

**FORSYS METALS CORP.**  
**(the “Company”)**

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

**Date**

This MD&A is dated September 14, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the six months ended July 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 mineral properties in Namibia, Africa. The Class A common shares of the Company are listed for trading on the Toronto Stock Exchange under the trading symbol “FSY” and on the Frankfurt Stock Exchange under the symbol “F2T”.

*Valencia Uranium Project*

The Company owns all of the issued and outstanding common shares of Tsumeb Exploration Company Limited (“Tsumeb”). Tsumeb, a Namibian registered company, is the registered and beneficial holder of Exclusive Prospecting Licence 1496 (“EPL”), granted by the Ministry of Mines and Energy, Republic of Namibia. The EPL is 735.6 ha in size and covers the Valencia uranium project (“Valencia”), located in western central Namibia, Africa.

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

Snowden Mining Consultants (“Snowden”) of Johannesburg, South Africa, provided an updated National Instrument 43-101 Technical Report (the “Report”), which the Company summarized in news releases dated June 28, 2007 and July 9, 2007. The Report outlines the Company’s continuing optimization efforts at Valencia including pit designs, detailed cost analysis, and metallurgical flow sheets. This effort has further optimized the base case information previously outlined in the Pre-Feasibility Study (“PFS”), reported by the Company on May 16, 2007. The Report also describes the increased resource and reserve of the Valencia deposit based on optimization work of the data compiled during the PFS.

The current mineral resource (measured, indicated and inferred) at Valencia represents 62.1 M lbs of U<sub>3</sub>O<sub>8</sub> while the current mineral reserve (probable) represents 117 Mt of ore at a grade of 0.12 kg/t which amounts to 30.9 M lbs of U<sub>3</sub>O<sub>8</sub> (see the Company’s press releases dated July 9, 2007 and June 28, 2007). As per the Report, the internal rate of return for Valencia is currently calculated to be 74%.

The Mineral Resources reported in Table 1 below have been classified as Measured, Indicated and Inferred Resources in accordance with the guidelines of the CIM Definition Standards (CIM, 2005). The resource has been constrained to a maximum depth of 380 m below surface.

<b>Table 1 Summary of Valencia Uranium Mineral Resource, June 2007</b>				
<b>Category</b>	<b>Cut-off U<sub>3</sub>O<sub>8</sub> (kg/t)</b>	<b>Tonnes (millions)</b>	<b>U<sub>3</sub>O<sub>8</sub> (kg/t)</b>	<b>U<sub>3</sub>O<sub>8</sub> (Mlbs)</b>
Measured	0.06	18.2	0.14	5.6
Indicated	0.06	146.0	0.11	35.8
Total Measured and Indicated	0.06	164.2	0.11	41.4
Inferred	0.06	92.4	0.10	20.7

All tabulated data has been rounded to one decimal place for tonnage and two decimal places for U<sub>3</sub>O<sub>8</sub> grades.

Table 1 describes a mineral resource (total measured, indicated and inferred) of 62.1 M lbs U<sub>3</sub>O<sub>8</sub>, as compared to the 49.6 M lbs U<sub>3</sub>O<sub>8</sub> outlined in the PFS which was reported on May 16, 2007, representing an increase of 25%.

The Mineral Reserves for Valencia are reported in Table 2 and were classified as Probable Reserves using the guidelines of the JORC code, which is a recognized foreign code under NI 43-101.

<b>Table 2 Summary of Valencia Uranium Reserve, June 2007</b>				
<b>Category</b>	<b>Cut-off U<sub>3</sub>O<sub>8</sub> (kg/t)</b>	<b>Tonnes (millions)</b>	<b>U<sub>3</sub>O<sub>8</sub> (kg/t)</b>	<b>U<sub>3</sub>O<sub>8</sub> metal (tonnes)</b>
Measured	0.06	16.9	0.14	2,400
Indicated	0.06	99.9	0.12	11,600
Probable	0.06	117	0.12	13,900

Table 2 describes a mineral reserve (probable) of 117 Mt, as compared to the 88 Mt outlined in the May 2007 PFS, representing an increase of 33%.

#### *Ongoing Valencia Exploration*

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

The original 6 hole exploration and definition drilling program within Valencia's Main Zone-East Zone transition area has been completed. This drilling campaign was extended to include an additional two holes

which are currently underway. The Company reports that granite intersected within the drilling area is radioactive and two batches of assay samples are either in the lab circuit or en route to the lab. The next definition drilling campaign will involve a series of 16 drill holes designed to test the eastern margin of the planned pit. These holes will assist with the Valencia final pit design and geotechnical assessment in the main ramp area of the mine.

