

FORSYS METALS CORP.
(the “Company”)

FORM 51-102F1
MANAGEMENT’S DISCUSSION & ANALYSIS

Date

This MD&A is dated June 14, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the three months ended April 30, 2007.

Overall Performance

The Company is engaged in the acquisition and exploration of properties with the potential for uranium and mineral commodities. The Company, either directly or through joint venture partnership, holds interests in mineral properties in Namibia, Africa. The Class A common shares of the Company are listed for trading on the Toronto Stock Exchange under the trading symbol “FSY”.

Valencia Uranium Project

The Company owns all of the issued and outstanding common shares of Namibian Metals Ltd. (“NML”), a private company incorporated in the British Virgin Islands which 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 Exclusive Prospecting Licence 1496 (“EPL”), granted by the Ministry of Mines and Energy, Republic of Namibia. The EPL is 735.6 ha in size and covers the Valencia uranium project (“Valencia”), located in western central Namibia, Africa.

On March 14, 2007, the Company acquired the remaining 10% interest in Tsumeb (the “Tsumeb Acquisition”). As consideration for the Tsumeb Acquisition, the Company paid US\$2,000,000 and issued 3,000,000 Class A common shares and 3,000,000 Class A common share purchase warrants (the “Warrants”). Each Warrant entitles the holder thereof to acquire one common share at price of \$3.50 per share on the date that is the earlier of: (i) March 14, 2009, and (ii) sixty business days after the date that the Company notifies the holder that the closing price for the Company's Class A common shares on the Toronto Stock Exchange has exceeded \$5.50 per share for 20 consecutive trading days. In addition, the Company issued 300,000 Class A common shares to an arm's length third party as a finder's fee. The Company now owns 100% undivided interest in the Valencia uranium project.

Snowden Mining Consultants (“Snowden”) of Johannesburg, South Africa, completed a Pre-Feasibility Study for the Valencia (the “Report”), which the Company summarized in a news release on May 16, 2007.

The Report defines Mineral Reserves and Measured, Indicated and Inferred Resources; as shown in Tables 1 and 2.

Table 1 – Valencia Uranium Mineral Reserve				
MINERAL RESERVE CATEGORY	Tonnes (millions)	U ₃ O ₈ Grade (kg/t)	U ₃ O ₈ (M lbs)	Strip Ratio
Probable	88	0.13	24	1.0

Note: 0.06 kg/t cut off grade applied. All tabulated data is rounded to zero decimal places for tonnage and two decimal places for U₃O₈ grade.

The ore reserves for the Valencia Deposit were classified as Probable Reserves using the guidelines of the JORC Code. It is Snowden's opinion that the reserves have been reported in a manner consistent with the guidelines of the JORC Code, which is a recognized foreign code under National Instrument 43-101. These reserves are included in the resources reported in Table 2.

MINERAL RESOURCE CATEGORY	Cut-off U ₃ O ₈ (kg/t)	Tonnes (millions)	U ₃ O ₈ (kg/t)	U ₃ O ₈ (M lbs)
Measured	0.08	15.1	0.16	5.2
Indicated	0.08	104.2	0.13	29.1
Total Measured and Indicated	0.08	119.3	0.13	34.3
Inferred	0.08	56.3	0.12	15.3

Note: All tabulated data has been rounded to one decimal place for tonnage and two decimal places for U₃O₈ grades.

Based on the parameters summarized in the Report, the proposed pit shell outlines 89.7 M tonnes of ore, at a grade of 0.125 kg/t U₃O₈ with 92.3 M tonnes of waste representing a 1:1.03 strip ratio. A 12 year mine schedule, including a 6 month pre-strip schedule was developed from staged pit designs involving a processing rate of 700,000 tonnes per month producing 1.09 M kg (2.4 million lbs) U₃O₈ per year. Metallurgical tests identified that batch atmospheric acid leaching was effective in obtaining uranium dissolutions in excess of 93%, with an overall process recovery of 86%, after consideration of an estimated 4% loss due to radiometric sorting.

Valencia Project Financials

According to the Report, capital requirements for Valencia, including contingencies, is estimated to be US\$154 million (CAD\$171 million) with sustaining capital requirements of US\$32 million (CAD\$36 million). The operating cost has been estimated at US\$10.08/t (CAD\$11.19/t), delivered to the plant. The operating cost estimate assumes that the Valencia project is a customer for the supply of water, acid and power.

