

Forsys Technologies Inc.

Financial Statements

**Years Ended
January 31, 2005 and 2004**

parker simone LLP

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Auditors' Report

To the Shareholders of
Forsys Technologies Inc.

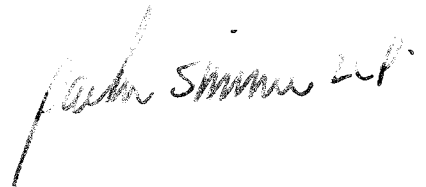
We have audited the balance sheet of Forsys Technologies Inc. as at January 31, 2005 and the statements of operations and deficit and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2005 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative financial statements were audited by another public accountant who issued an unqualified Auditor's Report dated February 29, 2004.

May 18, 2005

A handwritten signature in black ink that reads "Parker Simone LLP". The signature is written in a cursive, flowing style.

Forsys Technologies Inc.

Balance Sheet

<i>As at January 31,</i>	2005	2004
Assets		
Current Assets		
Cash	\$ 565,840	\$ -
GST receivable and other	20,278	-
Prepaid expenses	4,000	-
Current assets of discontinued operations <i>(Note 2)</i>	-	736,591
	590,118	736,591
Investment in 1400596 Ontario Inc. <i>(Note 4)</i>	825,000	-
Loan to Westport Resources (Namibia) (Proprietary) Limited <i>(Note 5)</i>	150,000	-
Mineral Properties <i>(Note 6)</i>	57,600	-
Capital Assets <i>(Note 7)</i>	12,031	-
Long-lived Assets of Discontinued Operations <i>(Note 2)</i>	-	136,308
	\$ 1,634,749	\$ 872,899
<hr/>		
Liabilities		
Current		
Accounts payable and accruals	\$ 21,981	\$ 22,734
Current liabilities of discontinued operations <i>(Note 2)</i>	-	940,633
	21,981	963,367
Future Income Tax Liability	36,000	-
	57,981	963,367
Shareholders' Equity		
Capital Stock <i>(Note 8)</i>	2,543,224	970,080
Contributed Surplus <i>(Note 9)</i>	357,500	-
Deficit	(1,323,956)	(1,060,548)
	1,576,768	(90,468)
	\$ 1,634,749	\$ 872,899

See accompanying notes to Financial Statements

Approved by the Board:

("Signed") Duane Parnham, Director

("Signed") Wayne Isaacs, Director

Forsys Technologies Inc.
Statement of Operations and Deficit

Years Ended January 31,	2005	2004
Expenses		
Consulting fees	\$ 173,700	\$ -
General and administrative expenses	72,144	-
Travel	56,297	84,832
Stock-based compensation	24,500	-
Professional fees	23,852	-
	350,493	84,832
Loss Before Discontinued Operations	350,493	84,832
Income (loss) from discontinued operations	19,324	(196,427)
Gain on sale of discontinued operations	67,761	-
Net Loss	263,408	281,259
Deficit at beginning of year	1,060,548	779,289
Deficit at End of Year	\$ 1,323,956	\$ 1,060,548
Net Earnings (Loss) per Share From:		
Continuing operations	(0.09)	(0.03)
Discontinued operations and gain on sale of discontinued operations	0.02	(0.08)
Net Loss per Share	(0.07)	(0.11)
Weighted Average Number of Shares	4,124,529	2,455,488

See accompanying notes to Financial Statements

Forsys Technologies Inc.

Statement of Cash Flow

Years Ended January 31,	2005	2004
Operations		
Net loss	\$ (263,408)	\$ (281,259)
Adjustments to reconcile net loss to cash flow from operating activities:		
Income (loss) from discontinued operations	(19,324)	196,427
Gain on sale of discontinued operations	(67,761)	-
Stock-based compensation	24,500	-
Net change in non-cash working capital items:		
GST receivable and other	(20,278)	-
Prepaid expenses	(4,000)	-
Accounts payable and accruals	(753)	10,484
Cash Flow from Operating Activities	(351,024)	(74,348)
Financing Activities		
Private placement of units	1,000,000	-
Private placement of flow-through shares	100,100	-
Share issue costs	(19,556)	-
Advances from (repayments to) subsidiaries forming part of discontinued operations	(135,649)	74,348
Cash Flow from Financing Activities	944,895	74,348
Investing Activities		
Investment in 1400596 Ontario Inc.	(15,000)	-
Loan to Westport Resources (Namibia) (Proprietary) Limited	(150,000)	-
Additions to mineral properties	(6,000)	-
Purchase of capital assets	(12,031)	-
Proceeds on sale of discontinued operations	155,000	-
Cash Flow from Investing Activities	(28,031)	-
Net Increase in Cash	565,840	-
Cash at beginning of year	-	-
Cash at End of Year	\$ 565,840	\$ -

See accompanying notes to Financial Statements

Forsys Technologies Inc.

