

parker simone LLP



**Consolidated  
Financial Statements**

**Years Ended  
January 31, 2008 and 2007**

**parker simone LLP**

Chartered Accountants  
129 Lakeshore Road East  
Suite 201 Mississauga Ontario  
L5G 1E5  
T 905 271.7977  
F 905 271.7677

**Auditors' Report**

To the Shareholders of  
Forsys Metals Corp.

We have audited the consolidated balance sheets of Forsys Metals Corp. as at January 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2008 and 2007 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles



April 28, 2008

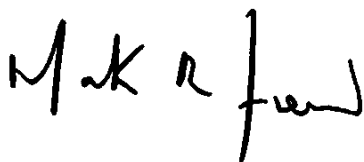
Licensed Public Accountants

**Forsys Metals Corp.**  
**Consolidated Balance Sheets**

<i>As at January 31,</i>	2008	2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$51,836,054	\$11,892,604
Accounts receivable	311,646	286,822
Prepaid expenses	48,177	51,549
Deposits <i>(Note 5(a))</i>	2,143,698	-
	<b>54,339,575</b>	12,230,975
<b>Investment in Mega Diamond Development Ltd. <i>(Note 5(a))</i></b>	-	300,000
<b>Mineral Properties <i>(Note 6)</i></b>	43,379,787	10,006,752
<b>Capital Assets <i>(Note 7)</i></b>	1,268,134	233,204
	<b>\$98,987,496</b>	<b>\$22,770,931</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accruals	\$ 387,094	\$ 91,654
<b>Shareholders' Equity</b>		
<b>Capital Stock <i>(Note 8)</i></b>	124,587,015	24,119,318
<b>Warrants Exercised, Shares Not Issued <i>(Note 8)</i></b>	-	45,000
<b>Contributed Surplus <i>(Note 9)</i></b>	38,582,156	4,522,347
<b>Deficit</b>	(64,568,769)	(6,007,388)
	<b>98,600,402</b>	22,679,277
	<b>\$98,987,496</b>	<b>\$22,770,931</b>

See accompanying notes to Consolidated Financial Statements

Approved by the Board:



\_\_\_\_\_, Director  
Mark Frewin



\_\_\_\_\_, Director  
Duane Parnham

**Forsys Metals Corp.**

**Consolidated Statements of Operations, Comprehensive Loss and Deficit**

<i>Years Ended January 31,</i>	<b>2008</b>	<b>2007</b>
<b>Revenues</b>		
Interest	<b>\$ 2,206,527</b>	\$374,535
<b>Expenses</b>		
Stock-based compensation	<b>11,856,063</b>	1,933,889
Consulting fees	<b>1,714,771</b>	812,588
Travel	<b>531,656</b>	170,120
Public company costs	<b>352,961</b>	237,386
General and administrative	<b>322,511</b>	203,470
Investor relations	<b>339,017</b>	243,729
Professional fees	<b>194,819</b>	72,729
Amortization	<b>140,983</b>	51,007
Foreign exchange gain	<b>371</b>	(114,216)
Interest	<b>-</b>	1,099
	<b>15,453,152</b>	3,611,801
	<b>13,246,625</b>	3,237,266
Write-down of mineral properties <i>(note 5(a))</i>	<b>45,312,602</b>	-
Gain on disposal of capital assets	<b>-</b>	(29,517)
<b>Net Loss Before Income Taxes</b>	<b>58,559,227</b>	3,207,749
Income tax expense <i>(Note 10)</i>	<b>2,154</b>	4,000
<b>Net Loss</b>	<b>58,561,381</b>	3,211,749
Deficit at beginning of year	<b>6,007,388</b>	2,795,639
<b>Deficit at End of Year</b>	<b>\$64,568,769</b>	\$6,007,388
<b>Loss per share</b>	<b>\$ (0.80)</b>	\$ (0.07)
<b>Weighted average number of shares</b>	<b>72,977,440</b>	46,413,711

