

**FORSYS METALS CORP.**  
**(formerly Forsys Technologies Inc.)**  
**(the "Company")**

**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

**Date**

This MD&A is dated June 29, 2006 and should be read in conjunction with the audited consolidated financial statements for the three months ended April 30, 2006.

**Overall Performance**

The Company is engaged in the acquisition and exploration of properties with the potential for uranium, mineral commodities and diamonds. The Company, either directly or through joint venture partnership, holds interests in exploration properties in Namibia, Africa.

Namibia

The Company's wholly owned subsidiary, 1400596 Ontario Inc., owns a 100% interest in Westport Resources (Namibia) (Proprietary) Limited ("Westport"), based in Windhoek, Namibia. Westport's main exploration projects consist of: i) the Exclusive Prospecting License ("EPL") for the Sperrgebiet Zinc Project, ii) the EPL for the Omaruru Gold Project, iii) an option to acquire a 60% interest in the Elbe Mine Project, an advanced stage copper, gold, zinc and silver deposit, iv) a 32% interest in an EPL for the Ondundu Gold Project and v) an Exclusive Reconnaissance License for the Rundu Diamond Project.

Valencia Uranium Project

The Company in 2005 acquired all of the issued and outstanding common shares of Namibian Metals Ltd ("NML"), a private company incorporated in the British Virgin Islands (the "Agreement"). NML is the registered and beneficial holder of 90% of the issued shares in Tsumeb Exploration Company Limited ("Tsumeb"). Tsumeb, a Namibian registered company, is the registered and beneficial holder of the Valencia Uranium Mining Licence MDRL 1496 in Namibia, Africa.

Pursuant to the terms of the Agreement, the Company made aggregate cash payments of \$1,980,000 USD to Vestment Securities Ltd. ("Vestment"), an arm's length party. In addition, an aggregate of 5,000,000 common shares and 3,000,000 share purchase warrants (the "Warrants") in the capital of the Company were issued to Vestment. Each Warrant entitles Vestment to acquire a common share at an exercise price of \$0.375 per common shares at any time until close of business November 23, 2007.

The Company announced on November 1, 2005 that Snowden Mining Industry Consultants ("Snowden") had completed a National Instrument 43-101 compliant technical report (the "Report") on the Valencia Uranium Property and the TSX Venture Exchange accepted the Report for filing. The Report is available for viewing on the SEDAR website ([www.sedar.com](http://www.sedar.com)). The Report has estimated an Inferred Mineral Resource of 32 million tonnes at an average grade of 0.22 kg/t U<sub>3</sub>O<sub>8</sub> using a cut-off grade of 0.17 kg/t U<sub>3</sub>O<sub>8</sub>. On November 16, 2005, the Company announced the commencement of a pre-feasibility study on the Valencia Uranium Project, whereby the Company is undertaking an exploration program of in-fill drilling, limited verification twinning

and resource expansion. The drilling program expands on the recommendations outlined in the Report and is designed to upgrade the existing uranium resource.

On February 23, 2006, the Company announced that it had completed a detailed ground spectrometer grid survey over the main intrusive alaskite body at Valencia. Results confirm not only the expected strong uranium radiometric signature over the mineralized resource area, but also a significant potential extension of mineralization over the eastern part of the main intrusion (“East Zone”) that has not been adequately tested by historical drilling. As a result, the initial 10 hole / 3000m diamond drilling program was expanded to more fully investigate the potential of the East Zone.

On March 28, 2006, the Company released partial results obtained from one new drill hole and two historical re-sampled core holes at the Valencia project. The most significant intervals from the drill program and historical core sampling include:

- 15.79 m grading 0.462 kg/t U3O8 in drill hole VA26-111 from 228.7m to 244.5 m. This broad interval is open to depth and additional samples are pending.
- 12.42 m grading 0.228 kg/t U3O8 in drill hole VA26-098 (*historical hole re-sampled*) from 104.1 m to 116.5 m.

