transferable share purchase warrant. Each full warrant will entitle the holder to purchase an additional common share of the Company at a price of \$0.60 per share until September 20, 2005.

On September 20, 2004, in connection with the acquisition of the Property, and pursuant to an agreement dated January 15, 2004, as amended on July 5, 2004, the Company issued 65,000 common shares of the Company with a deemed value of \$15,600 in respect of a finder's fee to an arm's length party.

On November 23, 2004, the Company completed a non-brokered private placement of 2,500,000 units ("Units") at a price of \$0.20 per Unit, for gross proceeds of \$500,000. Each Unit is comprised of one common share of the Company and one-half of one non-transferable share purchase warrant. Each full warrant will entitle the holder to purchase an additional common share of the Company at a price of \$0.60 per share until November 23, 2005. In connection with this private placement, the Company issued 250,000 common shares of the Company to three arm's length parties at a deemed value of \$0.20 per common share.

On December 23, 2004 the Company announced that a brokered private placement (the "Private Placement") of 182,000 common shares to be issued on a "flow-through" basis under the Income Tax Act (Canada) at a price of \$0.55 cents per Share, for gross proceeds to the Company of \$100,100 had been arranged with the Canadian Small Cap Resources Fund 2004 Limited Partnership. In connection with the Private Placement the Company agreed to pay a commission of 18,200 non "flow-through" common shares of the Company to an arm's length party. All of the shares pursuant to the Private Placement were expected to be issued by December 30, 2004.

#### **Stock-based compensation**

The Company granted 470,000 stock options to officers and directors of the Company. Each option entitles the holder to acquire one common share of the Company at an exercise price of \$0.24 per common share until October 14, 2009. The grant of these stock options is subject to shareholder approval and the stock options are not exercisable until such approval is received, and accordingly, no stock-based compensation has been recorded in these interim financial statements.

#### **6. Related party transactions**

During the 9 months ended October 31, 2004, consulting fees of \$59,000 (2003 - \$nil) were paid to directors.