



BLACKMONT CAPITAL™

FORSYS METALS CORP.

| | |
|-------------------------------------|---------------|
| FSY-TSX | \$7.60 |
| Recommendation | HOLD |
| 12-Month Target Price (from \$8.00) | \$9.75 |
| Projected Return | 28.3% |

Market Data

| | |
|--|------------------|
| 52-Week Trading Range | \$10.20 - \$1.08 |
| Shares Outstanding, Basic (mm) | 72.8 |
| Shares Outstanding, Fully Diluted (mm) | 86.7 |
| Market Capitalization (mm) | \$553.3 |
| Enterprise Value (mm) | \$503.3 |

Financial Data

| | |
|---------------------------------|--------|
| Cash and Cash Equivalents (mm) | \$50.0 |
| Debt (mm) | \$0.0 |
| Estimated 2007 Expenditure (mm) | \$5.0 |

Forecasts and Valuation

| Average | 2007E | 2008E | 2009E |
|-------------------------|-------|-------|-------|
| Uranium Price (US\$/lb) | 82.00 | 95.00 | 85.00 |
| US\$/C\$ | 1.15 | 1.18 | 1.18 |

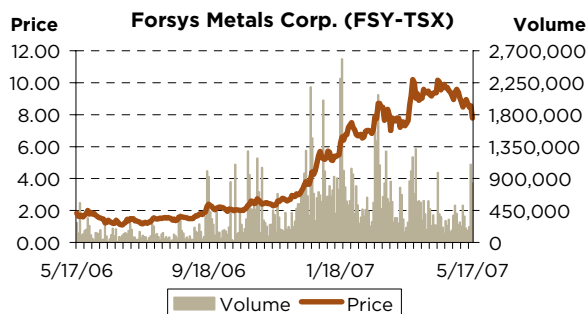
Main Project

| | Interest | Expendit. to Date |
|---------------------------|----------|-----------------------|
| Valencia Deposit, Namibia | 100% | e\$9.0 mm |
| Project Status | | Feasibility under way |
| Mineral Reserve | | 24mm lb @ .013% U3O8 |

Valuation

| | |
|--------------------------|--------|
| NAV per Share (C\$) - FD | \$4.90 |
| P/NAV (x) | 1.55 |

Source: Reuters, company reports, Blackmont Capital Inc.



Source: Bloomberg

Robust Results From the Valencia Pre-feasibility Study - Increasing our Target Price to \$9.75

Executive Summary

Forsys Metals Corp. (FSY-TSX) reported results from its pre-feasibility study on the Valencia Uranium deposit located in Namibia. According to the study, the project has a pre-tax NPV of US\$341 million and an IRR of 70% using a uranium price of US\$75/lb over the life of the mine (with the exception of the start-up years -one to three - for which a price of US\$100/lb has been inputted).

The pre-feasibility study indicates the project could produce approximately 2.4 million pounds of U3O8 per year over a mine-life of 12 years. Unit operating costs of US\$10/tonne of ore equate to a cash cost of approximately US\$40 per pound of uranium produced.

The pre-feasibility study results are very positive and Forsys Metals has already started work on a feasibility study. The feasibility study is expected to take 12-18 months to complete.

We have updated our cash flow model for the Valencia deposit and used a long-term uranium price of US\$75 per pound. We inputted the cost estimates from the pre-feasibility study to determine an after-tax NPV of US\$164 million using a 10% discount rate. Our estimated IRR for the project is 30%.

See important disclosure statements at the end of this report.

Precious Minerals: Emerging Companies

Don Poirier
 dpoirier@blackmont.com, 604.640.0544
 Victoria Wilson, Associate
Vwilson@blackmont.com, 416.864.3546

FORSYS METALS CORP.

We estimate Forsys' NAV at \$4.90 per share (FD); included in this is a \$150 million estimate of exploration potential. Forsys Metals is currently drilling between the Valencia and Valencia East deposits with one drill and has under-explored targets on the property that have limited amounts of modern-day work. With a total resource of approximately 49 million pounds of uranium in the Valencia deposit, we are confident that additional resources will be defined with perimeter drilling near known resources and on new targets.

