

parker simone LLP

Forsys Metals Corp.

**Consolidated
Financial Statements**

**Years Ended
January 31, 2007 and 2006**

parker simone LLP

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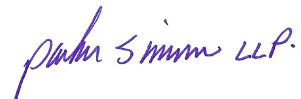
Auditors' Report

To the Shareholders of
Forsys Metals Corp.

We have audited the consolidated balance sheets of Forsys Metals Corp. as at January 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2007 and 2006 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.



April 25, 2007

Licensed Public Accountants

Forsys Metals Corp.
Consolidated Balance Sheets

<i>As at January 31,</i>	2007	2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,892,604	\$ 10,663,731
Foreign sales tax recoverable	249,164	7,096
Interest and other receivables	37,658	30,212
Prepaid expenses	51,549	-
	12,230,975	10,701,039
Investment in Mega Diamond Development Ltd. (Note 12)	300,000	-
Mineral Properties (Note 6)	10,006,752	6,702,093
Capital Assets (Note 7)	233,204	77,827
	\$ 22,770,931	\$ 17,480,959
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 91,654	\$ 76,517
Shareholders' Equity		
Capital Stock (Note 8)	24,119,318	14,112,399
Warrants Exercised, Shares Not Issued (Note 8)	45,000	-
Contributed Surplus (Note 9)	4,522,347	6,087,682
Deficit	(6,009,296)	(2,795,639)
	22,679,277	17,404,442
	\$ 22,770,931	\$ 17,480,959

See accompanying notes to Consolidated Financial Statements

Approved by the Board:

(“Signed”) Duane Parnham, Director

(“Signed”) Wayne Isaacs, Director

Forsys Metals Corp.

Consolidated Statements of Operations and Deficit

<i>Years Ended January 31,</i>	2007	2006
Revenues		
Interest	\$ 374,535	\$ 77,072
Consulting fees	-	74,684
Other	-	15,413
	374,535	167,169
Expenses		
Stock-based compensation	1,933,889	403,055
Consulting fees	812,588	469,857
Public company costs	237,386	79,051
General and administrative	203,470	81,861
Travel	170,120	78,330
Promotion	128,463	82,595
Investor relations	115,266	219,904
Professional fees	72,729	36,153
Amortization	51,007	9,485
Interest	1,099	-
Foreign exchange gain	(112,308)	(28,061)
	3,613,709	1,432,230
	3,239,174	1,265,061
Gain on disposal of capital assets	(29,517)	-
Loss from equity-accounted investment	-	79,122
Write-down of mineral properties	-	158,500
Net Loss Before Income Taxes	3,209,657	1,502,683
Income tax expense (recovery) (Note 10)	4,000	(31,000)
Net Loss	3,213,657	1,471,683
Deficit at beginning of year	2,795,639	1,323,956
Deficit at End of Year	\$ 6,009,296	\$ 2,795,639
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Loss per share	(0.07)	(0.07)
<hr/>		
Weighted average number of shares	46,413,711	21,422,429
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See accompanying notes to Consolidated Financial Statements

Forsys Metals Corp.

Consolidated Statements of Cash Flow

<i>Years Ended January 31,</i>	2007	2006
Operations		
Net loss	\$ (3,213,657)	\$ (1,471,683)
Adjustments to reconcile net loss to cash flow from operating activities:		
Amortization	51,007	9,485
Gain on disposal of capital assets	(29,517)	-
Loss from equity-accounted investment	-	79,122
Write-down of mineral properties	-	158,500
Unrealized foreign exchange (gain) loss	(141,780)	34,410
Stock-based compensation	1,933,889	403,055
Future income tax recovery	-	(36,000)
Net change in non-cash working capital items:		
Foreign sales tax recoverable	(102,192)	(7,096)
Interest and other receivables	(7,446)	(18,243)
Prepaid expenses	(51,549)	4,000
Accounts payable and accruals	44,004	56,127
Cash Flow Used in Operating Activities	(1,517,241)	(788,323)
Financing Activities		
Exercise of warrants and options <i>(Note 8)</i>	6,552,695	1,702,875
Private placement of units	-	13,224,915
Share issue costs	-	(1,098,488)
Cash Flow from Financing Activities	6,552,695	13,829,302
Investing Activities		
Cash acquired upon acquisition of Namibia Minerals <i>(Note 4)</i>	-	21,636
Investment in Mega Diamond Development Ltd. <i>(Note 12)</i>	(300,000)	-
Loan to Westport Resources (Namibia) (Proprietary) Limited	-	(100,000)
Acquisition of Namibian Metals Ltd. <i>(Note 5)</i>	-	(2,347,808)
Additions to mineral properties	(3,298,642)	(485,027)
Net purchases of capital assets	(174,592)	(31,889)
Cash Flow Used in Investing Activities	(3,773,234)	(2,943,088)
Effect of exchange rate changes on cash	(33,347)	-
Net Increase in Cash	1,228,873	10,097,891
Cash at beginning of year	10,663,731	565,840
Cash at End of Year	\$ 11,892,604	\$ 10,663,731