See accompanying notes to Consolidated Financial Statements

**Forsys Metals Corp.**

**Consolidated Statements of Cash Flow**

<i>Years Ended January 31,</i>	<b>2008</b>	<b>2007</b>
<b>Operations</b>		
Net loss	<b>\$(58,561,381)</b>	\$(3,211,749)
Adjustments to reconcile net loss to cash flow from operating activities:		
Write-down of mineral properties	<b>45,312,602</b>	-
Amortization	<b>210,745</b>	51,007
Stock-based compensation	<b>11,856,063</b>	1,933,889
Gain on disposal of capital assets	-	(29,517)
Unrealized foreign exchange gain	<b>(1,340,029)</b>	(143,688)
Future income tax recovery		-
Net change in non-cash working capital items:		
Accounts receivable	<b>(11,666)</b>	(109,638)
Prepaid expenses	<b>10,694</b>	(51,549)
Accounts payable and accruals	<b>(230,028)</b>	44,004
Cash Flow Used in Operating Activities	<b>(2,292,944)</b>	(1,517,241)
<b>Financing Activities</b>		
Exercise of warrants and options <i>(Note 8)</i>	<b>6,412,154</b>	6,552,695
Private placement of units	<b>47,500,000</b>	-
Share issue costs	<b>(2,120,078)</b>	-
Cash Flow from Financing Activities	<b>51,792,076</b>	6,552,695
<b>Investing Activities</b>		
Investment in Mega Diamond Development Ltd. <i>(Note 5(a))</i>	-	(300,000)
Additions to mineral properties	<b>(6,198,396)</b>	(3,298,642)
Net purchases of capital assets	<b>(1,114,575)</b>	(174,592)
Money transferred to restricted cash deposits <i>(Note 5(a))</i>	<b>(2,143,697)</b>	
Cash Flow Used in Investing Activities	<b>(9,456,668)</b>	(3,773,234)
Exchange loss on cash held in foreign currency	<b>(99,014)</b>	(33,347)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>39,943,450</b>	1,228,873
Cash and cash equivalents at beginning of year	<b>11,892,604</b>	10,663,731
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$51,836,054</b>	\$11,892,604
<b>Cash and cash equivalents are comprised of:</b>		
<b>Cash</b>	<b>3,073,552</b>	6,736,994
<b>Short-term deposits</b>	<b>48,762,502</b>	5,155,610
	<b>\$51,836,054</b>	\$11,892,604

See accompanying notes to Consolidated Financial Statements

# **Forsys Metals Corp.**

## **Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

### **General**

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

### **1. Nature of Operations**

The Company is in the exploration stage, as such, the continued operations of the Company and the recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to complete the development of its properties and upon future profitable production or, alternatively, upon the Company's ability to recover its costs through a disposition of its interests. The amounts shown for mineral properties represent costs to date, less amounts written off, and do not necessarily represent present or future values. Changes in future conditions could require a material change in the amount recorded for mineral properties.

These consolidated financial statements have been prepared on a going-concern basis, which assumes the continuity of operations and realization of assets and the settlement of liabilities in the normal course of business. If the going concern assumption is not appropriate then material adjustments may be necessary in the carrying amount and/or classifications of assets and liabilities in these consolidated financial statements.

### **2. Changes in Accounting Policy**

#### **Accounting changes**

On February 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 February 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.

## **Forsys Metals Corp.**

### **Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

#### **2. Changes in Accounting Policy (continued)**

##### ***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; accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

##### ***Comprehensive income and equity***

On February 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 February 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. As at and for the year ended January 31, 2008, the Company does not have a hedging program in place which qualifies for hedge accounting and the adoption of the standard had no effect on the Company's consolidated financial statements.