Notes to Financial Statements

Years Ended January 31, 2005 and 2004

General

Forsys Technologies Inc. (the "Company") is incorporated under the laws of Ontario. Its principal business activity is exploration and development of mineral properties and extraction of precious metals in Canada and Namibia. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable.

1. Nature of Operations

The Company is in the development stage and the continued operations of the Company and the recoverability of amounts shown for mineral properties is dependant 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 amounts 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 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.

2. Discontinued Operations

On March 31, 2004, the Company completed the sales 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, at the time, which were involved in the development, marketing, and distribution of point-of-sale and management information systems for the hospitality industry. These consolidated financial statements include the results of operations fo the discontinued operations from February 1, 2004 to March 31, 2004, during which period, revenues were \$544,000.

3. Summary of Significant Accounting Policies

Principles of Consolidation

These financial statements include the accounts of the Company and the accounts of its subsidiaries from February 1, 2004 to March 31, 2004, when the Company completed the sale of its subsidiaries (see Note 2).

Long-Term Investment

The Company accounts for its long-term investment, over which significant influence exists, on the equity basis.

Forsys Technologies Inc.

Notes to Financial Statements

Years Ended January 31, 2005 and 2004

3. Summary of Significant Accounting Policies (Continued)

Mineral Properties

Costs relating to the acquisition, exploration and development of mineral properties are deferred until the properties are brought into commercial production, at which time, they are amortized over the estimated useful life of the related property on a unit-of-production basis. When a property is determined to be non-commercial, non-productive, or its value impaired, those costs in excess of estimated recoveries are charged to operations.

The cost of mineral properties includes the cash consideration and the fair value of shares issued on the date the property is acquired. The proceeds from options granted on properties are credited to the cost of the relate property.

Capital Assets

Capital asset are recorded at the lower of cost less accumulated amortization and net realizable value. Amortization is provided on the declining balance basis at the rate of 20% per annum.

Flow-Through Shares

The Company finances a portion of its exploration and development activities through the issue of flow-through share issued pursuant to the Income Tax Act (Canada). Under the terms of these share issues, the deductions for income tax purposes of the related expenditures are renounced to the subscriber of the flow-through shares. Share capital is reduced and future income taxes are increased by the estimated income tax benefits renounced by the Company to the subscribers.

Income Taxes

Income taxes are recorded using the asset and liability method of income tax allocation. Future income taxes relate to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets 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 of the date of enactment or substantive enactment.

Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Financial Instruments

Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair value of a financial asset is other than temporary, the financial asset is written down to its fair value. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts. The fair values of cash, GST receivable and accounts payable and accruals approximate their recorded amounts because of the short period to receipt or payment of cash.

Forsys Technologies Inc.

Notes to Financial Statements

Years Ended January 31, 2005 and 2004

3. Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation Plan

Effective February 1, 2004, the Company adopted the revised CICA Handbook Section 3870, "Stock-based Compensation and other Stock-based payments", which require that a fair value-based method of accounting be applied to all stock-based compensation payment to both employees and non-employees. The Company adopted the new requirement on February 1, 2004 on a retroactive basis for awards made since February 1, 2002 that had not previously been recognized as compensation expense in the consolidated statement of operations, with no restatement of prior periods. As the Company did not issue stock options from February 1, 2002 to January 31, 2004, the adoption of this new requirement had no effect on these consolidated financial statements.

Loss per Share

The loss per share is calculated by dividing the loss attributable to the common shares by the weighted average number of shares outstanding during the year. Outstanding stock options and warrants do not have a dilutive effect on per share amounts.