The Company's geological staff anticipates that blocks within the transition zone previously categorized as waste will be reclassified into the ore category for the resource and reserve calculation to be contained in the forthcoming Feasibility Study. This will require additional test work and an updated financial evaluation to verify the extent to which current resources can be converted into additional reserves.

The Company is pleased to report that an application for a mining license in connection with Valencia is being prepared for submission to the Namibian Ministry of Mines and Energy.

#### *Valencia Infrastructure and Metallurgy*

A process plant design tender for Valencia has been issued to a select number of engineering firms and the Company reports that two firms have been short-listed through the adjudication process. Negotiations are underway to address an expedited transition from Feasibility Study to full design and construction.

The next phase of metallurgical test work is currently underway with over 200kg of samples being delivered for a test program that consists of variability testing, mineralogical studies, comminution index testing and process optimization studies (grind size, acid dissolution and leaching times).

Environmental studies at Valencia are proceeding according to schedule. The Scoping Phase was completed and the Scoping Report was received. Tenders were presented for completion of the Environmental Impact Assessment (EIA) and the Environmental Management Plan (EMP) process, and are being adjudicated. Specialist studies dealing with radiation, hydrogeology, botany, air quality, socio-economics are well underway.

On May 18, 2007, the Company announced that it had procured a renewable 5 year water abstraction and conveyance permit (the "Permit") for desalination purposes from the Ministry of Agriculture, Water and Forestry, Republic of Namibia. The seawater desalination project required for future production at Valencia has progressed and appropriate involvement by stakeholders continues to be negotiated.

#### *Joly Zone*

The Joly Zone, discovered in December 2006, is an outcropping high grade uranium-bearing alaskite granite dykes/sills zone located approximately 1,500 m north of the Valencia Main Zone. This zone was mapped radiometrically as part of the full coverage survey of the Company's uranium license. A suite of geological surveys was carried out over the property 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 Joly Zone Phase 1 exploration program shows that the radiometric anomaly is approximately 1000 m x 25 m wide opening to potentially a larger nose fold area of approximately 400m x 700m. A limited 5 hole drill program was completed in the immediate area of the discovery outcrop along the dyke producing some 350 samples. Radioactive granites were intersected over narrow widths. Assays are pending and will be released once available. Additional work required includes whole rock analytical program, radiometric and if necessary a RAB drill (or other non diamond drill) program to further define the new zone.

The lengthy delay in receiving assays is due to new regulations in South Africa pertaining to the handling of naturally occurring radioactive material.

#### Acquisition of Mega Diamond Development Corporation

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

In addition, the Company was granted the option to acquire an additional 20% interest in Ancash for a period of three years from closing.

As consideration, the Company paid \$997,150 and issued 4,750,000 Class A common shares and 4,000,000 Class A common share purchase warrants (the "Warrants"). Each Warrant entitles the holder to acquire one Class A common share at a price of \$6.66 per Class A common share at any time until March 13, 2010. In addition, the Company issued 300,000 Class A common shares to an arm's length third party as a finder's fee.

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<sub>3</sub>O<sub>8</sub>. 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.

#### Additional Uranium Exploration in Namibia

A reconnaissance program of uranium exploration has started on four Exclusive Prospecting Licenses ("EPL") acquired by the Company in March 2007. Six large target areas were identified in the initial phase of work. The licenses which have only seen limited modern exploration cover over 315,000 hectares and are located along strike from the Trekkopje uranium deposit. The Company has compiled the available technical information, including airborne surveys from the Geological Survey of Namibia (radiometrics and magnetics) and field studies are underway to identify drilling targets. A first phase radon survey is being contracted locally.

#### Westport, Namibia

Namibian Westport Ltd. (formerly Namibian Minerals Ltd.) ("Namibian"), through its wholly-owned subsidiary, Westport Resources Namibia (Pty.) Limited ("Westport"), owns a 100% interest in the Sperrgebiet Zinc Project, located in Namibia.

Westport has an option to earn a 60% interest in the Exclusive Prospecting Licence 3136 for the Elbe copper, gold, zinc and silver project, which expired on June 29, 2007 and Westport is awaiting approval of its renewal application. On March 13, 2007, the option was amended so that the Westport has until March 12, 2010 to issue 300,000 Class A common shares and incur exploration and development expenditures of Namibian\$5,000,000.

Westport holds Exclusive Prospecting Licence 3166 for the Omaruru gold project, which expired on June 10, 2007 and the Company is awaiting approval of its renewal application. Westport also has a 32% interest in Exclusive Prospecting Licence 3195 for the Ondundu gold project, which expired on May 30, 2007 and the Company is awaiting approval of its renewal application.