We are increasing our target price to \$9.75 per share (from \$8.00) based on the pre-feasibility study results. Our target price is determined using a multiple of 2.0 times our NAV estimate of \$4.90 per share. We believe the premium multiple is warranted based on: (1) the positive outlook for uranium; (2) the sensitivity of the project to metal prices; (3) the large resource base; and (4) the scarcity of uranium development projects that can transition to production in the next two to three years. We maintain our HOLD recommendation as the stock appears to be fairly valued relative to its underlying fundamentals.

74% Conversion of Valencia's Resources to Mineral Reserves

The Valencia project is located in western Namibia (Africa) and is approximately 100 km by road from a deep sea coastal port. Access to the deposit area is good and in the same region, Rio Tinto (RTZ-LSE) operates the Rössing Mine and Paladin Resources Ltd. (PDN-TSX) has recently commissioned the Langer-Heinrich mine.

After acquiring the project in August 2005, Forsys retained Snowden Mining Industry Consultants (Pty) Limited to prepare a technical report on the Valencia project. This report led to an initial inferred resource estimate of 32 million tonnes containing 15.5 million pounds of U3O8 at a grade of 0.022% U3O8 in November 2005.

Snowden was also engaged to prepare the pre-feasibility study and highlights from this study were reported by Forsys Metals on May 16. As part of this study, and based on additional drilling in 2006, Forsys Metals reported a measured and indicated resource of 119.3 million tonnes grading 0.013% U3O8 containing 34.3 million pounds of uranium in March 2007. Including inferred resources, the mineral inventory for the Valencia project is 49.6 million pounds of uranium (Figure 1).

Figure 1: Project Resources (March 26, 2007)

| Valencia Project - Total Resources (using cut off grade of 0.08kg/mt) | | | | |
|--|---------------|-------------------|-----------------|---------------------|
| Category | Tonnes | Grade | | Pounds |
| | (mm) | (kg/tonne) | (% U3O8) | (mm lb/U3O8) |
| Measured | 15.1 | 0.16 | 0.016 | 5.2 |
| Indicated | 104.2 | 0.13 | 0.013 | 29.1 |
| Total M+I | 119.3 | 0.13 | 0.013 | 34.3 |
| Inferred | 56.3 | 0.12 | 0.012 | 15.3 |

Source: Company releases and Blackmont Capital Inc.

FORSYS METALS CORP.

Incorporating dilution and operating parameters as part of the pre-feasibility study, Snowden calculated a probable mineral reserve of 88 million tonnes grading 0.013% U3O8 containing 24 million pounds of U3O8 (Figure 2). The conversion of resources to reserves is 74% and these reserves are located in one deposit that will be developed using an open pit with an approximate depth of 320 m.

Figure 2: Project Resources (May 16, 2006)

| Valencia Project - Total Reserves (using cut off grade of 0.06kg/mt) | | | | |
|---|---------------|--------------|----------|---------------|
| Category | Tonnes | Grade | | Pounds |
| | (mm) | (kg/tonne) | (% U3O8) | (mm lb/U3O8) |
| Probable | 88 | 0.13 | 0.013 | 24 |

Source: Company releases and Blackmont Capital Inc.

The Valencia Project Pre-feasibility Study Generated an IRR of 70%

The pre-feasibility study generated a strong financial return and supports the case for developing a medium-sized open pit mine using conventional equipment and processing facilities to produce U3O8. The strip ratio of the deposit is 1:1.03.

Figure 3 provides a summary of the pre-feasibility study results. According to the study and relying on the metal price forecast in the study, uranium production should average 2.4 mm lb per year and generate cash flow of US\$55 million per year. We estimate the cash cost of production to be US\$40.35 per pound of U3O8. Work on the feasibility study has started and is expected to be completed in 12-18 months.