4. Investment in 1400596 Ontario Inc.

On December 29, 2004, the Company acquired a 25% interest in 1400596 Ontario Inc. ("1400596") for \$15,000 in cash and the issuance of 1,500,000 Class A common shares of the Company at a market value of \$810,000. Of the Class A common shares issued, a director of the Company, who is also a shareholder of 1400596, received 358,700 Class A common shares of the Company. The Company has an option to acquire an additional 25% interest in 1400596 at any time for a period of 12 months from the date of the definitive agreement in exchange for the issuance of an additional 1,500,000 Class A common shares. The Company will also have the option to acquire the remaining 50% interest in 1400596 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 Class A common shares of the Company. On May 18, 2005, the Company announced that, subject to regulatory approval, it intends to proceed with the acquisition of the remaining 75% interest in 1400596.

1400596 owns a 100% interest in Westport Resources (Namibia) (Proprietary) Limited ("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.

Forsys Technologies Inc.

Notes to Financial Statements

Years Ended January 31, 2005 and 2004

5. Loan to Westport Resource (Namibia) (Proprietary) Limited

The Company has committed to advance a loan up to \$10,000,000 to Westport, provided, however, that the Company has no obligation to make advances unless the request for an advance by Westport is made on or before December 31, 2008. The Company has advanced a loan of \$150,000 to Westport as at January 31, 2005. The loan bears interest at the rate of LIBOR plus 2% per annum, payable monthly in arrears and is secured by all present and after acquired personal property of Westport. The loan is not repayable until Westport achieves positive cashflow from continued operations for two consecutive quarters, however, Westport may prepay the loan at any time without notice, bonus or penalty. The repayment of the principal amount of the loan is subject to the prior approval of the Bank of Namibia.

6. Mineral Properties

The Company entered into an 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 in British Columbia (the "Property") by issuing 150,000 common shares of the Company and incurring an aggregate of \$300,000 in exploration expenditures over a 3 year period, 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 Agreement was amended to require the Company to incur \$200,000 of exploration expenditures on or before June 15, 2005, rather than \$100,000 on or before February 15, 2005. 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.

	Albert Creek
Balance at January 31, 2004	-
Acquisition costs	51,600
Exploration costs	6,000
Balance at January 31, 2005	57,600

Forsys Technologies Inc.

Notes to Financial Statements

Years Ended January 31, 2005 and 2004

7. Capital Assets

	2005	
	Cost	Accumulated Amortization
Office furniture	\$ 12,031	\$ -
	<u>\$ 12,031</u>	<u>\$ -</u>
Net Book Value	<u>\$ 12,031</u>	

8. Capital Stock

Authorized

The Company is authorized to issue:

An unlimited number of Class A common shares without par value

An unlimited number of redeemable, voting non-participating Class B shares

An unlimited number of Class C shares with rights and privileges to be determined by the Board of Directors of the Company

Issued Class A common shares

	Number of Shares	Amount
Balance at January 31, 2003	22,116,482	\$ 970,080
Consolidation on a 1 for 9 basis	(19,660,994)	-
Balance at January 31, 2004	2,455,488	970,080
Issued for cash:		
Private placement of units	5,000,000	1,000,000
Private placement of flow-through shares	182,000	100,100
Issued as payment for:		
Commissions on private placements	268,200	60,010
Acquisition of 1400596 Ontario Inc. (Note 4)	1,500,000	810,000
Acquisition of mineral property (Note 6)	150,000	36,000
Mineral property finder's fee	65,000	15,600
Share issue costs	-	(79,566)
Fair value assigned to unexercised warrants	-	(333,000)
Future tax benefits renounced pursuant to flow-through shares	-	(36,000)
Balance at January 31, 2005	<u>9,620,688</u>	<u>2,543,224</u>

Forsys Technologies Inc.

Notes to Financial Statements

Years Ended January 31, 2005 and 2004

8. Capital Stock (Continued)

Private Placement of Units

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 consisted of one Class A common share of the Company and one-half of one non-transferable share purchase warrant. Each full warrant entitles the holder to purchase an additional Class A common share at a price of \$0.60 per share until September 20, 2005.

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 consisted of one Class A common share of the Company and one-half of one non-transferable share purchase warrant. Each full warrant entitles the holder to purchase an additional Class A 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 Class A common shares of the Company as a commission to three arm's length parties at a deemed value of \$0.20 per Class A common share.

