

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

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

**Date**

This MD&A is dated April 30, 2007 and should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 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 exploration properties in Namibia, Africa. On October 17, 2006, the listing of the Class A common shares of the Company moved from the TSX Venture Exchange to the Toronto Stock Exchange ("TSX") under the trading symbol "FSY".

Namibia

The Company's wholly owned subsidiary, Namibian Minerals Ltd. ("Namibian Minerals")(formerly 1400596 Ontario Inc.), owns a 100% interest in Westport Resources (Namibia) (Proprietary) Ltd. ("Westport"), based in Windhoek, Namibia. Namibian Minerals is a private Ontario company based in Namibia that controls interests in gold, copper, zinc and silver properties through its Westport subsidiary. Established in 2000, Westport currently holds two exclusive prospecting licences. In addition, Westport holds a 32% interest in Omatjete Mining Company (Pty) Ltd., which owns the exclusive prospecting licence for the Ondundu gold project, and Westport also holds an option to earn a 60% interest in the Elbe copper, zinc, silver and gold project.

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 the Valencia Uranium Project as well as to develop other uranium opportunities with Ancash Investments (Pty) Ltd., the Company's strategic Namibian partners. Pursuant to the proposed restructuring plan, the Company intends to spin out its wholly owned subsidiary, Namibian Minerals, to its shareholders. Management believes that by establishing a new public vehicle to develop these non-uranium assets, existing Forsys shareholders 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 do not constitute all or substantially all of the assets of the Company and as such shareholder approval is not required for the proposed divestiture.

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 December 12, 2006, the Company negotiated terms for the acquisition of the remaining 10% interest in Tsumeb (the “Tsumeb Acquisition”) and on March 23, 2007, the Company completed 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 of the Company and 3,000,000 Class A common share purchase warrants (the “Warrants”). Each Warrant entitles the holder thereof to acquire one common share in the capital of the Company at an exercise price of \$3.50 per share prior to the date that is the earlier of: (i) March 14, 2009, and (ii) sixty business days after the date on the Company notifies the warrant holder that the closing of the Company's Class A common shares on the Toronto Stock Exchange, or any other stock exchange, as the case may be, exceeds \$5.50 per share for twenty consecutive trading days. In addition, the Company issued an aggregate of 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 Tsumeb Acquisition are subject to a four month hold period which expires on July 15, 2007. The Company now owns 100% undivided interest in the Valencia uranium project.

Snowden Mining Consultants (“Snowden”) of Johannesburg, South Africa, completed a National Instrument 43-101 compliant technical report (the “Report”) on the Valencia and the TSX Venture Exchange accepted the Report for filing on November 1, 2005. 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>. Subsequent to the filing of the Report, the Company has undertaken an exploration program of in-fill drilling, limited verification twinning and resource expansion. The drilling program expanded on the recommendations outlined in the Report and is designed to upgrade the existing uranium resource.

On November 6, 2006, the Company accepted a Pre-Feasibility Study proposal for the Valencia offered by Snowden. This comprehensive study (the “Pre-Feasibility Report”) will address the viability of Valencia. It will determine the mining method, the pit configuration and the method of mineral processing. The Pre-Feasibility Report will include a financial analysis with an overall expected accuracy of ±25% based on reasonable assumptions of technical, engineering, operating, environmental and economic factors. The Pre-Feasibility Report will also determine that portion of the previously “inferred resource” that may be classified as a mineral reserve.

On March 26, 2007, the Company received an update of the resource estimation of Valencia. This estimate forms the basis of the Pre-Feasibility Report due to the Company shortly. This resource estimation is provided to the Company by Snowden.

**Table 1: Summary of the Valencia Uranium Mineral Resources**

Category	Cut-off U <sub>3</sub> O <sub>8</sub> (kg/t)	Tonnes (millions)*	U <sub>3</sub> O <sub>8</sub> (kg/t)
Measured	0.08	15.1	0.16
Indicated	0.08	104.2	0.13
<b>Total Measured &amp; Indicated*</b>	<b>0.08</b>	<b>119.3</b>	<b>0.13</b>
Inferred	0.08	56.3	0.12

\* The resource is constrained to a depth of 380 m below surface

The total measured and indicated category can be converted to contained pounds in total metric tonnes using the formula:  $119.3 \text{ Mt} \times 0.13 \text{ kg/t} / 0.446 \text{ kg/t} = 34.77$  million lbs. The above "Measured" category outcrops within the central pit area and it represents the first two years of planned mining.