## **Forsys Metals Corp.**

### **Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

#### **2. Changes in Accounting Policy (continued)**

##### **Future Changes in Accounting Policies**

Effective February 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants relating to the accounting for and disclosure of capital and financial instruments:

- Section 1535 – “Capital disclosures” establishes standards for disclosing information about an entity’s capital and how it is managed. Under this standard, the Company will be required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital.
- Section 3862 – “Financial instruments – disclosures” requires entities to disclose quantitative and qualitative information that enable users to evaluate (a) the significance of financial instruments for the Company’s financial performance, and (b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management’s objectives, policies and procedures for managing such risks. The Company will be required to disclose the measurement bases used, and the criteria used to determine classification of financial instruments.

Adoption of these standards did not require the Company to restate prior periods as these new standards have been adopted prospectively.

Effective January 1, 2009, the CICA has issued a new standard which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company will adopt the requirements commencing in the quarter ended April 30, 2009 and is considering the impact this will have on the Company’s financial statements. Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations.

#### **3. Summary of Significant Accounting Policies**

##### ***Principles of Consolidation***

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Namibian Metals Ltd. (“NML”) a British Virgin Islands based company which owns 100% of the ordinary shares of Valencia Uranium (Pty) Limited, a Namibian based company; Namibian Westport Ltd., an Ontario based company which owns all of the ordinary shares of Westport Resources (Namibia (Pty) Ltd.; and 100% of Mega Diamond Development Ltd a British Virgin Islands based company which, through its Namibian subsidiary Ancash Investment (Proprietary) Limited, owns a 70% interest in various unexplored uranium properties in Namibia.

##### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

## **Forsys Metals Corp.**

### **Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

#### **3. Summary of Significant Accounting Policies (continued)**

##### ***Foreign Currency Translation***

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

##### ***Mineral Properties***

The exploration activities of the Company are directed towards the search, evaluation and development of mineral properties. Major expenditures are required to locate and establish ore reserves to develop metallurgical processes and to construct mining and processing facilities at a particular site.

The recoverability of values assigned to mineral interests is dependent upon discovery of economically recoverable reserves, confirmation of the Company's interest in the mineral claims, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. Management reviews the carrying value of the Company's interest in each property on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and, where necessary, these properties are written down to their estimated recoverable amount. It is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as the amount of, provision for impairment in the carrying value of mineral interests and related assets.

The cost of acquisition of mineral interests and related exploration costs are deferred until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the properties following commencement of commercial production or written off if the properties are sold or allowed to lapse. The Company does not accrue future costs to keep the properties in good standing. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred.

The cost of mineral properties includes the cash consideration and the fair value of shares issued on the date the property is acquired. The proceeds from options granted on properties are credited to the cost of the related property.

##### ***Asset Retirement Obligations***

As the Company currently has no projects under construction, there is no legal obligation requiring remediation. However, as the development of any project commences, senior management will assess whether an asset retirement obligation ("ARO") liability will arise. At the point where such liability arises, the financial statement adjustment required will be to increase the project's property value and related ARO liability by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to earnings each year to accrete the discounted ARO obligation to the final expected liability.

## Forsys Metals Corp.

### Notes to Consolidated Financial Statements

Years Ended January 31, 2008 and 2007

#### 3. Summary of Significant Accounting Policies (Continued)

##### ***Impairment of Long-lived Assets***

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

##### ***Capital Assets***

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

Office furniture	20%
Equipment	20%
Vehicles	33%
Buildings	3 1/3%

##### ***Income Taxes***

Income taxes are recorded using the asset and liability method of income tax allocation. Future income taxes relate to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates of the date of enactment or substantive enactment.

##### ***Revenue Recognition***

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

##### ***Financial Instruments***

The fair values of cash, accounts receivable and accounts payable and accruals approximate their fair values because of the short period to receipt or payment of cash.