See accompanying notes to Consolidated Financial Statements

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

General

Forsys Metals Corp. (Forsys or the "Company") is incorporated under the laws of Ontario. Its principal business activity is exploration and development of mineral properties and the extraction of such elements in Namibia. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable.

1. Nature of Operations

The Company is in the exploration stage, as such, 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 values. Changes in future conditions could require a material change in the amount recorded for mineral properties.

These 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 consolidated financial statements.

2. Discontinued Operations

During the fourth quarter of 2006, the Company announced its intention to divest itself of all non-uranium assets, comprised of a its wholly owned subsidiary Namibian Minerals Ltd. (*formerly 1400596 Ontario Inc.*) ("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 100% interest of Westport Resources (Namibia) (Proprietary) Ltd. ("Westport") which is based in Windhoek, Namibia. As at January 31, 2007, these assets are not presented as discontinued operations but are expected to be reclassified in 2008.

3. Summary of Significant Accounting Policies

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Namibian Minerals and Namibian Metals Ltd. ("NML") a British Virgin Islands based company which owns 90% of the ordinary shares of Tsumeb Exploration Company Limited, a Namibian based company. Namibian Minerals owns 100% of the ordinary shares of Westport.

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

3. Summary of Significant Accounting Policies (Continued)

On July 26, 2005, the Company increased its ownership interest in Namibian Minerals from 25% of the investee company's common shares to 100% ownership (*see Note 4*). As a result, these consolidated financial statements include the accounts of Namibian Minerals on a consolidated basis since acquisition of control on July 26, 2005 to January 31, 2007. For the period from December 29, 2004 to July 25, 2005, the equity method was applied.

On December 9, 2005, the Company completed the acquisition of NML (*see Note 5*). As a result, these consolidated financial statements include the accounts of NML on a consolidated basis from December 9, 2005 to January 31, 2007.

Foreign Currency Translation

The Company uses the temporal method of foreign currency translation in accounting for its foreign currency operations. Under this method, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date, while non-monetary assets and liabilities are translated into Canadian dollars at the exchange rate prevailing on the date of the transaction. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses arising from the translation of transactions denominated in foreign currencies are reflected in operations for the year.

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 related property.

Asset Retirement Obligations

As the Company currently has no projects under construction, there is no legal obligation requiring remediation.

However, as the development of any project commences, senior management will assess whether an asset retirement obligation ("ARO") liability will arise. At the point where such liability arises, the financial statement adjustment required will be to increase the project's property value and related ARO liability by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to earnings each year to accrete the discounted ARO obligation to the final expected liability.

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

3. Summary of Significant Accounting Policies (Continued)

Impairment of Long-lived Assets

Senior management periodically reviews the carrying value of mineral properties and deferred exploration costs to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent the net book value of the investment exceeds the estimated fair value which is normally the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered and provides for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value.

Capital Assets

Capital asset are recorded at cost less accumulated amortization. Amortization is provided on the declining balance basis at the following annual rates:

Office furniture	20%
Equipment	20%
Vehicles	33%

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.

Revenue Recognition

Revenue from consulting services is recognized upon completion of the work performed. Interest income is recognized on a time proportion basis.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities at the date of the consolidated 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, interest and other receivables and accounts payable and accruals approximate their fair values because of the short period to receipt or payment of cash.

Stock-Based Compensation Plan

Forsys uses the fair value method in accounting for stock-based compensation. Under this method, stock-based payments are measured at the fair value of the equity instruments issued, and are amortized over the vesting period. The offset of the recorded cost is to contributed surplus.

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

3. Summary of Significant Accounting Policies (Continued)

Loss per Share

Loss per share has been calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share has been calculated reflecting the issuance of warrants and assuming the full exercise of stock options. Diluted loss per share has not been presented as the factors referred to above are anti-dilutive.