A pre-tax net present value of US\$341 million (CAD\$378 million) was calculated for Valencia based on uninflated cash flows and an 8% discount rate. This assumes a conservative price for U₃O₈ of US\$75/lb across the life of mine except for the first three years of supply, where the price of US\$100/lb was used. By way of reference, the current spot price of U₃O₈ as quoted by UxConsulting on May 16, 2007 was \$US120/lb.

According to the Report, the internal rate of return for the Valencia was estimated to be 70% with a payback period of less than two years.

Ongoing Valencia Exploration

Diamond drilling at Valencia targeting a near surface area between the Main Zone and the East Zone is currently underway. Further exploration is planned for other targets in the greater Valencia area. Ongoing optimization work (conducted concurrently with the completion of the Report) has already identified the

potential for an increased Mineral Reserve. This will require additional test work and an updated financial evaluation to verify the extent to which current resources can be converted into additional reserves.

Valencia Infrastructure

On May 18, 2007 the Company announced that its wholly-owned subsidiary, Westport, had received a water abstraction and conveyance permit (the "Permit") for desalination purposes from the Ministry of Agriculture, Water and Forestry, Republic of Namibia.

The renewable 5 year Permit, which expires in April 2012, allows up to 50 million cubic metres of seawater from the Atlantic Ocean to be abstracted for desalination purposes at the Town of Swakopmond, Namibia. The Permit also allows the subsequent transport of the processed water to Valencia.

Although it is not the intention of the Company to become a water provider for the region, the Permit does make allowance for substantially more water than the Company estimates that the Valencia would require. With ongoing discussions between the various stakeholders in the region, the Permit provides the Company with an initial contribution towards a collaborative project that would meet the needs of several of the area's current and future stakeholders. If however, a collaborative project cannot be agreed upon in the timeframe required by the Company at Valencia, it does provide a fall-back position for the Company to provide water for its own uses and remain independent from the reliance on others.

With respect to the Valencia's future hydro requirements, Namibia's power utility has indicated the availability of the necessary power to meet Valencia's needs within the production timeframe.

Acquisition of Mega Diamond Development Corporation and the Strategic Partnership with Ancash Investments (Pty) Ltd.

On March 13, 2007, the Company completed the acquisition of Mega Diamond Development Corporation, which owns 70% of all of the issued and outstanding shares of Ancash Investments (Pty) Ltd. ("Ancash").

Ancash is an arm's length registered Black Economic Empowerment ("BEE") group in Namibia. The strategic partnership is designed to acquire new uranium projects and expand the Company's exploration presence around the Company's Valencia uranium deposit. The partnership cooperates with newly proposed Namibian BEE initiatives.

Led by Mr. Zacky Nefungo Nujoma, Ancash is a broadly based Namibian BEE company having strong international connections with Natural Earth International Ltd, a member of Deutsche Investment Corporation (Asia) Ltd., based in Hong Kong. Ancash has established itself through joint venture ownership and strategic partnerships with local and international companies with the objective of creating employment and associated business opportunities. The Ancash and Forsys partnership in developing mining projects is designed to address poverty and the historical economic imbalances through the creation and distribution of wealth to the poorer communities of Namibia.

Pursuant to the terms of the share purchase agreement dated February 28, 2007 (the "Agreement"), the Company acquired all of the issued and outstanding securities (the "Acquisition") in the capital of Mega Diamond Development Limited ("Mega"), which owns 70% of all of the issued and outstanding securities of Ancash. In addition, the Company was granted the option to acquire an additional 20% interest in Ancash for a period of three years from closing.

As consideration, the Company paid \$997,150 and issued 4,750,000 Class A common shares and 4,000,000 Class A common share purchase warrants (the "Warrants"). Each Warrant entitles the holder to acquire one Class A common share at a price of \$6.66 per Class A common share at any time until March 13, 2010. In addition, the Company issued 300,000 Class A common shares to an arm's length third party as a finder's fee. The Class A common shares issued pursuant to the Acquisition are subject to a four month hold period which expires on July 14, 2007.

Five Exclusive Prospecting Licenses have been granted to Ancash by the Ministry of Mines and Energy, Republic of Namibia, for nuclear fuels covering favourable ground hosting numerous historical uranium occurrences.

The first license granted under this partnership is located approximately 7.5 km northeast of Valencia. This license area was selected on the basis of a historical uranium occurrence - Anomaly 24. This anomaly experienced limited diamond drilling (seven drill holes) conducted by Goldfields in the 1970's. Drill core assays over lengths varying up to 1.5 m ranged from less than 0.01 per cent to 0.980 per cent U₃O₈. This license hosts numerous uranium-bearing alaskite dykes within schist, marble and metasediment lithologies, the same sequence that is present at Valencia and Rio Tinto's Rössing Mine located approximately 40 kms to the northeast. These figures do not comply with the requirements of NI 43-101.