##### ***Stock-Based Compensation Plan***

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

##### ***Loss per Share***

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

## Forsys Metals Corp.

### Notes to Consolidated Financial Statements

Years Ended January 31, 2008 and 2007

#### 3. Summary of Significant Accounting Policies (Continued)

##### **Cash and Cash Equivalents**

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

#### 4. Termination of Disposition of Namibian Westport Ltd.

On July 9, 2007, the Company entered into an agreement ("Agreement") to sell the issued and outstanding shares of Namibian Westport Ltd. (formerly Namibian Minerals Ltd.) ("Namibian") to Beta Minerals Inc. ("Beta"). Namibian, through its wholly owned subsidiary, Westport Resources Namibia (Pty.) Limited, owns a 100% interest in the Sperrgebiet Zinc Project, a 100% interest in the Omaruru Gold Project, an option to earn up to a 60% interest in the Elbe Zinc Project and a 32% interest in the Ondundu Gold Project, all of which are located in Namibia, Africa. As the closing of the Agreement had not occurred by September 30, 2007, the Agreement was terminated and there are no obligations on the part of any parties under the Agreement.

#### 5. Acquisitions

##### a) Acquisition of Mega Diamond Development Ltd.

On March 13, 2007, the Company acquired all of the issued and outstanding common shares of Mega Diamond Development Ltd. ("Mega"), a private company incorporated in the British Virgin Islands. Mega owns 70% of the issued and outstanding common shares of Ancash Investments (PTY) Ltd. ("Ancash"), a company incorporated in Namibia that is the 100% registered holder of the interests in Exclusive Prospecting Licences 3632, 3635, 3636, and 3637 and has a 30% interest in Exclusive Prospecting Licence 3638, all uranium projects. As at January 31, 2007, cash of \$300,000 had been paid as a good faith payment prior to the completion of the acquisition.

<b>Purchase price</b>	
Cash	\$ 997,150
4,750,000 Class A common shares	33,060,000
4,000,000 Class A common share purchase warrants entitling the holder to acquire one Class A common share at a price of \$6.66 per Class A common share until March 13, 2010	21,032,025
Finders fee of 300,000 Class A common shares	2,088,000
Acquisition costs	135,427
Total consideration paid	57,312,602
Book value of net assets acquired	100
Purchase price discrepancy allocated to mineral properties	\$57,312,502

## Forsys Metals Corp.

### Notes to Consolidated Financial Statements

Years Ended January 31, 2008 and 2007

#### 5. Acquisitions (Continued)

##### a) Acquisition of Mega Diamond Development Ltd.

The fair value of the warrants of \$21,032,025 was determined using the Black-Scholes valuation model with the following assumptions:

Expected life of warrants	3 years
Risk-free interest rate	4.11%
Volatility	128%
Dividend yield	0%

In accordance with the requirements of Canadian generally accepted accounting principles (GAAP), the Company valued the consideration shares at the market value of those shares at the time of their issuance. These principles also required that the warrants issued as part of the consideration be assigned a value in connection with the acquisition of Mega Diamond using the Black Scholes model. This resulted in a calculated value of \$57,312,602 using the prescribed methodology and market price prevailing at the time the final acquisition agreement was signed in February, 2007.

In its interim financial statements the Company used a market price of \$1.67 being the closing market price the day before a non-binding of letter of understanding was reached in September 2006. Negotiations continued over a six month period during which the Company's stock price escalated from an average of \$2.06 in September 2006 to a price of \$6.96 in February 2007 when a final agreement was reached.

The Company reviewed the carrying value of \$57,312,602 for the underlying exploration permits acquired in the Mega transaction and determined that a carrying value of \$12,000,000 for these properties, as estimated in September 2006, is more reflective of the early stage value of these exploration licenses. As a result of applying GAAP requirements in the preparation of these audited financial statements, a write-down of \$45,312,602 has been recorded.