VA26-111 is a new drill hole designed to extend the mineralized horizons to the south-west of the main zone and to improve confidence in the continuity of the mineralization between historical drill holes where the distance was too great for inclusion in the 2005 Snowden resource calculation. Collectively the holes are expected to add to the overall Valencia resource.

On May 3, 2006 the Company reported the balance of assays received from VA26-111 and the results from VA26-115, representing two new diamond drill holes completed at the Valencia Uranium deposit. By this date, the Company completed eighteen diamond drill holes, totaling 5840 m, on the Valencia Main and East zones. The diamond drill program was designed to expand upon the geological and assay databases provided by 108 historical diamond drill holes.

VA26-111 intersection exhibit grades similar to those of nearby historic diamond drill holes and serves to connect the mineralized horizon at surface with those deeper mineralized alaskite granite intervals omitted from the Snowden resource calculation. Drill hole VA26-111 intersected 122.92 m grading 0.205 kg/t U3O8 between 228.71 m and 351.63 m. Within this intersection are distinct zones of higher-grade uranium mineralization including: 15.78 m grading 0.462 kg/t U3O8 from 228.71 m to 244.49 m (*previously reported interval – March 28, 2006*) and 22.11 m grading 0.245 kg/t U3O8 from 249.15 m to 271.26 m.

Drill hole VA26-115 was designed to collect geotechnical information for open pit optimization studies and as such was drilled at an angle oblique to the Main Zone. The reported intervals are therefore “*apparent widths*”. Interpreted true widths are estimated at 80% of the lineal measurement. Drill hole VA26-115 intersected 30.86 m grading 0.196 kg/t U3O8 between 128.9 m and 159.76 m including: 7.2 m grading 0.244 kg/t U3O8 from 132.8 m to 140.0 m and 8.56 m grading 0.225 kg/t U3O8 from 151.2 m to 159.76 m.

The Company also reported assay results from core re-sampling of two Goldfields historic drill holes VA26-098 and VA26-099. These two drill holes did not penetrate the Valencia Main Zone, rather the following assays represent higher grade intervals from overlying mineralized zones. The results include: VA26-098 which intersected 16.1 m grading 0.232 kg/t U3O8 from 246.16 m to 262.22 m and VA26-099 which intersected 22.83 m grading 0.102 kg/t U3O8 from 164.0 m to 186.83 m.

Analytical results for two re-sampled historical drill holes; VA26-093 and VA26-100 from the Valencia Uranium deposit were reported on May 17, 2006. By this date, the Company completed nineteen diamond drill holes, totaling 6037 m, on the Valencia Main and East zones. The original analytical data and geological logs for drill holes VA26-093 and VA26-100 were missing from the historical drill hole data base. The remaining portions of each were re-logged and sampled. Both drill holes are located within the Main Zone of the Valencia Deposit. Drill hole VA26-093 intersected four separate zones of uranium mineralization even though 150m of the historical core is missing and accordingly, assays could not be completed. Significant intersections include: 6.67 m grading 0.489 kg/t U3O8 from 46.30 m to 52.97 m., 7.58 m grading 0.257 kg/t U3O8 from 66.07 m to 73.65 m., 6.88 m grading 0.318 kg/t U3O8 from 84.21 m to 91.09m., and 7.41 m grading 0.223 kg/t U3O8 from 248.05 m to 255.46 m.

Drill hole VA26-100 intersected two separate zones of uranium mineralization, including: 5.62 m grading 0.408 kg/t U3O8 from 213.41 m to 219.03 m, and 16.59 m grading 0.401 kg/t U3O8 from 236.93 m to 253.52 m.

On May 29, 2006, the Company reported the start of a reverse circulation drill hole program (“RC Program”) in the central portion of the Valencia deposit. With the assistance of Snowden, a detailed plan of close spaced RC drill holes will be used to re-classify a portion the known Valencia resource currently categorized as “Measured.” This measured portion will be used in the Company’s Valencia Feasibility Study.