The other four licenses granted total 275,380 ha in area, targeting mineralization in the form of uranium-bearing alaskite which is the mineralization found at Valencia and Rössing, as well as Paladin Resources Ltd.'s Langer Hienrich-type mineralized palaeochannels.

Westport, Namibia

The Company announced its intention to dispose of all of its non-uranium assets, comprised of its wholly-owned subsidiary, Namibian Minerals Ltd. ("Namibian Minerals"). Subject to regulatory approval, the Company intends to transfer ownership of Namibian Minerals to its shareholders by way of a special distribution. Namibian Minerals is a private Ontario company that controls interests in gold, copper, zinc, silver and diamond properties through its wholly-owned subsidiary, Westport Resources (Namibia) (Proprietary) Ltd. which is based in Windhoek, Namibia. Established in 2000, Westport currently holds Exclusive Prospecting Licences for the Sperrgebeit Zinc Project and Omaruru Gold Project; a 32% interest in Omatjete Mining Company (Pty) Ltd., which owns the Exclusive Prospecting Licence for the Ondundu Gold Project; and an option to earn a 60% interest in the Elbe copper, zinc, silver and gold project.

The proposed restructuring will allow the Company to focus on advancing the Valencia Uranium Project as well as to develop other uranium opportunities with Ancash Investments (Pty) Ltd., the Company's strategic Namibian partners. The Company is currently finalizing the terms and conditions of the proposed restructuring. The investment in Namibian Minerals does not constitute all or substantially all of the assets of the Company and as such shareholder approval is not required for the proposed distribution.

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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 operations for the three months ended April 30, 2007 was \$1,889,603 (2006- \$655,084). Working capital as at April 30, 2007 increased to \$56,032,763 (2006 – \$12,139,321) primarily through the completion of a \$47,500,000 private placement financing and the exercise of a portion of the Company's outstanding 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 \$1,709,500 (2006 – \$421,972). The increase in expenses during the three months ended April 30, 2007, also correlates directly to an increase in consulting fees, public company costs, general and administrative costs, travel and an increase in promotional activities.

Summary of Quarterly Results

	Q2 2006 \$	Q3 2006 \$	Q4 2006 \$	Q1 2007 \$	Q2 2007 \$	Q3 2007 \$	Q4 2007 \$	Q1 2008 \$
Total revenue from continuing operations	Nil	Nil	Nil	50,622	72,259	174,279	77,375	422,418
Income (loss) before discontinued operations								
- Loss before tax	(381,440)	(340,414)	(606,847)	(655,084)	(656,038)	(1,157,452)	(741,083)	(1,889,603)
- Per share	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)	(\$0.016)	(\$0.03)
Net income (loss)								
- Total	(381,440)	(340,414)	(575,847)	(655,084)	(656,038)	(1,157,452)	(745,083)	(1,889,603)
- Per share	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)	(\$0.016)	(\$0.03)

Liquidity and Capital Resources

The Company reported a working capital surplus of \$56,032,763 on April 30, 2007, compared to a working capital surplus of \$12,139,321 as at January 31, 2007.

Financing

On February 27, 2007, the Company completed a private placement of 10,000,000 Class A common shares at a price of \$4.75 per Class A common share for total gross proceeds of \$47,500,000 (the "Private Placement") by agents who were paid a cash commission equal to 4% of the gross proceeds raised. The Class A common shares issued pursuant to the Private Placement are subject to a four month hold period which expires on June 28, 2007.

In addition, the Company issued an aggregate of 500,000 warrants to independent third party consultants. Each warrant is exercisable at \$4.75 per Class A common share at any time until February 27, 2009.

Proceeds will be used by the Company to advance development of the Valencia Uranium Project including advanced ordering of long lead time items and equipment required for the project. In addition certain amounts

of the proceeds will be used for general working capital purposes and the development of the Company's other uranium properties.

Warrants

During the three months ended April 30, 2007, the Company raised \$63,000 through the exercise of 140,000 share purchase warrants exercisable into 140,000 Class A common shares at a price of \$0.45 per share, \$2,517,460 through the exercise of 178,466 broker warrants exercisable into 178,466 Class A common shares at a price of \$1.15 per share and 89,233 broker warrants exercisable into 89,233 Class A common shares at a price of \$1.50 per share and 1,452,250 common share purchase warrants exercisable into 1,452,250 Class A common shares at a price of \$1.50 per share.