The Company has an option to acquire an additional 20% of the issued and outstanding common shares of Ancash until March 14, 2010 at a price to be determined on the date of exercise of the option based on the then current valuation of Ancash, provided that the consideration shall not be less than the amount paid for the initial acquisition of 70% of the issued and outstanding common shares of Ancash on a pro rata basis.

The sum of \$2,000,000 was transferred to McCarthy Tétrault ("MT") on 30 August 2007 and is held by that firm in an interest -bearing deposit escrow account under the terms of a letter of instruction from the Company. The deposit is held by MT in connection with a letter agreement dated 30 August 2007 between the Company and Gold Enterprises Limited for the sale and purchase of 20% of the shares in Ancash Investments (Pty) Ltd owned by Gold Enterprises Limited. Subject to and on completion of the share sale and purchase contemplated by the letter agreement the sum of \$2,000,000 deposited with MT is to be released upon written instructions from the Company to Gold Enterprises Limited in part payment of the cash consideration for the Ancash shares. If written instructions are not received from the Company by 31 May 2008 the deposit (together with interest) is to be returned to the Company on its request consistent with the long stop date for the sale and purchase in the letter agreement.

**Forsys Metals Corp.**

**Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

**5. Acquisitions** (Continued)

**b) Acquisition of Valencia Uranium Limited (formerly Tsumeb Exploration Company Limited)**

On December 9, 2005, the Company acquired all of the issued and outstanding shares of Namibian Metals Ltd. ("Namibian Metals"), a private company incorporated in the British Virgin Islands, the registered and beneficial holder of 90% of the issued and outstanding shares in Valencia Uranium Limited ("Valencia") (formerly Tsumeb Exploration Company Limited), a private company incorporated in Namibia, whose primary asset is the Valencia Uranium Licence (EPL1496) in Namibia, Africa. On March 14, 2007, the Company acquired the remaining 10% of the common shares of Valencia.

<b>Purchase price</b>	
<b>90% interest acquired on December 9, 2005</b>	
Cash of US\$1,980,000	\$ 2,347,808
5,000,000 Class A common shares	1,500,000
3,000,000 Class A common share purchase warrants entitling the holder to acquire one Class A common share at a price of \$0.375 per Class A common share until November 23, 2007	597,000
Finders fee of 650,000 Class A common shares	195,000
Net income for the period December 9, 2005 to March 14, 2007	116,197
	<hr/> 4,756,005
<b>10% interest acquired on March 14, 2007</b>	
Cash of US\$2,000,000	2,336,800
3,000,000 Class A common shares	10,500,000
3,000,000 Class A common share purchase warrants	3,104,344
Finders fee of 300,000 Class A common shares	1,050,000
Acquisition costs	31,126
	<hr/> \$21,778,275
<b>Net assets acquired</b>	
Cash	\$ 1,495,065
Non-cash working capital	275,841
Mineral properties	25,561,237
Accounts payable to Westport	(1,161,432)
Loan payable to the Company	(4,392,436)
	<hr/> \$21,778,275

Each Class A common share purchase warrant, that was issued as part of the March 14, 2007 transaction, entitles the holder to acquire one Class A common share at an price of \$3.50 per Class A common share at the earlier of (i) March 14, 2009 and (ii) 60 business days after the date that the Company notifies the holder that the closing price for the Class A common shares on the Toronto Stock Exchange has exceeded \$5.50 per Class A common share for 20 consecutive trading days.

**Forsys Metals Corp.**

**Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

**5. Acquisitions** (Continued)

The fair value of the warrants of \$3,104,344 was determined using the Black-Scholes valuation model with the following assumptions:

Expected life of warrants	1 year
Risk-free interest rate	4.09%
Volatility	87%
Dividend yield	0%

**c) Acquisition of Discovery Health and Medical Services (Proprietary) Limited**

On October 15, 2007, the Company acquired for \$655,000 cash all of the issued and outstanding common shares of Discovery Health and Medical Services (Proprietary) Limited ("Discovery"), a private company incorporated in Namibia which owns real estate property in Namibia. Discovery's sole asset is a residential property in Windhoek, Namibia.

