

FORSYS METALS CORP.
(formerly Forsys Technologies Inc.)
(the “Company”)

FORM 51-102F1
MANAGEMENT’S DISCUSSION & ANALYSIS

Date

This MD&A is dated December 12, 2006 and should be read in conjunction with the interim consolidated financial statements for the nine months ended October 31, 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. The Company announced on October 17, 2006 that it has commenced trading on the Toronto Stock Exchange (“TSX”) under the trading symbol “FSY”.

Namibia

The Company’s wholly owned subsidiary, 1400596 Ontario Inc. (“1400596”), owns a 100% interest in Westport Resources (Namibia) (Proprietary) Limited (“Westport”), based in Windhoek, Namibia. 1400596 is a private Ontario company based in Namibia that controls interests in gold, copper, zinc and diamond properties. Established in 2000, Westport currently holds two exclusive prospecting licences and one exclusive reconnaissance licence covering 1,086,000 hectares of prospective mineral projects targeting diamond, base and precious metals deposits. In addition, Westport holds a 32% interest in Omatjete Mining Company (Pty) Ltd., which owns the Ondundu Gold licence, and Westport also holds an option to earn a 60% interest in the Elbe Mine 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 to mid-stage development as well as to develop other uranium opportunities with Ancash Investments, the Company's strategic Namibian partners. Pursuant to the proposed restructuring plan, the Company intends to spin out its wholly owned subsidiary, 1400596, to its shareholders (to be renamed to Namibian Resources) by way of special dividend. 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 1400596 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 the Valencia Uranium Mining Licence ("Valencia") MDRL 1496 in western central Namibia, Africa.

On November 3, 2006, the Company announced that further to an internal review of its corporate structure it was brought to the attention of management that due to an administrative oversight Tsumeb, the registered holder of MDRL 1496, had been deregistered by the Ministry of Trade and Industry, Namibia. The Company took all steps necessary to reinstate the registration of Tsumeb and on December 12, 2006 the Company announced the confirmation that the registration of Tsumeb has been restored by order of the High Court of Namibia dated November 27, 2006 and received by the Company on December 7, 2006.

Additionally, in the process of rectifying the registration of Tsumeb, the Company also announced on December 12, 2006 that it was also able to negotiate terms for the acquisition of the remaining 10% interest in Tsumeb and signed an agreement for the purchase which provides for completion by no later than January 31, 2007.

On November 6, 2006, the Company announced the acceptance of a Pre-Feasibility Study proposal for the Valencia offered by Snowden Mining Consultants ("Snowden") of Johannesburg, South Africa. The Pre-Feasibility Study began immediately with expected completion within the first quarter of 2007. This comprehensive study will address the viability of the Valencia project. It will determine the mining method, the pit configuration and the method of mineral processing. The study will include a financial analysis with an overall expected accuracy of $\pm 25\%$ based on reasonable assumptions of technical, engineering, operating, environmental and economic factors. The study will also determine that portion of the previously "inferred resource" that may be classified as a mineral reserve.

Snowden had 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). The Report has estimated an Inferred Mineral Resource of 32 million tonnes at an average grade of 0.22 kg/t U₃O₈ using a cut-off grade of 0.17 kg/t U₃O₈. 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 was designed to upgrade the existing uranium resource.

Drilling results issued by the Company during the three months ended October 31, 2006 include three additional Valencia Main Zone drill holes; VA26-110, VA26-112, and VA26-114, which were reported by the Company on September 14, 2006.

Drill hole VA26-110 intersected two thick zones of uranium mineralization in the central portion of the deposit and intersected 29.07 m grading 0.236 kg/t U₃O₈ from 246.47 m to 275.54 m (including 2.91 m grading 0.522 kg/t U₃O₈) and 80.45 m grading 0.215 kg/t U₃O₈ from 282.78 m to 363.23 m (including 1.42 m grading 0.614 kg/t U₃O₈). Drill hole VA26-112 intersected a thick zone of uranium mineralization in the central portion of the deposit and returned 84.74 m grading 0.332 kg/t U₃O₈ from 38.35 m to 123.09 m (including 14.12 m grading 0.521 kg/t U₃O₈) and (including 25.73 m grading 0.404 kg/t U₃O₈). Drill hole VA26-114 intersected uranium mineralization in the north-west central portion of the deposit. This interval is close to the northern edge of the deposit and returned 10.03 m grading 0.231 kg/t U₃O₈ from 42.42 m to 52.45 m.

