



# **Consolidated Financial Statements**

**(unaudited)**  
**for the 3 months ended April 30, 2008**

## **Management's Comments on Unaudited Interim Consolidated Financial Statements**

*These unaudited interim consolidated financial statements of Forsys Metals Corp. (the "Company") for the 3 months ended April 30, 2008 have been prepared by management and approved by the Board of Directors of the Company.*

*These unaudited interim consolidated financial statements have not been reviewed by the Company's external auditors.*

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

	As at April 30, 2008 (unaudited)	As at January 31, 2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$49,415,906	\$51,836,054
Accounts receivable	373,297	311,646
Prepaid expenses	31,070	48,177
Deposits (Note 3)	2,043,698	2,143,698
	<b>51,863,971</b>	<b>54,339,575</b>
<b>Mineral Properties (Note 4)</b>	<b>35,664,777</b>	<b>35,435,314</b>
<b>Deferred Exploration Expenditures</b>	<b>9,813,058</b>	<b>7,944,473</b>
<b>Capital Assets (Note 5)</b>	<b>1,348,025</b>	<b>1,268,134</b>
	<b>\$99,195,442</b>	<b>\$98,987,496</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accruals	\$ 730,370	\$ 387,094
<b>Shareholders' Equity</b>		
<b>Capital Stock (Note 6)</b>	<b>125,067,547</b>	<b>124,587,015</b>
<b>Contributed Surplus (Note 7)</b>	<b>40,086,236</b>	<b>38,582,156</b>
<b>Deficit</b>	<b>(66,688,711)</b>	<b>(64,568,769)</b>
	<b>98,465,072</b>	<b>98,600,402</b>
	<b>\$99,195,442</b>	<b>\$98,987,496</b>

See accompanying notes to Interim Consolidated Financial Statements

**Forsys Metals Corp.**  
**Consolidated Statements of Operations, Comprehensive Loss and Deficit**  
(unaudited)

	<b>3 months ended April 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Revenues</b>		
Interest	<b>\$ 553,517</b>	\$ 422,418
<b>Expenses</b>		
Stock-based compensation	<b>1,540,537</b>	1,709,500
Consulting fees	<b>605,392</b>	181,120
General and administrative	<b>198,287</b>	177,779
Public company costs	<b>141,182</b>	73,794
Investor relations	<b>39,725</b>	117,746
Professional fees	<b>36,907</b>	15,208
Amortization	<b>111,430</b>	19,320
Foreign exchange gain	-	5,910
Interest	-	11,915
	<b>2,673,459</b>	2,312,021
<b>Net Loss and Comprehensive Loss</b>	<b>2,119,942</b>	1,889,603
<b>Deficit at Beginning of Year</b>	<b>64,568,769</b>	6,007,388
<b>Deficit at End of Year</b>	<b>\$66,688,711</b>	\$7,896,991
<b>Net Loss per share</b>	<b>\$ (0.03)</b>	\$ (0.03)
<b>Weighted average number of shares</b>	<b>76,898,736</b>	65,534,575

*See accompanying notes to Interim Consolidated Financial Statements*

**Forsys Metals Corp.**  
**Consolidated Statements of Cash Flow**  
(unaudited)

	<b>3 months ended April 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Operations</b>		
Net loss	<b>\$(2,119,943)</b>	(\$1,889,603)
Items not affecting cash		
Stock-based compensation	<b>1,540,537</b>	1,709,500
Amortization	<b>111,430</b>	19,320
Unrealized foreign exchange gain	<b>24,741</b>	-
Changes in non-cash working capital items:		
Accounts receivable	<b>16,793</b>	(109,865)
Prepaid expenses	<b>(61,338)</b>	(25,612)
Accounts payable and accruals	<b>348,820</b>	286,727
Cash Flow Used in Operating Activities	<b>(138,960)</b>	(\$9,533)
<b>Financing Activities</b>		
Exercise of options	<b>444,075</b>	474,500
Exercise of warrants	-	2,580,461
Private placement of units	-	47,500,000
Share issue costs	-	(2,122,978)
Cash Flow from Financing Activities	<b>444,075</b>	\$48,431,983
<b>Investing Activities</b>		
Additions to Mineral Properties and Deferred Exploration Costs	<b>(2,603,658)</b>	(\$4,274,299)
Net purchases of capital assets	<b>(191,178)</b>	(58,455)
Money transferred from (to) restricted deposits	<b>100,000</b>	-
Cash Flow from Financing Activities	<b>(2,694,836)</b>	(4,332,754)
Exchange loss on cash held in foreign currency	<b>(30,427)</b>	-
<b>Net increase (decrease) in Cash and Cash Equivalents</b>	<b>(2,420,148)</b>	44,089,694
Cash and cash equivalents at beginning of year	<b>51,836,054</b>	11,930,262
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$49,415,906</b>	\$56,019,956

*See accompanying notes to Interim Consolidated Financial Statements*

**Notes to Interim Consolidated Financial Statements**  
(unaudited)  
**April 30, 2008**

**1. Nature of operations**

Forsys Metals Corp. (the "Company") is in the exploration stage. As such, the continued operations of the Company and the recoverability of amounts shown as 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 amount shown for mineral properties represents costs to date, less amounts written off, and does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for mineral properties.