**6. Mineral Properties**

	2008	2007
Mineral Properties located in Namibia, Africa		
Balance at beginning of year	\$ 6,413,101	\$6,413,101
Acquisition costs	74,334,874	-
Write-down of mineral properties	(45,312,625)	-
		6,413,101
Deferred Explorations Expenditures		
Balance at beginning of year	\$ 3,593,651	288,992
Exploration costs	4,350,786	3,304,659
	7,944,473	3,593,651
Balance at end of year	\$ 43,379,787	\$10,006,752

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

- (a) Exclusive Prospecting Licence 1496 for the Valencia uranium project was renewed for a period of two years until February 19, 2009.

## Forsys Metals Corp.

### Notes to Consolidated Financial Statements

Years Ended January 31, 2008 and 2007

#### 6. Mineral Properties

- (b) Exclusive Prospecting Licences 3632, 3635, 3636 and 3637 for Ancash Investments which was renewed for a period of two years until November 5, 2009.
- (c) a 91% interest in the Exclusive Prospecting Licence 3638 for Dunefield Mining Company (Proprietary) Limited which was renewed for a period of two years until November 6, 2009
- (d) a 90% interest in the Exclusive Prospecting Licence 3195 for the Ondundu gold project which was renewed for a period of two years until May 30, 2009
- (e) Exclusive Prospecting Licence 3136 for the Elbe project for which renewal is pending.
- (f) Exclusive Prospecting Licence 2797 for the Sperrgebeit zinc project for which renewal is pending.
- (g) Exclusive Prospecting Licence 3166 for the Omaruru gold project for which renewal is pending.

In addition, the Company, through its Westport subsidiary, entered into an Option agreement to earn a 60% interest in the Exclusive Prospecting Licence 3136 for the Elbe copper, gold, zinc and silver project. In order to earn its interest in the property, the Company must issue 300,000 Class A common shares and incur exploration and development expenditures totalling Namibian\$5 million (the "Exploration Expenditures") before March 12, 2010.

#### 7. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and buildings	\$ 655,000	\$ -	\$ -	\$ -
Vehicles	283,430	69,252	127,735	11,055
Equipment	303,272	55,955	105,791	42,789
Office furniture	137,372	65,715	67,164	13,642
Leasehold improvements	98,440	18,458	-	-
	<b>\$ 1,477,514</b>	<b>\$ 209,380</b>	\$ 300,690	\$ 67,486
Net Book Value	<b>\$1,268,134</b>		\$ 233,204	

**Forsys Metals Corp.**

**Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

**8. Capital Stock**

***Authorized***

The Company is authorized to issue:

- An unlimited number of Class A common shares without par value
- An unlimited number of redeemable, voting non-participating Class B shares
- An unlimited number of Class C shares with rights and privileges to be determined by the Board of Directors of the Company

***Issued and outstanding Class A common shares***

	Number of Shares	Amount
Balance at January 31, 2006	42,890,288	14,112,399
Issued for cash:		
Exercise of warrants	9,711,134	5,935,079
Exercise of option	870,333	572,616
Fair value assigned to warrants exercised	-	2,985,052
Fair value assigned to options exercised	-	514,172
Balance at January 31, 2007	53,471,755	\$24,119,318
Issued for cash:		
Private placement of units	10,000,000	47,500,000
Exercise of warrants	3,684,743	5,307,152
Exercise of Options	1,332,500	1,150,000
Share issue costs		(2,120,078)
Issued as payment for:		
Acquisition of Mega Diamond Development ( <i>Note 5(a)</i> )	5,050,000	35,148,000
Acquisition of Valencia Uranium Ltd. ( <i>Note 5(b)</i> )	3,300,000	11,550,000
Fair value assigned to warrants exercised		2,668,199
Fair value assigned to options exercised		974,836
Fair value assigned to warrants issued		(1,710,412)
Balance of January 31, 2007	76,838,998	124,587,015