On November 1, 2006, the Company reported analytical results for four East Zone drill holes; VA26-123 VA26-125, VA26-126, and VA26-128, from the Company's Valencia deposit. The four holes formed part of the Company's exploration stage core drilling program recently completed at Valencia. Assays for a fifth East

Zone drill hole are pending. Drill hole VA26-123, drilled approximately 150 metres east of the Main Zone, intersected uranium mineralization: (11.23 m grading 0.208 kg/t U₃O₈ from 39.28 m to 50.51 m). Drill hole VA26-125, drilled 100 m east of VA26-123 intersected several zones of uranium mineralization, including: 4.20 m grading 0.216 kg/t U₃O₈ from 10.00 m to 14.20 m, 5.69 m grading 0.210 kg/t U₃O₈ from 107.31 m to 113.00 m, 14.23 m grading 0.231 kg/t U₃O₈ from 127.00 m to 141.23 m, and 24.55 m grading 0.371 kg/t U₃O₈ from 177.73 m to 202.28 m.

Drill hole VA26-126, a step out hole drilled on section 80 m south of VA26-123, did not intersect significant mineralization. This hole was designed to explore for parallel alaskite granite dykes and did not intersect the subsurface projections of the East Zone proper. Drill hole VA26-128, drilled 150 m east of VA26-125 also intersected uranium mineralization, including: 5.83 m grading 0.234 kg/t U₃O₈ from 57.94 m to 63.77 m, and 10.00 m grading 0.291 kg/t U₃O₈ from 98.42 m to 104.14 m. The East Zone uranium mineralization is continuous over the tested length. Intervals are generally narrow, a reflection of the dyke-like nature of the alaskite granite in this zone, but grades are of similar tenor to the margins of the Main Zone. East Zone historical drill holes were not sampled as part of this program. The results to date are sufficiently encouraging to warrant re-sampling of historical cores and additional drilling to better define the East Zone potential. In addition, the "measured block" reverse circulation ("RC") drilling program at Valencia is now complete. 148 RC holes totaling 11,245 m were completed. In total 11,245 samples were submitted for analysis; 2,850 have been received. Analytical results are reported to the Company by Set Point Laboratories, located in Johannesburg, South Africa. Set Point was unconditionally accredited by the South African National Accreditation System (SANAS) for the uranium pressed pellet technique (M053) on May 4, 2006. The Company is also managing an intensive quality control program designed to monitor and independently verify the laboratory results.

Diamond core drilling at Valencia for verification, exploration, and infilling of 16 holes has now been completed. This work component was designed and supervised by the Company's Qualified Person. Final assays are pending and will be released when available. Snowden has been retained to update the program, provide a resource estimate and a financial evaluation.

Strategic Partnership with Ancash Investments (Pty) Ltd.

The Company announced on September 19, 2006, that it has entered into a Letter of Intent ("LOI") with Ancash Investments (Pty) Ltd. ("Ancash"), an arm's length registered Black Economic Empowerment ("BEE") group in Namibia. The LOI will establish a strategic partnership designed to acquire new uranium projects and expand Forsys' exploration presence around the Company's Valencia uranium deposit. The partnership cooperates with newly proposed Namibian BEE initiatives through project and equity participation in the Company.

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 proposed 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.

The LOI is conditional on the Company and Ancash entering into a definitive Memorandum of Understanding (“MOU”) outlining the final terms and conditions of the proposed partnership. In addition, closing of the MOU is conditional on the receipt of all required regulatory approval.

Both the Company and Ancash are working towards completing the geological review and project selection, submission of EPL applications to the MME and finalizing the MOU.

Warrant Exercises

During the nine months ended October 31, 2006, the Company raised \$1,161,000 through the exercise of 2,580,000 share purchase warrants issued in connection with the Quest Securities private placement (the “Quest Private Placement”), exercisable into 2,580,000 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 and 8,700 common share purchase warrants exercisable into 8,700 common shares at a price of \$1.50 per share.

* * * * *

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 nine months ended October 31, 2006 was \$2,468,574 (2005-\$895,835). Working capital as at October 31, 2006 decreased to \$9,132,264 (2005 – \$10,624,522) primarily as a result of the Company’s expenditures on its Namibian properties. The increase in expenses is attributable primarily to the Company’s granting of stock options, resulting in stock-based compensation of \$1,353,111 (2005 –\$290,528). The increase in expenses during the nine months ended October 31, 2006, also correlates directly to an increase in consulting fees and an increase in promotional activities. The Company also recorded a foreign exchange loss of \$362,975 for the nine months ended October 31, 2006, compared to nil for the comparable period in 2005.

Summary of Quarterly Results

	Q4 2005 \$	Q1 2006 \$	Q2 2006 \$	Q3 2006 \$	Q4 2006 \$	Q1 2007 \$	Q2 2007 \$	Q3 2007 \$
Total revenue from continuing operations	Nil	Nil	Nil	Nil	Nil	50,622	72,259	174,279
Income (loss) before discontinued operations								
- Loss before tax	(173,962)	(173,982)	(381,440)	(340,414)	(606,847)	(655,084)	(656,038)	(1,157,452)
- Per share	(\$0.026)	(\$0.02)	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)
Net income (loss)								
- Total	(173,962)	(173,982)	(381,440)	(340,414)	(575,847)	(655,084)	(656,038)	(1,157,452)
- Per share	(\$0.066)	(\$0.02)	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)

Liquidity and Capital Resources

The Company reported a working capital surplus of \$9,132,264 on October 31, 2006, compared to a working capital surplus of \$10,624,522 as at January 31, 2006.