Transactions with Related Parties

During the three months ended April 30, 2007, consulting fees of \$71,250 (2006-\$76,750) were paid to three 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"). On March 13, 2007, this agreement was amended so that the Company has until March 12, 2010 to issue 300,000 Class A common shares and incur the Exploration Expenditures.

On October 20, 2006, the Company announced that subject to regulatory approval, it intends to restructure its holdings whereby the Company intends to divest itself of all of its non-uranium assets. The proposed restructuring will allow the Company to focus on advancing Valencia as well as to develop other uranium opportunities with Ancash, the Company's strategic Namibian partners. Pursuant to the proposed restructuring plan, the Company intends to spin out its wholly owned subsidiary, Namibian Minerals Ltd., to its shareholders. Management believes that by establishing a new public vehicle to develop these non-uranium assets, existing shareholders of the Company will be rewarded as management unlocks the true value of these projects. The Company is currently finalizing the terms and conditions of the proposed restructuring and will update its shareholders once specific details have been confirmed. The shares in the capital of Namibian Minerals Ltd. do not constitute all or substantially all of the assets of the Company and as such shareholder approval is not required for the proposed divesture.

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, is made known to them by others within the Company, particularly during the period in which the interim filings are being prepared. The Chief Executive Officer and Chief Financial Officer have also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with Canadian generally accepted accounting principles.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of the Company's internal control over financial

reporting. As the Company has a limited number of personnel, management has concluded that a weakness existed in the design of internal control over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures.

Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, there are supervisory controls exercised by management and audit committee oversight.

There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Changes in Accounting Policies including Initial Adoption

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

Financial instruments

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

Financial assets and liabilities held for trading

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

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

Other financial liabilities

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

Transaction costs

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

Effect of adoption

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

Comprehensive income and equity

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

Hedges

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

There were no other changes in accounting policies during the three months ended April 30, 2007.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, foreign sales tax receivable, and accounts payable and accrued liabilities. It is management's opinion that the fair value of these financial instruments approximate their carrying values.

Disclosure of Outstanding Share Data as at June 13, 2007

	Authorized	Outstanding
Voting or equity securities issued and outstanding	<p>Unlimited Class A common shares.</p> <p>Unlimited redeemable, voting non-participating Class B shares.</p> <p>Unlimited Class C with rights and privileges to be determined by the Board of Directors.</p>	74,486,704 Class A common shares.
Securities convertible or exercisable into voting or equity securities	Options to acquire up to 9,300,000 Class A common shares of the Company, subject to regulatory approval.	<p>431,500 options were granted to officers, directors and employees of the Company at an exercise price of \$0.45 per share, expiring March 2, 2010 of which 220,500 remain outstanding. 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 600,000 remain outstanding. 150,000 options were granted to a director and advisory board members at an exercise price of \$0.75 per share, expiring September 6, 2010, of which 100,000 remain outstanding. 600,000 options were granted to directors and consultants of the Company at an exercise price of \$1.15 per share, expiring March 23, 2011 of which 440,000 remain outstanding. 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, of which 320,000 remain outstanding. 1,265,000 options were granted to officers, directors, employees and a consultant of the Company at an exercise price of \$2.20 per share, expiring September 27, 2011 of which 1,228,000 remain outstanding. 110,000 options were granted to employees of the Company at an exercise price of \$5.69 per share, expiring January 5, 2012, of which 110,000 remain outstanding. 910,000 options were granted to officers, directors, employees and consultants of the Company at an exercise price of \$7.74 per share, expiring February 21, 2012, of which 910,000 remain outstanding</p>
	4,500,000 Class A common share	10,000 share purchase warrants entitling