To date the Company has completed 26 RC holes (1949 m) of a scheduled 160 RC holes. Approximately 4 tonnes of samples are en route to the South Africa assay laboratory.

Further results for two re-sampled historical drill holes; VA26-090 and VA26-103, and one Forsys drill hole VA26-109 at Valencia were announced by the Company on June 22, 2006. Drill hole VA26-090 intersected two separate zones of uranium mineralization within the central Main Zone including: i) 21.48 m grading 0.292 kg/t U3O8 from 24.02 m to 45.5 m. (including 1.18 kg/t U3O8 over 1.46 m.) and ii) 5.78 m grading 0.289 kg/t U3O8 from 111.88 m to 117.66 m.

Drill hole VA26-103 intersected two separate zones of uranium mineralization on the northern margin of the deposit including the following intervals: i) 21.84 m grading 0.204 kg/t U3O8 from 108.89 m to 130.73 m. and ii) 7.45 m grading 0.201 kg/t U3O8 from 143.17 m to 150.62 m.

Drill hole VA26-109, located on the eastern flank of the Main Zone reported several higher grade intervals but at a depth greater than 400m. Results included:

- 2.84 m grading 0.248 kg/t U3O8 from 400.0 m to 402.84 m.
- 2.37 m grading 0.333 kg/t U3O8 from 406.41 m to 409.2 m.
- 2.70 m grading 0.223 kg/t U3O8 from 418.01 m to 420.71 m.

To date, the Company has completed 23 diamond drill holes, totaling 6866 m, on the Valencia Main and East zones. The diamond drilling program is expected to be completed shortly, thus concluding the pre-feasibility phase of verification, infill and exploration stage drilling at Valencia. Approximately 40% of the sampled material has been reported by the Company. Another 30% is en route or currently being analyzed in the South African assay laboratory. The remaining balance is currently being sampled at Valencia and will be sent for assay analysis upon completion. Results of both the diamond drilling and RC drilling programs will be reported as the results are received.

### Ondundu Gold Project

On April 3, 2006, the Company reported progress on its Ondundu Gold Project (“Ondundu”) in Namibia, Africa, a project being explored concurrently with its Namibian Valencia Uranium Project. Drilling of the first five holes of the planned ten hole / 440m core drilling program at Ondundu has been completed. This drill program represents the first phase of a three phase program to define a near-surface resource for initial open-pit production.

Following on from successful orientation stream sediment sampling programs, in which values of up to 2.5g/t Au were returned, regional stream sediment sampling of the entire Ondundu exclusive prospecting area EPL 3195 has now been completed. Samples are being prepared for gold and multi-element analyses and results are expected to define additional gold and possibly, base metal targets. Data from the recent HyVista Corporation “HyMap” hyperspectral survey of the entire exclusive prospecting licence area has been received by the Company. Preliminary inspection of hyperspectral images confirms the presence of a range of potentially prospective structural, lithologic and alteration features worthy of detailed investigation.

Detailed analysis of the hyperspectral data is currently underway in conjunction with the evaluation of results of the recent stream sediment sampling program and of historical geochemical sampling programs. Newly developed targets and other features of interest will be followed up by field checking, reconnaissance mapping and sampling.

### Warrant Exercises

During the three months ended April 30, 2006, the Company raised \$868,500 through the exercise of 1,930,000 share purchase warrants issued in connection with the Quest Securities private placement (the “Quest Private Placement”), exercisable into 1,930,000 common shares at a price of \$0.45 per share, \$330,750 through the exercise of 630,000 broker warrants exercisable into 630,000 common shares at a price of \$0.30 per share and 315,000 broker warrants exercisable into 315,000 common shares at a price of \$0.45 per share, all issued in connection with the Quest Private Placement. In connection with the Sprott Securities private placement (the “Sprott Private Placement”), the Company received \$621,654.55 through the exercise of 327,187 broker warrants exercisable into 327,187 common shares at a price of \$1.15 per share and 163,593 broker warrants exercisable into 163,593 common shares at a price of \$1.50 per share.