These unaudited interim 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 unaudited interim consolidated financial statements.

**2. Accounting presentation and disclosures**

These unaudited interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada for interim financial statements that are consistent with the policies used in preparing the Company's annual consolidated financial statements for the year ended January 31, 2008 except as noted under the "New Accounting Standards Adopted" section below. Generally accepted accounting principles for interim financial statements do not conform in all respects to the disclosures required for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements.

**New Accounting Standards Adopted**

The Company adopted the following new accounting standards, issued by the Canadian Institute of Chartered Accountants, effective February 1, 2008.

- (a) CICA Handbook Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which requires disclosures in the financial statements that will enable users to evaluate: the significance of financial instruments for the Company's financial position and performance; 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 how the Company manages those risks.
- (b) CICA Handbook Section 1535 – "Capital Disclosures" which requires the disclosure of both qualitative and quantitative information that enable users to evaluate the Company's objectives, policies and processes for managing capital (*Note 9*)

### **Accounting Standards Issued But Not Yet Adopted**

The CICA has issued the following accounting standard which is effective for the Company's fiscal year commencing on or after January 1, 2009.

CICA Handbook Section 3064 "Goodwill and intangible assets" that established revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with 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 mine operations. The Company has not yet determined the impact of adopting the above accounting standard.

### **3. Deposits**

The Company has an option to increase by 20% its ownership of Ancash Investments (Pty) Ltd, which holds interests in four uranium exploration permits in Namibia, by purchasing 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 29 August 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.

### **4. Mineral properties**

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

- i. Exclusive Prospecting Licence 1496 for the Valencia uranium project was renewed for a period of two years until February 19, 2009.
- ii. Exclusive Prospecting Licences 3632, 3635, 3636 and 3637 for Ancash Investments which was renewed for a period of two years until November 5, 2009.
- iii. 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
- iv. 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. The Company expects to complete the acquisition of the remaining 10% of this deposit in the second quarter.
- v. Exclusive Prospecting Licence 2797 for the Sperrgebeit zinc project for which renewal is pending.
- vi. Exclusive Prospecting Licence 3166 for the Omaruru gold project for which renewal is pending.

- (b) 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.
- (c) In March 2008 the Company increased its interest in Exclusive Prospecting Licence 3195 for the Ondundu gold exploration project from 32% to 90% through the payment of \$100,000 and the issue of 130,000 Class A common shares with a fair value of \$405,600. Subsequent to the end of the quarter the Company completed an agreement to acquire the remaining 10% of this permit through the payment of \$17,240 plus the issue of 22,400 Class A common shares, subject to the vendor receiving a 2% production royalty from the project. The acquisition of the final 10% is expected to close in June.

## 5. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and buildings	\$ 655,000	\$ -	\$ 655,000	\$ -
Vehicles	282,694	68,354	283,430	69,252
Equipment	303,111	55,944	303,272	55,955
Office furniture	137,358	65,714	137,372	65,715
Leasehold improvements	98,440	18,458	98,440	18,458
	<b>\$1,476,603</b>	<b>\$ 208,469</b>	<b>\$1,477,514</b>	<b>\$209,380</b>
Net Book Value		<b>\$1,268,134</b>		<b>\$1,268,134</b>

## 6. Capital Stock

### Issued and Outstanding Class A Common Shares

	Number of Shares	\$
<b>Balance as at January 31, 2007</b>	53,471,755	24,119,318
Issued for cash:		
Private placement	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	-	(2,120,076)
Issued as payment for:		
Acquisition of Mega Diamond Development Ltd.	5,050,000	35,148,000
Acquisition of Valencia Uranium Ltd.	3,300,000	11,550,000
Fair value of warrants exercised	-	2,668,199
Fair value of options exercised	-	974,836
Fair value of warrants issued	-	(1,710,412)
<b>Balance as at January 31, 2008</b>	<b>76,838,998</b>	<b>124,587,015</b>
Issued as payment for:		
Issued for cash:		
Exercise of options	85,500	38,475
Acquisition of interest in Omatjete (Note 4(c))	130,000	405,600
Fair value of options exercised	-	36,457
<b>Balance as at April 30, 2008</b>	<b>77,054,496</b>	<b>125,067,547</b>

## Stock Options

	Number of Options	Weighted Average Exercise Price \$
<b>Outstanding as at January 31, 2007</b>	3,283,500	1.43
Granted	4,110,000	4.13
Exercised	(1,332,500)	0.70
Cancelled	(482,500)	3.28
<b>Outstanding as at January 31, 2008</b>	6,118,500	3.20
Granted	450,000	3.11
Exercised	(85,500)	0.45
Cancelled	(20,000)	2.20
<b>Outstanding as at April 30, 2008</b>	<b>5,410,166</b>	<b>2.74</b>

