

FORSYS METALS CORP.
(the "Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION & ANALYSIS

Date

This MD&A is dated December 14, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the nine months ended October 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", on the Frankfurt Stock Exchange under the symbol "F2T", and on the Development Board ("DevX") of the Namibian Stock Exchange under the symbol "FSY".

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 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 an undivided 100% 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 U₃O₈ 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 U₃O₈ (see the Company's press releases dated June 28, 2007 and July 9, 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.

Table 1 Summary of Valencia Uranium Mineral Resource, June 2007				
Category	Cut-off U₃O₈ (kg/t)	Tonnes (millions)	U₃O₈ (kg/t)	U₃O₈ (Mlbs)
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 ₃ O ₈ grades.				

Table 1 describes a mineral resource (total measured, indicated and inferred) of 62.1 M lbs U₃O₈, as compared to the 49.6 M lbs U₃O₈ 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.

Table 2 Summary of Valencia Uranium Reserve, June 2007				
Category	Cut-off U₃O₈ (kg/t)	Tonnes (millions)	U₃O₈ (kg/t)	U₃O₈ metal (tonnes)
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 8 hole exploration and definition drilling program within Valencia's Main Zone-East Zone transition area has been completed. 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 submitted an application for a mining license in connection with Valencia 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 ongoing and the Scoping Phase was completed with the Scoping Report delivered to the Company. On September 20, 2007, the Company announced that an agreement has been signed with Digby Wells & Associates (Pty) Ltd. ("DWA") to conduct the remainder of the Environmental Impact Assessment ("EIA") and prepare an Environmental Management Plan ("EMP") for the Valencia. DWA is a South African firm which provides sustainable social and environmental solutions and has a demonstrated track record in undertaking independent environmental studies and assessments for exploration and mining companies.

Detailed information relating to the biophysical, social and economic conditions of the area is being gathered through various specialist studies. The information will be used to identify and evaluate possible impacts associated with the construction and operational phases of Valencia, as well as to guide the planning and implementation of environmental mitigation and rehabilitation after mine closure. Specialist studies related to radiation and hydrogeology are ongoing, as well as data collection required for air quality assessment and dispersion modelling. Other specialist studies are addressing potential air, water, soil and noise pollution, together with any socio-economic and visual impacts. Specialist studies to be concurrently conducted pertain to fauna, flora and avifauna, archaeology, health and safety, waste; legal and international environmental best practice, administrative requirements, and the associated costs for rehabilitation and mine closure options. The cumulative impacts of the existing, developing and proposed uranium mines in the area will also be taken into consideration.

It is anticipated that the EIA and the EMP will be completed in the first quarter of 2008. The completed EIA and EMP will then be submitted to the Namibian Directorate Environmental Affairs, Ministry of Environment and Tourism, as well as to the Ministry of Mines and Energy.

The Company has procured a renewable 5 year water abstraction and conveyance 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 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 and a drilling program.

The objective of the initial drilling program was to test a portion of the uranium enriched dyke where grab sampling revealed mineralization, reported in the Company's press release dated December 14, 2006. A total of five drill holes were completed from three separate locations 25 and 50 m apart in the center most accessible area of the 1,500 m discontinuous linear radiometric anomaly on a geologically continuous zone of schists intruded by granite. The drilling results show grades typical of the Valencia Main and East zones while displaying some continuity between radioactive outcrops and at depth. Complete drill results are detailed in the Company's press release dated September 25, 2007, available under the Company's filings on SEDAR.

Logging of core confirmed the five granites observed in association with uranium at Joly. However only one particular granite is potentially an alaskite similar to that found at Valencia. As a result, extensive re-sampling of the Valencia core for mineralized alaskite has been undertaken. The samples will be analyzed for major and trace elements in order to characterize the various granites in an attempt to compare Joly zone relevant mineralized granites to guide future exploration.

Management is encouraged with the initial Joly zone drilling results despite the lower grade encountered in the initial drill holes compared to the higher grade surface samples. Drilling to date has only tested a small portion of the Joly zone and additional outcrops of alaskite have been discovered on surface in the North East portion of the zone. Although reinterpretation and field testing shows sections of Joly to be intermittent in radiometric intensity, a lateral extension has been traced with high background counts over 15 m widths. Mapping of this extension provides evidence of continuity with alaskite granite intruding schists and biotite granite which were also encountered in the initial drilling program.

In September, 2007 the Company embarked on a systematic radiometric and geological mapping program with hand-held scintillometers on lines spaced every 10 m. This activity is nearing completion. The reinterpretation of the geology and radiometric survey will be followed by systematic channel sampling of the areas showing high radiometric background. The next phase of exploration activity includes sampling widths of several meters over the original showings as well as other areas of interest.