Subsequent to April 30, 2006, the Company raised \$274,500 through the exercise of 610,000 share purchase warrants issued in connection with the Quest Private placement, exercisable into 610,000 common shares at a price of \$0.45 per share.

### British Columbia, Canada

The Company announced on March 22, 2006 that, after reviewing all available data, it has cancelled its option to acquire a 51% interest in the Albert Creek Property, located in British Columbia, Canada. The option was granted pursuant to an option agreement entered into between the Company and Logan Resources Ltd. dated April 15, 2004, as amended by an Amendment Agreement dated July 16, 2004.

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The Company holds no interest in producing or commercial ore deposits. The Company has no production or other revenue. There is no operating history upon which investors may rely. Commercial development of any

kind will only occur in the event that sufficient quantities of ore containing economic concentrations of mineral resources are discovered. If in the future a discovery is made, substantial financial resources may be required to establish ore reserves. Additional substantial financial resources will be required to develop mining and processing for any ore reserves that may be discovered. If the Company is unable to finance the establishment of ore reserves or the development of mining and processing facilities, it may be required to sell all or a portion of its interest in such property to one or more parties capable of financing such development.

## Results of Operations

The Company's loss from continuing operations for the year ended January 31, 2006 was \$655,084 (2005-\$173,982) and the Company's income from continuing operations was \$50,622 (2005 - nil). Working capital as at April 30, 2006 increased to \$11,800,964 (2005 - \$10,624,522). The increase in working capital is attributable primarily to the exercise of common share purchase warrants. The increase in expenses is attributable primarily to the Company's granting of stock options, resulting in stock-based compensation of \$421,972 (2005 - \$33,717). The increase in expenses during the three months ended April 30, 2006, also correlates directly to an increase in consulting fees and an increase in promotional activities.

## Summary of Quarterly Results

|  | Q2 2005<br>\$ | Q3 2005<br>\$ | Q4 2005<br>\$ | Q1 2006<br>\$ | Q2 2006<br>\$ | Q3 2006<br>\$ | Q4 2006<br>\$ | Q1 2007<br>\$ |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total revenue from continuing operations     | Nil           | Nil           | Nil           | Nil           | Nil           | Nil           | Nil           | 50,622        |
| Income (loss) before discontinued operations |               |               |               |               |               |               |               |               |
| - Loss before tax                            | (64,896)      | (65,491)      | (173,962)     | (173,982)     | (381,440)     | (340,414)     | (606,847)     | (655,084)     |
| - Per share                                  | (\$0.026)     | (\$0.018)     | (\$0.026)     | (\$0.02)      | (\$0.03)      | (\$0.01)      | (\$0.01)      | (\$0.015)     |
| Net income (loss)                            |               |               |               |               |               |               |               |               |
| - Total                                      | (64,896)      | (65,491)      | (173,962)     | (173,982)     | (381,440)     | (340,414)     | ( 575,847)    | ( 655,084)    |
| - Per share                                  | (\$0.026)     | (\$0.018)     | (\$0.066)     | (\$0.02)      | (\$0.03)      | (\$0.01)      | (\$0.01)      | (\$0.015)     |

## Liquidity and Capital Resources

The Company reported a working capital surplus of \$11,800,964 on April 30, 2006, compared to a working capital surplus of \$10,624,522 as at January 31, 2006.

### Warrants

During the three months ended April 30, 2006, the Company raised \$868,500 through the exercise of 1,930,000 share purchase warrants issued in connection with the Quest Private Placement, exercisable into 1,930,000 common shares at a price of \$0.45 per share, \$330,750 through the exercise of 630,000 broker warrants exercisable into 630,000 common shares at a price of \$0.30 per share and 315,000 broker warrants exercisable into 315,000 common shares at a price of \$0.45 per share, all issued in connection with the Quest

Private Placement. In connection with the Sprott Private Placement, the Company received \$621,654.55 through the exercise of 327,187 broker warrants exercisable into 327,187 common shares at a price of \$1.15 per share and 163,593 broker warrants exercisable into 163,593 common shares at a price of \$1.50 per share.