Figure 3: Valencia Pre-feasibility Study (May 16, 2007)

| | Pre-feasibility Study |
|--|------------------------------|
| Mineral Reserves (mm tonnes) | 88 |
| Uranium Grade (kg/t) | 0.13 |
| Uranium Grade (%) | 0.013 |
| Uranium Price (US\$/lb U3O8), Years 1-3 | \$100 |
| Uranium Price (US\$/lb U3O8), Years 4-12 | \$75 |
| Metal Recoveries (% U3O8) | 86% |
| Mine Life (Years) | 12 |
| Average Annual Production (mm lb) | 2.4 |
| Unit Operating Costs (US\$/tonne) | 10.08 |
| Capital Costs (US\$mm) | 154 |
| Sustaining Capital (US\$mm) | 32 |
| Operating Costs (US\$/lb U3O8) | 40.00 |
| Net Present Value (10% DCF, US\$mm) | 341 |
| IRR | 70% |

Source: Company reports and Blackmont Capital Inc.

Snowden estimates capital cost of US\$154 million to develop the Valencia project and we are forecasting a start-up for Q4/2009. Sustaining capital of US\$32 million results in total project capital of US\$186 million. Daily mill feed rates are 23,300 tonnes per day or 8.4 million tonnes per year.

FORSYS METALS CORP.

The pre-feasibility study generates very positive returns and assumes that Forsys Metals will purchase water, acid, and power from third parties; these costs are inclusive in operating costs estimates.

We previously modeled a 10,000 tonne per day operation that could produce 1.5 million pounds of U3O8 per year. We estimated project capital at US\$150 million plus US\$17 million in sustaining capital to support a 10-year mine life. Our cash flow model was based on a higher grade resource (0.022% U3O8), which produced 17 million pounds of uranium over a 10-year period. The pre-feasibility study completed by Snowden results in a slightly longer mine-life and 60% more uranium production through a higher volume processing facility.

Valuation

We have valued Forsys Metals using a net asset value (NAV) method. We calculated the net present value of after-tax cash flow for the Valencia project using a 10% discount rate.

We relied on capital and operating cost estimates in the pre-feasibility study and used a long-term uranium price of US\$75 per pound in our analysis. This figure is slightly lower than the price forecast presented in pre-feasibility study, which averages US\$81 per pound over the life of the project. We have assumed that mine construction will begin in 2009 and that a debt facility of approximately US\$90 million is arranged. Our cash flow model supports a project value of US\$164 million or \$1.90 per share (FD). An abbreviated summary of our cash flow model is shown in (Appendix A). Using our price forecast, the after-tax IRR for the project is 30%.

Figure 4: Net Asset Value (\$mm)

| | |
|--|--------|
| Valencia Project, After-Tax, 10% DCF | 164.40 |
| Exploration Potential (including 25mm lb inferred resources) | 150.00 |
| Cash & Short-term Investments | 50.00 |
| Debt | 0.00 |
| Net Asset Value (C\$mm) | 364.40 |
| Proceeds from Options and Warrants (C\$) | 60.00 |
| Net Asset Value - Fully Diluted (C\$) | 424.40 |
| NAV Per Share | |
| Basic | \$4.97 |
| Fully Diluted | \$4.90 |
| Current Share Price | \$8.56 |
| Price/NAV (x) | 1.72 |
| Shares Outstanding (mm) | |
| Basic | 73.3 |
| Fully Diluted | 86.7 |

Source: Blackmont Capital Inc.

Our NAV for Forsys Metals is \$4.90 per share and includes an estimate of \$150 million for inferred resources (25 mm lb) and exploration potential. There has been very little modern day exploration conducted on the Valencia project and we believe that Forsys Metals will be successful in adding to the resources at the project with additional drilling near the known resources and on new targets. One drill is presently active,

FORSYS METALS CORP.

drilling a deeper higher-grade target located in the area between the two deposits, Valencia and Valencia East.

Figure 5 highlights the sensitivity of the project at different uranium prices and using two discount rates. As expected, the Valencia project is most sensitive to changes in the price for uranium. A US\$25 change in the price of uranium from US\$75/lb to US\$100/lb increases the value of the project by 152% using a discount rate of 10% on fully diluted share capital. Figure 5 shows the sensitivity according to our cash flow model using various metal prices, held constant over the life of the mine.