Cash and Cash Equivalents

Cash equivalents include short-term deposits and are comprised of highly liquid investments having terms to maturity of 90 days or less when acquired.

Reclassification

Certain of the prior years accounts have been reclassified in order to conform with the presentation adopted in the current year.

4. Acquisition of Namibian Minerals Ltd.

On July 26, 2005, the Company acquired the remaining 75% of the common shares of Namibian Minerals Ltd. (formerly 1400596 Ontario Inc.) through the issuance of 6,500,000 Class A common shares.

Namibian Minerals owns a 100% interest in Westport Resources (Namibia) (Proprietary) Limited ("Westport"), based in Windhoek, Namibia.

The total value of the issuance of the Class A common shares pursuant to the acquisition was valued based on the market price of the Class A common shares at the date the transaction was announced.

Purchase price

25% interest acquired on December 29, 2004

Cash	\$	15,000
1,500,000 Class A common shares, of which 378,700 Class A common shares were issued to a director		810,000
Equity loss in earnings of Namibian Minerals for the period December 29, 2004 to July 25, 2005		(79,122)

75% interest acquired on July 26, 2005

6,500,000 Class A common shares, of which, 1,676,250 Class A shares were issued to a director and an associate		775,000
	\$	1,520,878

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

4. Acquisition of Namibian Minerals Ltd. (Continued)

Net assets acquired	
Cash	\$ 21,635
Non-cash working capital	(6,718)
Mineral properties	1,698,976
Capital assets	56,985
Loan payable to Forsys	(250,000)
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	\$ 1,520,878

5. Acquisition of Namibian Metals Ltd.

On December 9, 2005, the Company completed the acquisition of all of the issued and outstanding shares in the capital of Namibian Metals Ltd., a private company incorporated in the British Virgin Islands from Vestment Securities Limited ("Vestment"), an arm's length party to the Company.

Purchase price	
Cash of US\$1,980,000	\$ 2,347,808
5,000,000 Class A common shares at a market value of \$0.30 per share	1,500,000
3,000,000 Class A common share purchase warrants entitling the holder to acquire one Class A common share for each whole warrant at an exercise price of \$0.375 until November 23, 2007	597,000
Finder's fee of 650,000 Class A common shares at a market price of \$0.30 per Class A common share	195,000
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	\$ 4,639,808

NML is the registered and beneficial holder of 90% of the issued ordinary shares in Tsumeb Exploration Company Limited ("Tsumeb"), a Namibian registered company whose sole asset is the Valencia Uranium Licence (EPL 1496) in Namibia, Africa. As such, 100% of the purchase price has been allocated to mineral properties.

Subsequent to year end, the Company acquired the remaining 10% of the common shares of Tsumeb through the issuance of 3,000,000 Class A common shares, the issuance of 3,000,000 Class A common share purchase warrants entitling the holder to acquire one Class A common share at an exercise price of \$3.50 at the earlier of 2 years after the closing date and 60 business days after the date 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, issuance of a finder's fee of 300,000 Class A common shares and payment of cash of US\$2,000,000.

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

6. Mineral Properties

	2007	2006
Mineral Properties		
Balance at beginning of year	\$ 6,413,101	\$ 51,600
Acquisition costs	-	6,413,101
Write-down of mineral properties	-	(51,600)
	6,413,101	6,413,101
Deferred Explorations Expenditures		
Balance at beginning of year	288,992	6,000
Exploration costs	3,304,659	389,892
Write-down of deferred exploration expenditures	-	(106,900)
	3,593,651	288,992
Balance at end of year	\$ 10,006,752	\$ 6,702,093

A summary of mineral properties by geographic location is as follows:

	Year Ended January 31, 2007			
	Beginning Balance	Expenditures	Write-down	Ending Balance
Namibia, Africa	\$ 6,702,093	\$ 3,304,659	\$ -	\$ 10,006,752
Year Ended January 31, 2006				
	Beginning Balance	Expenditures	Write-down	Ending Balance
Canadian property				
Albert Creek	\$ 57,600	\$ 100,900	\$ (158,500)	\$ -
Namibia, Africa	-	6,702,093	-	6,702,093
	\$ 57,600	\$ 6,802,993	\$ (158,500)	\$ 6,702,093

The Company holds the following licenses to explore mineral properties in Namibia, Africa:

- a) 90% interest in the Exclusive Prospecting Licence 1496 for the Valencia uranium project, which expired on January 7, 2007 and was replaced by Exclusive Prospecting Licence 1496 which is subject for renewal on February 19, 2009.
- b) Exclusive Prospecting Licence 2797 for the Sperrgebiet zinc project which is subject for renewal on October 5, 2007.