Subsequent to April 30, 2006, the Company raised \$274,500 through the exercise of 610,000 share purchase warrants issued in connection with the Quest Private Placement, exercisable into 610,000 common shares at a price of \$0.45 per share.

The net proceeds from the private placement financings and the exercise of the warrants are being used by the Company towards the development of the Valencia Uranium Property, whereby the Company has commenced with a pre-feasibility study, and for general working capital. The Company anticipates that no additional financings will be required during the year ending January 31, 2007 to fund its planned exploration and development and cover its general and administrative expenses.

### **Transactions with Related Parties**

During the year ended January 31, 2006, consulting fees of \$76,750 (2005-\$37,500) were paid to directors of the Company or companies controlled by them. These amounts have been recorded at fair value.

### **Proposed Transactions**

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 is 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 must incur exploration and development expenditures totaling Namibian\$5 million (the "Exploration Expenditures"). The issuance of the Class A Common Shares and the Exploration Expenditures are staged in 6-month increments over a two year period.

Currently, the Company is not in compliance with the terms of the Option Agreement. However, the Company is working with the grantor of the Option to revise the timing of the Common Share and Exploration Expenditure commitments.

### **Controls and Procedures**

The Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and disclosures as at April 30, 2006 and have concluded that such controls and procedures are effective.

### **Changes in Accounting Policies including Initial Adoption**

There were no changes in accounting policies during the three months ended April 30, 2006.

### **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash, interest and other receivables, and accounts payable and accruals. It is management's opinion that the fair value of these financial instruments approximate their carrying values.

## Other Information

### *Additional Disclosure for Venture Corporations without Significant Revenue*

The following table sets forth a breakdown of material components of the expenses of the Company for the years indicated.

|   | <b>Three Months<br/>Ended<br/>April 30, 2006</b> | <b>Three Months<br/>Ended<br/>April 30, 2005</b> |
|---|--|--|
|   | \$   | \$   |
| <b>General and Administrative Costs</b> |  |  |
| Professional fees                       | 3,750  | 3,540  |
| Consulting fees                         | 146,758  | 57,542   |
| Stock-based compensation                | 421,972  | 33,717   |
| Promotion                               | 62,880   | -  |
| General and administrative expenses     | 24,886   | 15,379   |
| Investor relations                      | -  | -  |
| Shareholder information                 | 21,332   | -  |
| Travel                                  | 22,405   | 16,691   |
| Foreign exchange loss                   | 15,025   | -  |
| Interest and consulting fees            | (65,648)   | -  |
| Depreciation                            | 1,725  | 600  |
|   | <b>655,084</b>                                   | <b>127,469</b>                                   |

The increase in expenses is attributable primarily to the Company's granting of stock options, resulting in a stock-based compensation charge of \$421,972 [2005 – \$33,717]. The increased exploration, operational and financing activity, resulted in higher consulting fees whereas, in the comparative period, the Company had more limited operations. The Company's participation in promotional activity also contributed to an increase in expenses.

### Capitalized Exploration and Development Costs

The Company capitalized exploration and development costs of \$407,834 on its Namibian properties during the three months ended April 30, 2006. The Company is currently proceeding with a pre-feasibility study at the Valencia Uranium Property and will continue to capitalize exploration and development costs at the Valencia Uranium Property. The Company also intends to incur exploration and development costs at its other Namibian projects.