**Forsys Metals Corp.**

**Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

**8. Capital Stock** (Continued)

Details of the private placements completed during the years ended January 31, 2008 and 2007 are as follows:

Date of Issuance	<b>February 27, 2007</b>
Number of units issued	10,000,000
Price of issue	\$ 4.75
Gross proceeds of issue	\$47,500,000
Number of Class A common shares issued	10,000,000
Number of agent's warrants per unit	500,000
Exercise price of warrant	\$ 4.75
Expiry date of agent's option for unit	February 27, 2009

**Stock Options**

Forsys established a stock option to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. Under this fixed stock option plan, the Company is authorized to grant a maximum of 9,300,000 stock options to its directors, employees, consultants and management to acquire Class A common shares. The exercise price of any stock option granted shall not be lower than the market price of the Company's Class A common shares on the date on which the grant of the option is approved by the Board of Directors. The Board of Directors determines the number of common shares, the date or dates on which the options should be granted and the terms and conditions attached to each option in the limits prescribed in applicable law. As at January 31, 2008 the Company had 3,181,500 (2007- 5,476,500) options available for issuance.

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

	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	3,823,500	\$ 1.43	2,285,500	\$ 0.46
Transactions during the year:				
Granted	4,110,000	4.13	2,425,000	2.06
Exercised	(1,332,500)	0.86	(870,333)	0.66
Cancelled	(482,500)	5.07	(16,667)	0.55
Outstanding at end of year	6,118,500	\$ 3.08	3,823,500	\$ 1.43
Exercisable at end of year	5,416,001	\$ 2.70	2,127,666	\$ 0.85

**Forsys Metals Corp.**

**Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

**8. Capital Stock** (Continued)

A summary of the Company's fixed stock options outstanding and exercisable at January 31, 2008 is presented below:

Range of Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Currently Exercisable	
				Number of Options Exercisable	Weighted Average Exercise Price
\$0.45 - \$0.75	620,500	2.39	\$0.53	620,500	\$0.53
\$1.15 - \$3.80	4,628,000	4.30	\$2.64	4,417,500	\$2.66
\$5.40 - \$7.74	870,000	4.09	\$7.21	378,334	\$6.72
<b>\$0.45 - \$7.74</b>	<b>6,118,500</b>	<b>4.08</b>	<b>\$3.08</b>	<b>5,416,001</b>	<b>\$2.70</b>

Subsequent to year end, 85,000 options were exercised for gross proceeds to the Company of \$38,475 and 20,000 options were cancelled.

Subsequent to year end, the Company granted 450,000 stock options to employees, directors and consultants of the Company entitling the holder to acquire one Class A common share at an exercise price of \$3.11 per Class A common share until March 7, 2013.

***Stock-Based Compensation***

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

	2008	2007
Number of stock options	4,110,000	2,425,000
Exercise price/share	\$5.01	\$2.06
Volatility	109%	135%
Expected life in years	3.0	3.0
Risk free interest rate	4.19%	3.98%
Dividend yield	-	-
Vesting period in years	0.33	1.5
Value of options granted/share	\$2.84	\$1.67

**Forsys Metals Corp.**

**Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

**8. Capital Stock** (Continued)

***Warrants***

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

	2008		2007	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	<b>3,684,745</b>	<b>\$ 1.44</b>	13,395,879	\$ 0.97
Transactions during the year:				
Issued	<b>7,500,000</b>	<b>5.27</b>	-	-
Exercised	<b>(3,684,743)</b>	<b>1.44</b>	(9,711,134)	0.61
Expired	<b>(2)</b>	<b>1.44</b>	-	-
Outstanding at end of year	<b>7,500,000</b>	<b>\$ 5.27</b>	3,684,745	\$ 1.44