On July 9, 2007, the Company entered into an agreement ("Agreement") to sell the issued and outstanding shares of Namibian to Beta Minerals Inc. ("Beta").

Pursuant to the terms of the Agreement, Beta will seek shareholder approval for the consolidation of its issued and outstanding common shares on the basis of 6.3 issued and outstanding common shares for 1 post-consolidation common share. The Company will sell all of the issued and outstanding securities of Namibian in consideration for 7,558,824 Beta post-consolidation common shares and 7,558,824 Beta common share purchase warrants, with each Beta common share purchase warrant entitling the holder to purchase one Beta post-consolidation common share at an exercise price of \$1.50 per share for 12 months from the date of issuance.

It is the Company's intention to distribute the Beta common shares and Beta common share purchase warrants to its shareholders. Under the proposed distribution, each shareholder of record of the Company as at August 27, 2007 (the "Distribution Record Date") will receive their respective pro-rata number of Beta common shares and Beta common share purchase warrants. Based on the fully diluted issued and outstanding Class A common shares of the Company on July 26, 2007, each of the Company's shareholders would be entitled to 1 Beta post-consolidation common share and 1 Beta common share purchase warrant for each 11.61 Class A common shares of the Company held. The pro rata distribution amount will be subject to final adjustment on the Distribution Record Date.

Namibian entered into a letter of intent dated June 25, 2007 with an broker who has agreed to act as agent, on a best efforts basis, for a private placement of up to 20,000,000 common shares of Namibian ("Namibian Shares") at a price of \$0.75 per Namibian Share for aggregate proceeds of up to \$15,000,000, which will close concurrently with the closing of the Agreement. Namibian has agreed to pay a commission equal to 6% of the amount raised pursuant to the private placement and issue the number of broker warrants equal to 6% of the Namibian Shares issued pursuant to the private placement, with each warrant entitling the holder to purchase one Namibian Share at a price of \$0.95 per Namibian Share during the first 12 months from the date of issuance and at a price of \$1.50 per Namibian Share for the subsequent 12 months. The Namibian Shares issued pursuant to the private placement will be exchanged for Beta post-consolidation common shares concurrently with the closing of the Agreement on the basis of one Beta post-consolidation common share for each Namibian Share.

Subject to regulatory approval, a finder's fee of 335,000 Beta post-consolidation common shares will be paid to arm's length parties upon closing the Agreement.

The closing of the Agreement is subject to Beta receiving shareholder approval of the consolidation of its issued and outstanding common shares, Namibian completing its private placement, the receipt of regulatory approval for the listing of the Beta post-consolidation common shares on the TSX Venture Exchange, and the

receipt of all required regulatory approvals.

The Agreement may be terminated if the closing has not occurred by September 30, 2007 or such later date agreed to by the Company, Namibian and Beta. In that event, there will be no obligations on the part of any parties under the Agreement.

The proposed restructuring will allow the Company to focus on advancing Valencia as well as to develop its other uranium properties within Namibia.

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The Company holds no interest in producing or commercial ore deposits. The Company has no production or other revenue. There is no operating history upon which investors may rely. Commercial development of any kind will only occur in the event that sufficient quantities of ore containing economic concentrations of mineral resources are discovered. If in the future a discovery is made, substantial financial resources may be required to establish ore reserves. Additional substantial financial resources will be required to develop mining and processing for any ore reserves that may be discovered. If the Company is unable to finance the establishment of ore reserves or the development of mining and processing facilities, it may be required to sell all or a portion of its interest in such property to one or more parties capable of financing such development.

### Results of Operations

The Company's loss from operations for the three months ended July 31, 2007 was \$2,373,154 (2006-\$656,038). The large increase in expenses is attributable primarily to the Company's granting of stock options, resulting in stock-based compensation of \$1,443,850 (2006-\$264,750). The increase in expenses during the three months ended July 31, 2007, also correlates directly to an increase in consulting and professional fees, public company costs, general and administrative costs, travel and an increase in promotional activities.

The Company's loss from operations for the 6 months ended July 31, 2007 was \$4,262,757 (2006-\$1,311,122). The increase in expenses is attributable primarily to the Company's granting of stock options, resulting in stock-based compensation of \$3,153,350 (2006-\$686,722). The increase in expenses during the 6 months ended July 31, 2007 also correlates directly to an increase in consulting and professional fees, public company costs, general and administrative costs, travel and an increase in promotional activities.