Private Placement of Flow-Through Shares

On December 30, 2004, the Company completed a brokered private placement of 182,000 Class A 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. In connection with the private placement, the Company agreed to pay a commission of 18,200 Class A common shares of the Company to an arm's length party.

Acquisition of Mineral Resource Property

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 Class A common shares of the Company with a deemed value of \$36,000.

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 Class A 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.

Stock Options

Under a fixed stock option plan, the Company is authorized to grant a maximum of 470,000 options to its directors, employees and consultants to acquire Class A common shares. The exercise price of each option is equal to the greater of the market price of the Company's Class A common shares on the date immediately preceding the date of grant. Options granted vest in six equal instalments over a period of 18 months, with the first instalment vesting immediately and the remaining Options vesting upon 6 months, 9 months, 12 months, 15 months and 18 months after the date of grant. All stock options granted have a maximum term of five years. Subsequent to year end, the Board of Directors approved an amendment to the stock option plan to increase the maximum number of options that may be granted under the plan from 470,000 to 952,000.

Forsys Technologies Inc.

Notes to Consolidated Financial Statements

Years Ended January 31, 2005 and 2004

8. Capital Stock (Continued)

During the year ended January 31, 2005, the Company granted 470,000 stock options to officers and directors of the Company. Each option entitles the holder to acquire one Class A common share of the Company at an exercise price of \$0.24 per Class A common share until October 14, 2009.

A summary of the activity in the Company's stock option plan is presented below:

	2005	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	-	\$ -
Transactions during the year:		
Granted	470,000	\$ 0.24
Outstanding at end of year	470,000	\$ 0.24
Exercisable at end of year	117,500	\$ 0.24

Subsequent to January 31, 2005, the Company granted 431,500 stock options to officers, directors, and employees of the Company. Each option entitles the holder to acquire one Class A common share at an exercise price of \$0.45 per common share until March 2, 2010.

A summary of the Company's fixed stock options outstanding and exercisable at January 31, 2005 is presented below:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Options Currently Exercisable	Weighted Average Exercisable Options
\$ 0.24	470,000	4.7	\$ 0.24	117,500	0.24

Forsys Technologies Inc.

Notes to Financial Statements

Years Ended January 31, 2005 and 2004

8. Capital Stock (Continued)

Stock-Based Compensation Costs

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options issued during the year ended January 31, 2005:

Issue date	October 14, 2004
Number of options	470,000
Price	\$ 0.24
Volatility	169.0%
Expected life (years)	5
Risk free interest rate	3.9%
Dividend yield	0.0%
Vesting period in years	1.5
Value of options granted	\$ 98,000
Stock-based compensation	\$ 24,500

Warrants

	Number of Warrants	Assigned Value	Weighted- Average Exercise Price
Outstanding at beginning of year	-	\$ -	\$ -
Transactions during the year:			
Issued	2,500,000	\$ 333,000	\$ 0.60
Outstanding at End of Year	2,500,000	\$ 333,000	\$ 0.60

The following table provides additional information about outstanding warrants at January 31, 2005:

Grant Date	Expiry Date	Number of Warrants	Exercise Price	Assigned Value
September 20, 2004	September 20, 2005	1,250,000	\$ 0.60	\$ 201,000
November 23, 2004	November 23, 2005	1,250,000	0.60	132,000
		2,500,000	\$ 0.60	\$333,000

Forsys Technologies Inc.

Notes to Financial Statements

Years Ended January 31, 2005 and 2004

9. Contributed Surplus

	2005
Balance at beginning of year	\$ -
Value assigned to:	
Options related to stock-based compensation costs	24,500
Unexercised warrants	333,000
Balance at end of year	\$ 357,500

10. Income Taxes

At January 31, 2005, the Company has a non-capital loss carryforward of \$263,000 which expires in 2015.

11. Related Party Transactions

During the year, consulting fees included \$103,000 (2004 - \$Nil) paid to three directors of the Company or companies controlled by them.

12. Subsequent Event

Westport signed an agreement to earn a 60% interest in the Elbe Project in Namibia in exchange for the issuance by the Company of 300,000 Class A common shares of the Company and Westport performing exploration and development expenditures totaling Namibian \$5 million. The issuance of the Class A common shares of the Company and the expenditures by Westport are staged in six month intervals over a two year period.