The following table provides additional information about outstanding warrants at January 31, 2008:

Grant Date	Expiry Date	Number of Warrants	Exercise Price
February 27, 2007	February 27, 2009	500,000	\$ 4.75
March 13, 2007	March 13, 2010	4,000,000	\$ 6.66
March 14, 2007	March 14, 2009 (a)	3,000,000	\$ 3.50
		7,500,000	\$ 5.27

(a) These warrants expire at the earlier of (i) March 14, 2009 and (ii) 60 business days after the date that the Company notifies the holder that the closing price for the Class A common shares on the Toronto Stock Exchange has exceeded \$5.50 per Class A common share for 20 consecutive trading days.

**Forsys Metals Corp.**

**Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

**9. Contributed Surplus**

	2008	2007
Balance at beginning of year	\$ 4,522,347	\$ 6,087,682
Value assigned to:		
Stock-based warrant compensation	11,856,063	1,933,889
Fair value to warrants issue in connection with private placement	1,710,412	-
Fair value assigned to warrants issued pursuant to acquisition of Mega Diamond Development Ltd. (Note 5 (a))	21,032,025	-
Fair value assigned to warrants issued pursuant to acquisition of Valencia Uranium Limited (Note 5 (b))	3,104,344	-
Transferred to share capital on exercise of warrants options	(2,668,199)	(2,985,052)
Transferred to share capital on exercise of options	(974,836)	(514,172)
Balance at end of year	<b>\$38,582,156</b>	<b>\$ 4,522,347</b>

**10. Income Taxes**

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

	2008		2007	
	\$	%	\$	%
Income taxes at statutory rates	(21,139,900)	(36.1)	(1,158,700)	(36.1)
Gain on disposal of capital assets	-	-	(14,300)	(0.4)
Expenses not deductible for income tax purposes:				
Stock-based compensation	4,280,000	7.3	698,100	21.8
Write-down of mineral properties	16,357,800	27.9	-	-
Unrealized exchange loss	-	-	51,200	1.6
Difference between Canadian and foreign statutory tax rates	24,000	0.0	7,500	0.2
Amortization	76,100	0.1	18,400	0.6
Valuation allowance	404,154	0.7	401,800	12.0
Income tax expense	<b>2,154</b>	<b>0.0</b>	<b>4,000</b>	<b>0.6</b>

**Forsys Metals Corp.**

**Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

**10. Income Taxes (Continued)**

As at January 31, 2008, the Company has non-capital losses carryforward of \$5,486,000 (2007 - \$2,192,000) which expire as follows:

2015	\$ 263,000
2026	957,000
2027	972,000
2028	3,294,000
	<b>\$ 5,486,000</b>

The Company also has \$1,204,000 (2007- 1,040,000) non-capital losses carry forward available in Namibia. The tax benefits of these losses are available for carryforward indefinitely.

The tax effect of temporary differences that give rise to significant portions of the future tax assets and liabilities at January 31, 2008 and 2007 are presented as follows:

	2008	2007
Resource deductions	\$ 58,400	\$ 63,900
Offering costs	947,300	424,024
Non-capital losses carried forward	1,810,300	791,300
	<b>2,816,000</b>	1,279,224
Valuation allowance	<b>(2,816,000)</b>	(1,279,224)
Net future income tax liability	\$ -	\$ -

**11. Commitments and Contingencies**

The Company is involved from time to time in various legal actions and claims in the ordinary course of business. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Company's financial position or results.

The Company has lease commitments over the next five years as follows:

2009	\$ 166,200
2010	146,400
2011	115,400
2012	101,100
2013	100,300

**Forsys Metals Corp.**

**Notes to Consolidated Financial Statements**

**Years Ended January 31, 2008 and 2007**

**12. Related Party Transactions**

During the year, consulting fees included \$704,000 (2007 - \$294,000) paid to three directors of the Company or companies controlled by them. These amounts have been recorded at fair value.