### *Disclosure of Outstanding Share Data as at June 29, 2006.*

|  | <b>Authorized</b>  | <b>Outstanding</b>                  |
|--|--|-------------------------------------|
| Voting or equity securities issued and outstanding | Unlimited Class "A" common shares.<br><br>Unlimited redeemable, voting non-participating Class "B" shares. | 46,920,068 Class "A" common shares. |

|  | <b>Authorized</b>   | <b>Outstanding</b>  |
|--|---|---|
|  | Unlimited Class "C" with rights and privileges to be determined by the Board of Directors.  |   |
| Securities convertible or exercisable into voting or equity securities | Options to acquire up to 3,222,525 common shares of the Company.  | 440,000 options were granted to officers and directors of the Company at an exercise price of \$0.24 per share, expiring October 14, 2009. 431,500 options are currently granted to officers, directors and employees of the Company at an exercise price of \$0.45 per share, expiring March 2, 2010. 1,264,000 options were granted to officers, directors, employees and consultants of the Company at an exercise price of \$0.50 per share, expiring July 7, 2010, of which 1,251,500 remain outstanding. 150,000 options were granted to a director and advisory board member at an exercise price of \$0.75 per share, expiring September 6, 2010, of which 133,500 remain outstanding. 600,000 options were granted to directors of the Company at an exercise price of \$1.15 per share, expiring March 23, 2011. 450,000 options were granted to advisory board members of the Company at an exercise price of \$2.00 per share, expiring April 11, 2011. |
|  | 4,500,000 share purchase warrants entitling the holders thereof to purchase one common share of the Company at a price of \$0.45 at any time on or before August 5, 2007.   | 1,371,150 share purchase warrants entitling the holders thereof to purchase one common share of the Company at a price of \$0.45 at any time on or before August 5, 2007.   |
|  | Broker warrants entitling Quest Securities Corporation to purchase an aggregate of 630,000 units ("Units") at a price of \$0.30 per Unit at any time on or before August 5, 2007. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company (the "Warrants"). Each whole Warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.45 at any time on or before August 5, 2007. | No broker warrants remain outstanding.  |
|  | 4,576,050 share purchase warrants entitling the holders to purchase one common share of the Company at a price  | 4,576,050 share purchase warrants entitling the holders to purchase one common share of the Company at a price  |

|  | <b>Authorized</b>   | <b>Outstanding</b>  |
|--|---|---|
|  | of \$1.50 on or before October 31, 2007.  | of \$1.50 on or before October 31, 2007.  |
|  | Broker warrants entitling the holders (collectively held by Sprott Securities Inc., Orion Securities Inc. and Quest Securities Corporation) to acquire 594,886 units ("Units") at a price of \$1.15 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder to purchase one common share of the Company at a price of \$1.50 on or before October 31, 2007. | Broker warrants entitling the holders (collectively held by Sprott Securities Inc., Orion Securities Inc. and Quest Securities Corporation) to acquire 267,699 units ("Units") at a price of \$1.15 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder to purchase one common share of the Company at a price of \$1.50 on or before October 31, 2007. |
|  | 3,000,000 share purchase warrants entitling Vestment Securities Limited to acquire up to 3,000,000 common shares of the Company at an exercise price of \$0.375 on or before November 23, 2007.   | 3,000,000 share purchase warrants entitling Vestment Securities Limited to acquire up to 3,000,000 common shares of the Company at an exercise price of \$0.375 on or before November 23, 2007.   |
| Voting or equity securities issuable on conversion or exchange of outstanding securities | (as above)  | (as above)  |

There were 46,310,068 common shares issued and outstanding as at April 30, 2006. The following shares were issued during the 3 months ended April 30, 2006:

1. 1,930,000 common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$0.45 per share.
2. 630,000 broker warrants exercisable into 630,000 common shares at a price of \$0.30 per share and 315,000 broker warrants exercisable into 315,000 common shares at a price of \$0.45 per share, issued in connection with the Quest Private Placement.
3. 327,187 broker warrants exercisable into 327,187 common shares at a price of \$1.15 per share and 163,593 broker warrants exercisable into 163,593 common shares at a price of \$1.50 per share, issued in connection with the Sprott Private Placement.
4. 37,500 common shares issued pursuant to the exercise of stock options at \$0.50 per share, and 16,500 common shares issued pursuant to the exercise of stock options at \$0.75 per share.

Subsequent to April 30, 2006, the Company issued the following shares:

1. 610,000 common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$0.45 per share.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).