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

6. Mineral Properties (Continued)

- c) Exclusive Prospecting Licence 3166 for the Omaruru gold project which is subject for renewal on June 10, 2007.
- d) a 32% interest in the Exclusive Prospecting Licence 3195 for the Ondundu gold project which is subject to renewal on May 30, 2007.
- e) Exclusive Reconnaissance Licence 95 for the Rundu diamond project, which is subject to renewal on April 22, 2007. Subsequent to year end, this license expired and was not renewed by the Company.
- f) 70% interest in the Exclusive Prospecting Licence 3638 for the Namibplaas uranium project which is subject to renewal on November 6, 2007.

In addition, the Company, through its Westport subsidiary, entered into an Option agreement to earn a 60% interest in the Exclusive Prospecting Licence 3136 for the Elbe copper, gold, zinc and silver project which was subject for renewal on June 29, 2007. In order to earn its interest in the property, the Company must issue 300,000 Class A common shares and incur exploration and development expenditures totaling Namibian\$5 million (the "Exploration Expenditures"). Subsequent to year end, this agreement was amended so that the Company had until March 12, 2010 to issue the 300,000 Class A common shares and incur Exploration Expenditures totaling Namibian\$5 million.

The Company entered into an option agreement dated April 15, 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"). The Company issued 150,000 Class A common shares to Logan with a deemed value of \$36,000 and 65,000 Class A common shares with a deemed value of \$15,600 in respect of a finder's fee to an arm's length party. The Company incurred an aggregate of \$106,000 in exploration expenditures. As at December 31, 2005, the Company wrote off all amounts related to the Property and cancelled the Agreement.

7. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office furniture	\$ 67,164	\$ 13,642	\$ 67,519	\$ 24,451
Equipment	105,791	42,789	21,584	3,620
Vehicles	127,735	11,055	50,385	33,590
	<u>\$ 300,690</u>	<u>\$ 67,486</u>	<u>\$ 139,488</u>	<u>\$ 61,661</u>
Net Book Value	\$ 233,204		\$ 77,827	

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

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 and outstanding Class A common shares

	Number of Shares	Amount
Balance at January 31, 2005	9,620,688	\$ 2,543,224
Issued for cash:		
Private placement of units	18,152,100	13,224,915
Exercise of warrants	2,967,500	1,702,875
Issued as payment for:		
Acquisition of Namibian Minerals (Note 4)	6,500,000	775,000
Acquisition of Namibian Metals Ltd. (Note 5)	5,650,000	1,695,000
Fair value assigned to warrants issued	-	(5,156,226)
Fair value assigned to warrants exercised	-	426,099
Share issue costs	-	(1,098,488)
Balance at January 31, 2006	42,890,288	14,112,399
Issued for cash:		
Exercise of warrants	9,711,134	5,935,079
Exercise of option	870,333	572,616
Fair value assigned to warrants exercised	-	2,985,052
Fair value assigned to options exercised	-	514,172
Balance at January 31, 2007	53,471,755	\$ 24,119,318

Subsequent to year end, 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 totalling \$1,954,670. Consultants received 500,000 warrants exercisable at a price of \$4.75 per Class A common share until February 27, 2009.

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

8. Capital Stock (Continued)

Details of the private placements completed during the year ended January 31, 2006 are as follows:

Date of Issuance	Aug. 5, 2005	Oct. 31, 2005	Total
Number of units issued	9,000,000	9,152,100	18,152,100
Price of issue	\$ 0.30	\$ 1.15	
Gross proceeds of issue	\$ 2,700,000	\$ 10,524,915	\$ 13,224,915
Number of Class A common shares issued	9,000,000	9,152,100	18,152,100
Number of share purchase warrants	4,500,000	4,576,050	9,076,050
Excise price per warrant	\$ 0.45	\$ 1.50	
Expiry date of warrant	Aug. 5, 2007	Oct. 31, 2007	
Number of agent's options for units	630,000	594,886	
Exercise price of unit	\$ 0.30	\$ 1.15	
Number of agent's warrants per unit	315,000	297,443	
Exercise price of warrant	\$ 0.45	\$ 1.50	
Expiry date of agent's option for unit	Aug. 5, 2007	Oct. 31, 2007	

Stock Options

During the year, the stock option plan was amended to increase the number of stock options that may be granted under the plan from 3,333,525 to 9,300,000. Under this fixed stock option plan, the Company is authorized to grant a maximum of 9,300,000 stock options to its directors, employees, consultants and management to acquire Class A common shares. The exercise price of any stock option granted shall not be lower than the market price of the Company's Class A common shares on the date on which the grant of the option is approved by the Board of Directors. Stock 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 shall be exercisable for a maximum period of five years from the date of grant.