Management is also proceeding with technical analysis by preparing a correlation between counts per second read by the gamma probe and chemical assays. It is anticipated that the Company will be in a position to replace diamond drilling by percussion drilling in an effort to accelerate the drilling, sampling and radiometric count procedures.

Additional Uranium Exploration in Namibia - 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.

The Company has a 70% interest in Exclusive Prospecting Licences 3632, 3635, 3636, and 3637 and has a 30% interest in Exclusive Prospecting Licence 3638, all uranium projects, which expired on November 5, 2007 and the Company is awaiting approval of its renewal applications.

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 U₃O₈. 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.

A reconnaissance program of uranium exploration has started on the four licenses and 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 the renewal application. On March 13, 2007, the option was amended so that Westport has until March 12, 2010 to deliver 300,000 Class A common shares of the Company 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 expires on May 30, 2009. The Company has agreements to acquire the remaining 68% interest in the Ondundu gold project for \$107,240 which has been paid; other consideration to be negotiated to replace the proposed issuance of common shares and warrants in a new company which was to be incorporated as part of the Company's terminated plan to dispose of Namibian; and a 2% management fee on production, of which, the Company has the option to purchase 1% at any time for \$1,000,000.

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”). 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.

The assets held by Westport, comprising non-uranium mineral properties all of which are located in Namibia, Africa will remain with Westport, a wholly-owned subsidiary of the Company.

Korea Electric Power Corporation (“KEPCO”) Memorandum of Understanding (“MOU”)

On October 31, 2007, the Company entered into a MOU with KEPCO (NYSE: KEP). Pursuant to the terms of the MOU, the Company and KEPCO will explore the possibility of developing a framework for the future exploration and development of the Company's Namibian uranium properties, including Valencia. The Company and KEPCO will undertake detailed discussions to consider the basis and viability of possible joint venture arrangements. The MOU provides a framework whereby the Company and KEPCO have the opportunity to negotiate a working relationship and wherein KEPCO may provide a portion of the financing that is required to commence operations at Valencia.

Board Appointments

On October 25, 2007, the Company announced the appointment of Mr. Martin R. Rowley and Mr. Paul Matysek to the Company's Board of Directors. Mr. Rowley will serve as non-executive independent Chairman and Director and Mr. Paul Matysek as a non- executive independent Director. Both appointments were effective from October 22, 2007.

Mr. Rowley has over 25 years of experience in the mining industry, the past 11 years with First Quantum Minerals Ltd. (“FQM”), since co-founding the company in 1996. He served as FQM's CFO and as a Director until January 2007 when he assumed the role of Executive Director, Business Development.

Mr. Matysek is the former President, CEO and co-founder of Energy Metals Corporation which was recently purchased by Uranium One Inc. in a deal valued at over \$1 billion. He is a professional geoscientist with a Masters of Science degree in Geology. With over 25 years of domestic and international experience, he is a recognized entrepreneur and has held senior management and/or director positions with several Canadian firms as well as other natural resource exploration and development companies in addition to Energy Metals Corporation.

Following these appointments, Mr. Duane Parnham resigned as Executive Chairman of the Company and remains as CEO, President and Director. On September 18, 2007, the Company announced the resignation of Mr. Wayne Isaacs as Director and President of the Company.

* * * * *

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 October 31, 2007 was \$7,774,204 [2006-\$1,157,452]. The large increase in the net loss is attributable primarily to the Company's granting of 3,100,000 stock options, resulting in stock-based compensation of \$7,409,390 [2006-\$666,389]. The Company's stock option plan was amended to remove vesting provisions and stock-based compensation is now recorded at the time of grant of stock options rather than over the vesting period. The increase in expenses during the three months ended October 31, 2007, also correlates directly to an increase in consulting and professional fees, salaries, public company costs, general and administrative costs and travel costs. The increase in consulting fees [2007 - \$399,940, 2006 - 170,585] and salaries [2007 - 57,314, 2006 - nil] is attributable to the addition of management and administrative staff and increases in senior management compensation commensurate with industry standards. Increases in professional fees [2007 - \$85,348, 2006 - \$6,748] and general and administrative expenses [2007 - \$89,423, 2006 - \$34,921] and travel costs [2007 - \$126,743, 2006 - \$49,533] reflect the increased activity in the Company's head office, in connection with the advancement of the Company's Namibian operations.