On March 7, 2008 the Company granted 450,000 options to acquire 450,000 options to acquire Class A common shares at a price of \$3.11 per share until March 7, 2013 which vest one third on each of March 7, 2008, 2009 and 2010. The fair value of the options of \$361,350 was determined using the Black-Scholes valuation model with the following assumptions:

Expected life of options	3 years
Risk-free interest rate	2.67%
Volatility	98%
Dividend yield	0%

A summary of the Company's options outstanding and exercisable at April 30, 2008 is presented below:

Exercise Price	Options Outstanding	Options Exercisable	Expiry Date
\$0.45	35,000	35,000	October 14, 2009
\$0.50	400,000	400,000	July 7, 2010
\$0.75	100,000	100,000	September 6, 2010
\$1.15	440,000	440,000	March 23, 2011
\$2.00	270,000	270,000	April 11, 2011
\$2.20	798,000	532,000	September 27, 2011
\$5.69	110,000	110,000	January 5, 2012
\$7.74	660,000	440,000	February 21, 2012
\$5.40	100,000	100,000	July 31, 2007
\$3.80	100,000	100,000	September 4, 2007
\$3.00	3,000,000	3,000,000	October 25, 2012
\$3.40	450,000	150,000	March 7, 2013
	<b>6,463,500</b>	<b>5,410,166</b>	

## Warrants

	Number of Warrants	Weighted Average Exercise Price \$
<b>Outstanding as at January 31, 2007</b>	3,684,745	1.44
Issued	7,500,000	5.27
Exercised	(3,684,745)	1.44
<b>Outstanding as at January 31 and April 30, 2008</b>	<b>7,500,000</b>	<b>5.27</b>

A summary of the Company's warrants outstanding and exercisable at April 30, 2008 is presented below:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Number of warrants</b>	<b>Exercise Price</b>
February 27, 2007	February 27, 2009	500,000	\$4.75
March 13, 2007	March 14, 2009	3,000,000	\$6.66
March 14, 2007	March 14, 2009 (a)	4,000,000	\$3.50
		<b>7,500,000</b>	

(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.

## 7. Contributed Surplus

<b>Balance as at January 31, 2007</b>	\$ 4,522,347
Stock-based compensation	11,856,063
Fair value of warrants issued pursuant to private placement	1,710,412
Fair value of warrants issued on acquisition of Mega Diamond Development Ltd.	21,032,025
Fair value of warrants issued on acquisition of Valencia Uranium Limited	3,103,344
Transferred to share capital on exercise of warrants	(2,668,199)
Transferred to share capital on exercise of options	(974,836)
<b>Balance as at January 31, 2008</b>	<b>\$38,582,156</b>
Stock-based compensation	1,540,537
Transferred to share capital on exercise of options	(36,457)
	<b>\$40,086,236</b>

## 8. Related Party Transactions

During the 3 months ended April 30, 2008, consulting fees and salaries of \$167,000 (3 months ended April 30, 2007 \$76,750) were paid to directors of the Company.

## 9. Capital Management

The Company's objective when managing capital is to ensure that it has sufficient capital to maintain its ongoing operations, to provide adequate returns for shareholders and benefits for other stakeholders and to maintain a sufficient level of funds to support continued exploration and development of its operations in Namibia.

The Company manages its capital structure and makes adjustments to it, based on the level of funds available to the Company to manage its exploration and development activities. In order to maintain or adjust its capital structure, the Company expects that it will be able to obtain financing sufficient to maintain and expand development activities. There are no assurances that these initiatives will be successful.

As of April 30, 2008 the Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy.

## 10. Financial Risk Factors

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and price risk.

**(a) Credit Risk**

The Company's credit risk is primarily attributable to value-added taxes receivable from the Namibian government are not contingent on tax policy not changing.

The majority of the Company's cash and cash equivalents are on deposit with a Canadian Chartered Bank.

**(b) Liquidity**

The Company has sufficient funds to settle current and long-term liabilities. The Company is currently reviewing options for additional financing in anticipation of the construction of the Valencia uranium project.

**(c) Currency Risk**

The Company's expenses are incurred in Canadian, US and Namibian dollars and therefore the Company is subject to gains and losses due to fluctuations in these currencies. The Company maintains US dollar bank accounts in each of Namibia and Canada for operating and administrative purposes.

**(d) Interest Rate Risk**

The Company's current policy is to invest excess cash in bankers acceptances issued by top tier Canadian banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

**(e) Commodity Price Risk**

The future profitability of the Company is directly related to the market price of uranium. The feasible development of such properties is highly dependent upon the price of metals. A sustained and substantial decline in commodity prices could result in the write-down, termination of exploration work or loss of its interests in identified resource properties.