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

8. Capital Stock (Continued)

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

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,285,500	\$ 0.46	470,000	\$ 0.24
Transactions during the year:				
Granted	2,425,000	2.06	1,845,500	0.51
Exercised	(870,333)	0.66		
Cancelled	(16,667)	0.55	(30,000)	0.24
Outstanding at end of year	3,823,500	\$ 1.43	2,285,500	\$ 0.46
Exercisable at end of year	2,127,666	\$ 0.85	1,028,750	\$ 0.40

A summary of the Company's fixed stock options outstanding and exercisable at January 31, 2007 is presented below:

Range of Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Currently Exercisable		
			Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
\$0.24 - \$0.75	1,564,500	3.26	\$ 0.47	1,539,500	\$ 0.47
1.15 - 2.20	2,149,000	4.45	1.91	569,833	1.73
5.69	110,000	4.93	5.69	18,333	5.69
\$0.24 - \$5.69	3,823,500	3.98	\$ 1.43	2,127,666	\$ 0.85

Subsequent to year end, 760,000 options were exercised for gross proceeds to the Company of \$424,500.

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

8. Capital Stock (Continued)

Subsequent to year end, the Company granted 910,000 stock options to employees, directors and consultants of the Company entitling the holder to acquire one Class A common share at an exercise price of \$7.74 per Class A common share until February 21, 2012.

Stock-Based Compensation

The following tables summarize the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation for the stock options granted:

Year Ended January 31, 2007:

Date of grant	March 23, 2006	April 11, 2006	Sept. 27, 2006	June 3, 2007	Total
Number of stock options	600,000	450,000	1,265,000	110,000	2,425,000
Exercise price	\$ 1.15	\$ 2.00	\$ 2.20	\$ 5.69	
Volatility	145%	145%	127%	127%	
Expected life in years	3	3	3	3	
Risk free interest rate	4.05%	4.20%	3.88%	3.95%	
Dividend yield	0.0%	0.0%	0.0%	0.0%	
Vesting period in years	1.5	1.5	1.5	1.5	
Value of options granted	\$ 719,000	\$ 862,000	\$ 2,057,000	\$ 420,000	
Stock-based compensation	\$ 399,444	\$ 431,000	\$ 574,444	\$ 71,333	

Year ended January 31, 2006:

Date of grant	Mar. 2, 2005	July 7, 2005	Sept. 6, 2005	Total
Number of stock options	431,500	1,264,000	150,000	1,845,500
Exercise price	\$ 0.45	\$ 0.50	\$ 0.75	
Volatility	160%	151%	154%	
Expected life in years	3	3	3	
Risk free interest rate	3.16%	3.12%	3.13%	
Dividend yield	0.0%	0.0%	0.0%	
Vesting period in years	1.5	1.5	1.5	
Value of options granted	\$ 184,000	\$ 517,000	\$ 97,000	
Stock-based compensation	\$ 112,444	\$ 201,056	\$ 26,944	

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

8. Capital Stock (Continued)

Warrants

A summary of the activity in the Company's warrants is presented below:

	2007		2006	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	13,395,879	\$ 0.97	2,500,000	\$ 0.60
Transactions during the year:				
Issued	-	-	13,978,379	0.95
Exercised	(9,711,134)	0.61	2,967,500	0.57
Expired	-	-	(50,000)	0.60
Outstanding at end of year	3,684,745	\$ 1.44	19,395,879	\$ 0.97

The following table provides additional information about outstanding warrants at January 31, 2007:

Grant Date	Expiry Date	Number of Warrants	Exercise Price
August 5, 2005	August 7, 2007	150,000	\$ 0.45
October 31, 2005	October 31, 2007	3,275,745	1.50
October 31, 2005	October 31, 2007	178,466	1.15
October 31 2005	October 31, 2007	80,534	1.50
		3,684,745	

During 2007, the Company received \$45,000 for the exercise of 100,000 warrants granted on August 5, 2005. As at January 31, 2007, these shares had yet to be issued from treasury and were subsequently issued after year-end.