Warrants

During the nine months ended October 31, 2006, the Company raised \$1,161,000 through the exercise of 2,580,000 share purchase warrants issued in connection with the Quest Securities private placement (the "Quest Private Placement"), exercisable into 2,580,000 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 and 8,700 common share purchase warrants exercisable into 8,700 common shares at a price of \$1.50 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 nine months ended October 31, 2006, consulting fees of \$222,471 (2005-\$139,750) 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.

The Company announced on September 19, 2006, that it has entered into a Letter of Intent ("*LOI*") with Ancash Investments (Pty) Ltd. ("*Ancash*"), an arm's length registered Black Economic Empowerment ("*BEE*") group in Namibia. The *LOI* will establish a strategic partnership designed to acquire new uranium projects and expand Forsys' exploration presence in Namibia for both alaskite and calcrete type uranium deposits. The partnership cooperates with newly proposed Namibian BEE initiatives through project and equity participation in the Company.

The *LOI* is conditional on the Company and Ancash entering into a definitive Memorandum of Understanding ("*MOU*") outlining the final terms and conditions of the proposed partnership. In addition, closing of the *MOU* is conditional on the receipt of all required regulatory approval.

Both the Company and Ancash are working towards completing the geological review and project selection, submission of EPL applications to the MME and finalizing the *MOU*.

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 to mid-stage development as well as to develop other uranium opportunities with Ancash Investments, the Company's strategic Namibian partners. Pursuant to the proposed restructuring plan, the Company intends to spin out its wholly owned subsidiary, 1400596 Ontario Inc. ("1400596"), to its shareholders (to be renamed to Namibian Resources) by way of special dividend. 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 1400596 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.

The Company announced on December 12, 2006 that it was also able to negotiate terms for the acquisition of the remaining 10% interest in Tsumeb (see Overall Performance section above) and signed an agreement for the purchase which provides for completion by no later than January 31, 2007.

Controls and Procedures

The Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and disclosures as at October 31, 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 nine months ended October 31, 2006.

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.

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.

	Nine Months Ended October 31, 2006 \$	Nine Months Ended October 31, 2005 \$
General and Administrative Costs		
Professional fees	29,790	13,109
Consulting fees	496,120	221,369
Stock-based compensation	1,353,111	290,528
Promotion	99,357	-
General and administrative expenses	85,758	140,622
Investor relations	28,518	104,841
Shareholder information	192,400	-
Travel	108,304	44,444
Foreign exchange loss	362,975	-
Depreciation	24,427	1,800
	<u>2,780,760</u>	<u>816,713</u>

The Company's loss from continuing operations for the nine months ended October 31, 2006 was \$2,468,574 (2005-\$895,835). Working capital as at October 31, 2006 decreased to \$9,132,264 (2005 – \$10,624,522) primarily as a result of the Company's expenditures on its Namibian properties. The increase in expenses is attributable primarily to the Company's granting of stock options, resulting in stock-based compensation of \$1,353,111 (2005 –\$290,528). The increase in expenses during the nine months ended October 31, 2006, also correlates directly to an increase in consulting fees and an increase in promotional activities. The Company also recorded a foreign exchange loss of \$362,975 for the nine months ended October 31, 2006, compared to nil for the comparable period in 2005.

Capitalized Exploration and Development Costs

The Company capitalized exploration and development costs of \$2,511,251 on its Namibian properties during the nine months ended October 31, 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 December 12, 2006.

	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>	47,379,700 Class "A" common shares.
Securities convertible or exercisable into voting or equity securities	Options to acquire up to 9,300,000 common shares of the Company, subject to regulatory approval.	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 1,218,167 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, 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.
	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.	1,152,500 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.
	4,576,050 share purchase warrants	4,565,100 share purchase warrants

	Authorized	Outstanding
	entitling the holders to purchase one common share of the Company at a price of \$1.50 on or before October 31, 2007.	entitling the holders 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 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 178,466 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 46,977,101 common shares issued and outstanding as at October 31, 2006. The following shares were issued during the 3 months ended October 31, 2006:

1. 40,000 common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$0.45 per share.
2. 8,700 common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$1.50 per share.

Subsequent to October 31, 2006, the Company issued the following shares:

1. 250,000 common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$0.45 per share.
2. 2,250 common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$1.50 per share.
3. 89,233 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 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 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.

Additional information relating to the Company is available on SEDAR at www.sedar.com.