### Summary of Quarterly Results

	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue from continuing operations	Nil	Nil	50,622	72,259	174,279	77,375	410,503	517,988
Income (loss) before discontinued operations								
- Loss before tax	(340,414)	(606,847)	(655,084)	(656,038)	(1,157,452)	(741,083)	(1,889,603)	(2,373,154)
- Per share	(\$0.01)	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)	(\$0.016)	(\$0.03)	(\$0.03)
Net income (loss)								
- Total	(340,414)	(575,847)	(655,084)	(656,038)	(1,157,452)	(745,083)	(1,889,603)	(2,373,154)
- Per share	(\$0.01)	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)	(\$0.016)	(\$0.03)	(\$0.03)

**Liquidity and Capital Resources**

Working capital as at July 31, 2007 increased to \$54,157,389 (January 31, 2007 – \$12,139,321) primarily through the completion of a \$47,500,000 private placement financing and the exercise of outstanding stock options and Class A common share purchase warrants.

During the 6 months ended July 31, 2007, the Company raised \$570,000 through the exercise of 832,500 stock options ranging in price from \$0.24 to \$2.20 per share and the exercise of 1,869,949 Class A common share purchase warrants ranging in price from \$0.45 to \$1.50 per share.

Working capital will be used by the Company to advance development of the Valencia 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.

**Transactions with Related Parties**

During the 6 months ended July 31, 2007, consulting fees of \$575,000 (2006-\$157,625) 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, has an option to earn a 60% interest in the Exclusive Prospecting Licence 3136 for the Elbe copper, gold, zinc and silver project, which expired on June 29, 2007 and the Company is awaiting approval of its renewal application. 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.

**Disclosure Controls and Procedures**

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

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

Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of

additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, there are supervisory controls exercised by management and audit committee oversight.

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

### **Changes in Accounting Policies including Initial Adoption**

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

### **Financial instruments**

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

#### *Financial assets and liabilities held for trading*

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

#### *Held-to-maturity investments*

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

#### *Loans and receivables*

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

#### *Available-for-sale financial assets*

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

#### *Other financial liabilities*

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

#### *Transaction costs*

Transaction costs incurred in connection with the issuance of financial liabilities are capitalized recorded as a

deduction of the carrying value of the related financial liabilities and amortized using the effective interest method.

#### *Effect of adoption*

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

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

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

#### **Hedges**

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

There were no other changes in accounting policies during the six months ended July 31, 2007.

#### **Financial Instruments and Other Instruments**

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

#### **Disclosure of Outstanding Share Data as at September 14, 2007**

	<b>Authorized</b>	<b>Outstanding</b>
Voting or equity securities issued and outstanding	Unlimited Class A common shares.  Unlimited redeemable, voting non-participating Class B shares.  Unlimited Class C with rights and privileges to be determined by the Board of Directors.	74,486,704 Class A common shares.
Securities convertible or exercisable into voting or equity securities	Options to acquire up to 9,300,000 Class A common shares of the Company,	431,500 options were granted to officers, directors and employees of the Company

	<b>Authorized</b>	<b>Outstanding</b>
	subject to regulatory approval.	<p>at an exercise price of \$0.45 per share, expiring March 2, 2010 of which 120,500 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 500,000 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 295,000 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 1,175,500 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. 100,000 options were granted to an employee and director of the Company at an exercise price of \$5.40 per share, expiring July 31, 2012, of which 100,000 remain outstanding. 100,000 options were granted to an employee of the Company at an exercise price of \$3.80 per share, expiring September 4, 2012, of which 100,000 remain outstanding.</p>
	4,576,050 Class A common share purchase warrants entitling the holders to purchase 4,576,050 Class A common shares at a price of \$1.50 per share until	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

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

There were 74,499,204 Class A common shares issued and outstanding as at July 31, 2007. The following shares were issued during the 3 months ended July 31, 2007:

1. 10,000 Class A common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$0.45 per share.
2. 22,500 Class A common shares issued pursuant to the exercise of stock options at prices ranging from \$2.00 to \$2.20 per share.

Subsequent to July 31, 2007, the Company issued the following Class A common shares:

1. 275,000 Class A common shares issued pursuant to the exercise of stock options at prices ranging from \$0.45 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

The Company defers the costs of exploration and capital assets on existing projects and carries them as assets until production commences. Mineral properties and the deferred exploration expenditures are recorded at cost and do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration expenditures will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and related exploration expenditures are written off.

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

#### Stock Based Compensation

In calculating the value of stock based compensation, the Company uses the Black-Scholes option pricing model, which requires the Company to make estimates in relation to the volatility of the Company's share price and the period in which stock options will be exercised. The selection of the volatility factor and the estimate of the expected option life will have a significant impact on the costs recognized for stock based compensation.

The estimates concerning volatility are made with reference to historical volatility, which is not necessarily an accurate indicator of volatility that will be experienced in the future.

## **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).