	Authorized	Outstanding
	purchase warrants entitling the holders to purchase 4,500,000 Class A common shares at a price of \$0.45 per share until August 5, 2007.	the holders to purchase 10,000 Class A common shares at a price of \$0.45 per share until August 5, 2007.
	4,576,050 Class A common share purchase warrants entitling the holders to purchase 4,576,050 Class A common shares at a price of \$1.50 per share until October 31, 2007.	1,814,795 share purchase warrants entitling the holders to purchase 1,814,795 Class A common shares of the Company at a price of \$1.50 per share until October 31, 2007.
	3,000,000 share purchase warrants entitling the holders to acquire 3,000,000 Class A common shares at a price of \$3.50 per share prior to the date that is the earlier of: (i) March 14, 2009, and (ii) sixty (60) business days after the date on the Company notifies the holder that the closing of the Company's common shares on the Toronto Stock Exchange has exceeded \$5.50 per share for 20 consecutive trading days.	3,000,000 share purchase warrants entitling the holders to acquire 3,000,000 Class A common shares at a price of \$3.50 per share prior to the date that is the earlier of: (i) March 14, 2009, and (ii) sixty (60) business days after the date on the Company notifies the holder that the closing of the Company's common shares on the Toronto Stock Exchange has exceeded \$5.50 per share for 20 consecutive trading days.
	500,000 share purchase warrants entitling the holders to purchase 500,000 Class A common shares at a price of \$4.75 per share at any time until February 27, 2009.	500,000 share purchase warrants entitling the holders to purchase 500,000 Class A common shares at a price of \$4.75 per share at any time until February 27, 2009.
	4,000,000 common share purchase warrants entitling the holders to acquire 4,000,000 Class A common shares of the Company at an exercise price of \$6.66 per share until March 13, 2010.	4,000,000 common share purchase warrants entitling the holders to acquire 4,000,000 Class A common shares of the Company at an exercise price of \$6.66 per share until March 13, 2010.
Voting or equity securities issuable on conversion or exchange of outstanding securities	(as above)	(as above)

There were 74,466,704 Class A common shares issued and outstanding as at April 30, 2007. The following shares were issued during the 3 months ended April 30, 2007:

1. 10,000,000 Class A common shares issued pursuant to a financing at \$4.75 per common share.
2. 3,300,000 Class A common shares issued pursuant to the Tsumeb Acquisition.
3. 5,050,000 Class A common shares issued pursuant to the Ancash Acquisition.
4. 140,000 Class A common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$0.45 per share.
5. 178,466 Class A common shares issued pursuant to the exercise of 178,466 broker units at an exercise price of \$1.15 per Unit. Each Unit consists of one Class A common share and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder to purchase one Class A common share of the Company at a price of \$1.50 until October 31, 2007.
6. 89,233 Class A common shares issued pursuant to the exercise of 89,233 broker warrants at an exercise price of \$1.50 issued in connection with the issuance of broker units.
7. 1,452,250 Class A common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$1.50 per share.

8. 785,000 Class A common shares issued pursuant to the exercise of stock options at prices ranging from \$0.24 to \$2.20 per share.

Subsequent to April 30, 2007, the Company issued the following Class A common shares:

1. 20,000 Class A common shares issued pursuant to the exercise of stock options at \$2.00 per share.

Critical Accounting Estimates

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those estimates.

Nature of Operations

The Company is an exploration and mining company. Its mineral properties are currently being explored and the Company has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, as established in accordance with National Instrument 43-101, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production or proceeds from disposition of such properties.

The Company tries to maximize its exposure to promising exploration opportunities, to manage the risks inherent in exploration and to make appropriate use of financial management resources.

Additional Funding Requirements

As discussed, the mineral properties of the Company are in the exploration and development stage and, as a result, the Company has no source of operating cash flow. The Company intends to raise such additional funds to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The development of any ore deposits found on the Company's exploration properties depends on the ability of the Company to obtain financing through debt financing, equity financing or other means. If the Company's exploration programs are successful, additional funds will be required to develop the Company's properties and, if successful, to place them in commercial production. The only sources of future funds presently available to the Company are the exercise of outstanding common share purchase warrants and stock options, the sale of equity capital of the Company, obtaining debt facilities or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

Mineral Properties

The Company defers the costs of exploration and capital assets on existing projects and carries them as assets until production commences. Mineral properties and the deferred exploration expenditures are recorded at cost

and do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration expenditures will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and related exploration expenditures are written off.

Senior management periodically reviews the carrying value of the mineral properties and deferred exploration expenditures 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 future cash flows. Where estimates of the future cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered and provides for impairment, if so indicated.

Stock Based Compensation

In calculating the value of stock based compensation, the Company uses the Black-Scholes option pricing model, which requires the Company to make estimates in relation to the volatility of the Company's share price and the period in which stock options will be exercised. The selection of the volatility factor and the estimate of the expected option life will have a significant impact on the costs recognized for stock based compensation. The estimates concerning volatility are made with reference to historical volatility, which is not necessarily an accurate indicator of volatility that will be experienced in the future.

Additional information relating to the Company, including the Company's Annual Information Form is available under the Company's filings on SEDAR at www.sedar.com.