Overall the resource has increased from the NI 43-101 resource estimation detailed in the Report. Changes to the cut-off grade are justified by a number of favourable factors including: simple mineralogy, expected process recovery exceeding 90%, a lack of deleterious minerals and acid consumptive lithologies and the increased price of uranium.

The Pre-Feasibility Report will outline the mining method, the pit configuration and the method of mineral processing. It will also include a financial analysis with an overall expected accuracy of  $\pm 25\%$  based on reasonable assumptions of technical, engineering, operating, environmental and economic factors.

Drilling updates and results pertaining to the Valencia Main Zone and East Zone were issued by the Company on February 8, February 23, March 28, May 3, May 17, May 28, June 22, July 5, July 26, September 14 and November 1, 2006 and are available for viewing under the Company's filings on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Additionally, on December 14, 2006, the Company announced the discovery of outcropping high grade uranium-bearing alaskite granite approximately 1,500 metres north of the Valencia Main Zone. The new "Joly Zone", named after the discoverer, is comprised of an approximately 1,000 metre x 25 metre wide dyke. This zone was mapped radiometrically as part of the full coverage survey of the Company's Uranium Mineral Deposit Retention Licence (the "Licence"). A suite of geophysical surveys were carried out over the Licence to aid the Company with its mine planning model for the Valencia Main Zone. The radiometric survey was followed up by prospecting, resulting in the collection of 19 grab samples over the new zone. There is no evidence of any previous exploration or drilling on this zone. The Company is very encouraged with the results of the 19 "grab" samples. Follow up exploration began in mid-January, 2007, on this new zone. The work will comprise geological mapping, additional sampling and drill road construction to facilitate future diamond drilling.

#### *Strategic Partnership with Ancash Investments (Pty) Ltd.*

On March 22, 2007, the Company announced, that further to its press releases dated December 20, 2006 and February 26, 2007, it had 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 \$1,000,000 and issued 4,750,000 Class A common shares of the Company and 4,000,000 Class A common share purchase warrants (the "Warrants"). Each Warrant entitles the holder thereof to acquire one Class A common share of the Company at an exercise price of \$6.66 per Class A common share at any time until March 13, 2010. In addition, the Company issued an aggregate of 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  $U_3O_8$ . 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.

### 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.



### Summary of Quarterly Results

	Q1 2006 \$	Q2 2006 \$	Q3 2006 \$	Q4 2006 \$	Q1 2007 \$	Q2 2007 \$	Q3 2007 \$	Q4 2007 \$
Total revenue from continuing operations	Nil	Nil	Nil	Nil	50,622	72,259	174,279	77,375
Income (loss) before discontinued operations								
- Loss before tax	(173,982)	(381,440)	(340,414)	(606,847)	(655,084)	(656,038)	(1,157,452)	(741,083)
- Per share	(\$0.02)	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)	(\$0.016)
Net income (loss)								
- Total	(173,982)	(381,440)	(340,414)	(575,847)	(655,084)	(656,038)	(1,157,452)	(745,083)
- Per share	(\$0.02)	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)	(\$0.016)

### Liquidity and Capital Resources

The Company reported a working capital surplus of \$12,139,321 on January 31, 2007, compared to a working capital surplus of \$10,624,522 as at January 31, 2006.

#### Warrants

During the year ended January 31, 2007, the Company raised \$1,724,625 through the exercise of 3,832,500 share purchase warrants exercisable into 3,832,500 Class A common shares at a price of \$0.45 per share, \$330,750 through the exercise of 630,000 broker warrants exercisable into 630,000 Class A common shares at a price of \$0.30 per share and 315,000 broker warrants exercisable into 315,000 Class A common shares at a price of \$0.45 per share, \$2,754,704 through the exercise of 416,420 broker warrants exercisable into 416,420 Class A common shares at a price of \$1.15 per share and 208,209 broker warrants exercisable into 208,209 Class A common shares at a price of \$1.50 per share and 1,309,005 common share purchase warrants exercisable into 1,309,005 Class A common shares at a price of \$1.50 per share. In connection with the acquisition of NML, the Company received \$1,125,000 through the exercise of 3,000,000 common share purchase warrants exercisable into 3,000,000 Class A common shares at a price of \$0.375.

#### Private Placement 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 common share for total gross proceeds of \$47,500,000 (the "Private Placement").

The net proceeds from the Private Placement and the exercise of the warrants are being used by the Company towards the development of Valencia, and for general working capital.

### Transactions with Related Parties

During the year ended January 31, 2007, consulting fees of \$294,000 (2006-\$209,000) 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 divestiture.

### Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as at January 31, 2007 and have concluded that they are adequate and effective. Internal control weaknesses were identified in respect of a lack of segregation of duties. In the opinion of the Chief Executive Officer and Chief Financial Officer, the internal control weaknesses are inherently related to the small number of employees of the Company and the internal control weaknesses did not cause any material information to be withheld in its financial disclosure or affect reported financial results.

### Changes in Accounting Policies including Initial Adoption

There were no changes in accounting policies during the year ended January 31, 2007.

### Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, interest and other receivables, 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 April 27, 2007

	Authorized	Outstanding
Voting or equity securities issued and	Unlimited Class "A" common shares.	74,466,704 Class "A" common shares.

	<b>Authorized</b>	<b>Outstanding</b>
outstanding	<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>	
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 340,000 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 share purchase warrants entitling the holders thereof to purchase 4,500,000 Class "A" common shares of	10,000 share purchase warrants entitling the holders thereof to purchase 10,000 Class "A" common shares of the

	<b>Authorized</b>	<b>Outstanding</b>
	the Company at a price of \$0.45 per share at any time on or before August 5, 2007.	Company at a price of \$0.45 per share at any time on or before August 5, 2007.
	4,576,050 share purchase warrants entitling the holders to purchase 4,576,050 Class "A" common shares of the Company at a price of \$1.50 per share on or before 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 on or before October 31, 2007.
	3,000,000 share purchase warrants entitling the holders thereof to acquire 3,000,000 Class "A" common shares of the Company at an exercise 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 warrant holder that the closing of the Company's common shares on the Toronto Stock Exchange, or any other stock exchange, as the case may be, exceeds \$5.50 per share for twenty (20) consecutive trading days.	3,000,000 share purchase warrants entitling the holders thereof to acquire 3,000,000 Class "A" common shares of the Company at an exercise 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 warrant holder that the closing of the Company's common shares on the Toronto Stock Exchange, or any other stock exchange, as the case may be, exceeds \$5.50 per share for twenty (20) consecutive trading days.
	500,000 share purchase warrants entitling the holders to purchase 500,000 Class "A" common shares of the Company 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 of the Company 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 thereof to acquire 4,000,000 Class "A" common shares of the Company at an exercise price of \$6.66 per share at any time until March 13, 2010.	4,000,000 common share purchase warrants entitling the holders thereof to acquire 4,000,000 Class "A" common shares of the Company at an exercise price of \$6.66 per share at any time until March 13, 2010.
Voting or equity securities issuable on conversion or exchange of outstanding securities	(as above)	(as above)

There were 53,471,755 Class A common shares issued and outstanding as at January 31, 2007. The following shares were issued during the 3 months ended January 31, 2007:

1. 3,000,000 Class A common shares were issued pursuant to the exercise of common share purchase warrants at an exercise price of \$0.375.
2. 1,252,500 Class A common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$0.45 per share.
3. 89,233 Class A common shares issued pursuant to the exercise of 89,233 broker units at an exercise price of \$1.15 per Unit. Each Unit consists of one common share and one-half of one Class A 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.
4. 44,616 Class A common shares issued pursuant to the exercise of 44,616 broker warrants at an exercise price of \$1.50 issued in connection with the issuance of broker units.

5. 1,300,305 Class A common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$1.50 per share.
6. 808,000 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 January 31, 2007, the Company issued the following Class A common shares:

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 on or before 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.

### **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 and Deferred Exploration Costs**

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.

### **Risk Factors**

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

#### **Resources, Reserves and Production**

No assurance can be given that the anticipated level of recovery and/or grades of reserves or resources. Moreover, short-term operating factors relating to ore reserves and resources, such as the need for orderly development of an orebody or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period. The effect of these factors could have a material adverse effect on the Company's business and could affect the Company's ability to realise the carrying value of its resource assets. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent that the carrying value exceeds the discounted amount of future cash flows. Where estimates of future cash flows are not available and the events or changes in circumstances suggest impairment, management assesses if the carrying value can be recovered and provides for impairment for any excess of

carrying value over estimated fair value.

## **Risks**

### *Credit risk*

Cash and cash equivalents include deposits maturing within 90 days of the original date of investment. In order to limit its exposure, the Company deposits its funds with a Canadian major bank and investment dealer.

### *Exploration and development risk*

The Company's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the mining industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative.

### *Financing risk*

There can be no assurance that any funding required by the Company will become available, and, if so, that it will be offered on reasonable terms or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects or that they can be secured on competitive terms.

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](http://www.sedar.com).