Subsequent to January 31, 2007, the Company issued the following shares pursuant to the exercise of warrants as follows:

- a) 140,000 common share purchase warrants exercisable into 140,000 Class A common shares at a price of \$0.45 per Class A common share.
- b) 178,466 broker warrants exercisable into 178,466 Class A common shares at a price of \$1.15 per Class A common share and 89,233 broker warrants exercisable into 89,233 Class A common shares at a price of \$1.50 per Class A common share.
- c) 1,452,250 common share purchase warrants exercisable into 1,452,250 Class A common shares at a price of \$1.50 per Class A common share.

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Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

9. Contributed Surplus

		2007		2006
Balance at beginning of year	\$	6,087,682	\$	357,500
Value assigned to:				
Stock-based compensation		1,933,889		403,055
Fair value assigned to warrants issued pursuant to private placements		-		5,156,226
Fair value assigned to warrants issued pursuant to acquisition of Namibian Minerals Ltd. (Note 5)		-		597,000
Transferred to share capital on exercise of warrants		(2,985,052)		-
Transferred to share capital on exercise of options		(514,172)		(426,099)
Balance at end of year	\$	4,522,347	\$	6,087,682

10. Income Taxes

The difference between the Company's income tax provision calculated using the statutory rate and the reported amount is as follows:

		2007		2006	
Income taxes at statutory rates	\$	(1,158,700)	(36.1)%	\$ (542,500)	(36.1)%
Gain on disposal of capital assets		(14,300)	(0.4)	-	-
Expenses not deductible for income tax purposes:					
Stock-based compensation		698,100	21.8	145,500	9.7
Write-down of mineral properties		-	-	57,200	3.8
Loss from equity accounted investment		-	-	28,600	1.9
Unrealized exchange loss		51,200	1.6	-	-
Difference between Canadian and foreign statutory tax rates		7,500	0.2	-	-
Amortization		18,400	0.6	3,400	0.2
Valuation allowance		401,800	12.0	276,800	18.4
Income tax expense (recovery)	\$	4,000	0.6%	\$ (31,000)	(21.1)%

The income tax recovery is comprised of the following:

Income tax expense	\$	4,000		\$ 5,000
Future income tax recovery		-		(36,000)
	\$	4,000		\$ (31,000)

Forsys Metals Corp.

Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

10. Income Taxes (Continued)

As at January 31, 2007, the Company has non-capital losses carryforward of \$2,192,000 (2006 - \$1,220,000) which expire as follows:

2015	\$	263,000
2016		957,000
2017		972,000
	\$	2,192,000

The company also has \$1,040,000 non-capital losses carryforward available in Namibia. The tax benefits of these losses are available for carryforward indefinitely.

The tax effect of temporary differences that give rise to significant portions of the future tax assets and liabilities at January 31, 2007 and 2006 are presented as follows:

	2007	2006
Resource deductions	\$ 63,900	\$ 57,060
Offering costs	424,024	424,024
Non-capital losses carried forward	791,300	439,200
	1,279,224	920,284
Valuation allowance	(1,279,224)	(920,284)
Net future income tax asset	\$ -	\$ -

11. Related Party Transactions

During the year, consulting fees included \$294,000 (2006 - \$209,000) paid to three directors of the Company or companies controlled by them. These amounts have been recorded at fair value.

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Notes to Consolidated Financial Statements

Years Ended January 31, 2007 and 2006

12. Mega Diamond Development Ltd.

Subsequent to year end, the Company entered into an agreement with Deutsche Investment Corporation (Asia) Ltd. to acquire 100% of the common shares of Mega Diamond Development Ltd. (MDD), a private company incorporated in the British Virgin Islands. MDD owns 70% of the issued common shares of Ancash Investments (PTY) Ltd., a Namibian registered company 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 deposits.

The Company acquired the common shares of MDD through the issuance of 4,750,000 Class A common shares, 4,000,000 Class A common share purchase warrants entitling the holder to acquire one Class A common share for each whole warrant at an exercise price of \$6.66 per Class A common share until 3 years after the closing date, finder's fee of 300,000 Class A common shares, repayment of legal fees up to \$50,000 and cash of \$1,000,000. Cash of \$300,000 of the \$1,000,000 required for the purchase price had been paid before year end as a good faith payment during negotiations.