The Company's loss from operations for the nine months ended October 31, 2007 was \$12,006,961 [2006-\$2,468,574]. The large increase in the net loss is attributable primarily to the Company's granting of stock options, resulting in stock-based compensation of \$10,562,730 [2006 - \$1,353,111]. The Company's stock option plan was amended to remove vesting provisions and stock-based compensation is now recorded at the time of grant of stock options rather than over the vesting period. The increase in expenses during the nine months ended October 31, 2007, also correlates directly to an increase in consulting and professional fees, salaries, public company costs, general and administrative costs and travel costs. The increase in consulting fees [2007 - \$1,251,488, 2006 - 496,120] and salaries [2007 - 77,767, 2006 - nil] is attributable to the addition of management and administrative staff and increases in senior management compensation commensurate with industry standards. Increases in professional fees [2007 - \$167,250, 2006 - \$29,790] and general and administrative expenses [2007 - \$244,335, 2006 - \$85,758] and travel costs [2007 - \$385,982, 2006 - \$108,304] reflect the increased activity in the Company's head office, in connection with the advancement of the Company's Namibian operations.

Summary of Quarterly Results

	Q4 2006 \$	Q1 2007 \$	Q2 2007 \$	Q3 2007 \$	Q4 2007 \$	Q1 2008 \$	Q2 2008 \$	Q3 2008 \$
Total revenue from continuing operations	Nil	50,622	72,259	174,279	77,375	410,503	517,988	553,052
Income (loss) before discontinued operations								
- Loss before tax	(606,847)	(655,084)	(656,038)	(1,157,452)	(741,083)	(1,889,603)	(2,373,154)	(7,774,204)
- Per share	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)	(\$0.016)	(\$0.03)	(\$0.03)	(\$0.10)
Net income (loss)								
- Total	(575,847)	(655,084)	(656,038)	(1,157,452)	(745,083)	(1,889,603)	(2,373,154)	(7,774,204)
- Per share	(\$0.01)	(\$0.015)	(\$0.014)	(\$0.025)	(\$0.016)	(\$0.03)	(\$0.03)	(\$0.10)

Liquidity and Capital Resources

Working capital as at October 31, 2007 increased to \$55,208,200 (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. Cash and cash equivalents of \$54,947,077 were invested primarily in bankers acceptances and no amount was invested in asset-backed commercial paper.

During the 9 months ended October 31, 2007, the Company raised \$620,000 through the exercise of 1,182,500 stock options ranging in price from \$0.24 to \$2.20 per share and the exercise of 3,684,743 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 exploration and development of the Company's other properties.

Transactions with Related Parties

During the 9 months ended October 31, 2007, consulting fees of \$869,100 (2006-\$222,471) were paid to directors of the Company or companies controlled by them. These amounts have been recorded at fair value.

Proposed Transactions

The Company, through its Westport subsidiary, 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.

On October 31, 2007, the Company entered into a MOU with KEPCO (NYSE: KEP). Pursuant to the terms of the MOU, the Company and KEPCO will explore the possibility of developing a framework for the future exploration and development of the Company's Namibian uranium properties, including its Valencia Uranium Property. The Company and KEPCO will undertake detailed discussions to consider the basis and viability of possible joint venture arrangements. The MOU provides a framework whereby the Company and KEPCO have the opportunity to negotiate a working relationship and wherein KEPCO may provide a portion of the financing that is required to commence operations at Valencia.

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.

As the Company's size and scale increases, the Company will hire additional personnel to correct this weakness. 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 nine months ended October 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 December 14, 2007

	Authorized	Outstanding
Voting or equity securities issued and outstanding	<p>Unlimited Class A common shares.</p> <p>Unlimited redeemable, voting non-participating Class B shares.</p> <p>Unlimited Class C with rights and privileges to be determined by the Board of Directors.</p>	76,838,998 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, subject to regulatory approval.	<p>431,500 options were granted to officers, directors and employees of the Company at an exercise price of \$0.45 per share, expiring March 2, 2010 of which 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 400,000 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 270,000 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 843,000 remain outstanding. 110,000 options were granted to employees of the Company at an exercise price of \$5.69 per share, expiring January 5, 2012, of which 110,000 remain outstanding. 910,000 options were granted to officers, directors, employees and consultants of the Company at an exercise price of \$7.74 per share, expiring February 21, 2012, of which 860,000 remain outstanding. 100,000 options were granted to an employee and director of the Company at an exercise price of</p>

	Authorized	Outstanding
		\$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. 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. 3,000,000 options were granted to officers, directors, employees and consultants of the Company at an exercise price of \$3.00 per share, expiring October 25, 2012, of which 3,000,000 remain outstanding.
	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 76,688,998 Class A common shares issued and outstanding as at October 31, 2007. The following shares were issued during the 3 months ended October 31, 2007:

1. 1,814,794 Class A common shares issued pursuant to the exercise of common share purchase warrants at an exercise price of \$1.50 per share.
2. 375,000 Class A common shares issued pursuant to the exercise of stock options at prices ranging from \$0.45 to \$2.20 per share.

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

1. 150,000 Class A common shares issued pursuant to the exercise of stock options at prices ranging from \$2.00 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.