Figure 5: Metal Price Sensitivity, Pre-feasibility Study for the Valencia Uranium Project

| | Long-term Uranium Price | | | |
|---|-------------------------|-------------|--------------|--------------|
| | (US\$60/lb) | (US\$75/lb) | (US\$100/lb) | (US\$125/lb) |
| After-Tax Value, Valencia (8% DCF, C\$m) | 33.4 | 202.7 | 484.9 | 767.2 |
| Project Value Per Share - Fully Diluted (C\$) | \$0.39 | \$2.34 | \$5.59 | \$8.85 |
| After-Tax Value, Valencia (10% DCF, C\$m) | 14.8 | 164.4 | 413.7 | 663.1 |
| Project Value Per Share - Fully Diluted (C\$) | \$0.17 | \$1.90 | \$4.77 | \$7.65 |

Source: Blackmont Capital Inc.

Target Price Determination

To determine target price we used a 2.0 times premium to NAV. We applied this multiple to factor in the positive outlook for uranium, metal price sensitivity, the large resource base at the project and to recognize the limited number of near-term production assets that could be fast-tracked to production.

Conclusions and Recommendation

The pre-feasibility results for the Valencia project suggest the potential for significant financial return, a good incentive for Forsys Metals to accelerate the project through feasibility. We believe the pre-feasibility study has been prepared using conservative estimates and caution that the detailed accuracy for results at the pre-feasibility stage of work is usually +/-25%.

We believe the main risk to the accuracy of the pre-feasibility study is the estimate of capital costs. Tight supplies of materials and labour continue to place upward pressure on prices, and investors familiar with the costs of developing mining projects should be acutely aware of the creep in costs that have occurred over the past several years.

Forsys Metals also requires process water for its operation. The pre-feasibility study makes provision for purchasing water from a third party. Forsys Metals is currently working in a collaborative manner with other interested parties in the region to consider building a desalination plant. The desalination plant is a critical path component for a mine at the Valencia project and Forsys Metals indicated that it will make a decision in the next few months on whether to build its own plant or share in a joint venture. No guidance was provided for the scale or cost of a plant during the May 16 conference call.

FORSYS METALS CORP.

Using a constant metal price forecast of US\$75 per pound for uranium and relying on the cost estimates in the pre-feasibility study, we have determined a NPV of US\$164 million or \$1.90 per share for the project using a 10% discount rate. The project IRR is 30%. Including an estimate for exploration potential and fully diluted cash (\$110 million) using 86.7 million issued shares, our NAV for Forsys Metals is \$4.90 per share.

We are increasing our target price to \$9.75 per share (from \$8.00) based on the pre-feasibility study results. Our target price is determined using a multiple of 2.0 times our NAV estimate of \$4.90 per share. We believe the premium multiple is warranted based on: (1) the positive outlook for uranium; (2) the sensitivity of the project to metal prices; (3) the large resource base; and (4) the scarcity of uranium development projects that can transition to production in the next two to three years. We maintain our HOLD recommendation.

FORSYS METALS CORP.

Appendix A: Cash Flow Model for the Valencia Uranium Project

| | 2009E | 2010E | 2011E | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E |
|-------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Uranium Price (US\$/lb) | \$100 | \$100 | \$100 | \$75 | \$75 | \$75 | \$75 | \$75 | \$75 | \$75 | \$75 | \$75 |
| Uranium Production (mmlb) | 0.25 | 2.05 | 2.05 | 2.05 | 2.05 | 2.05 | 2.05 | 2.05 | 2.05 | 2.05 | 2.05 | 1.51 |
| Revenue (US\$mm) | 25.16 | 205.43 | 205.43 | 154.07 | 154.07 | 154.07 | 154.07 | 154.07 | 154.07 | 154.07 | 154.07 | 113.20 |
| All Production Costs (US\$mm) | 10.15 | 82.89 | 82.89 | 82.89 | 82.89 | 82.89 | 82.89 | 82.89 | 82.89 | 82.89 | 82.89 | 60.90 |
| Royalty (0.5%) | 0.13 | 1.03 | 1.03 | 0.77 | 0.77 | 0.77 | 0.77 | 0.77 | 0.77 | 0.77 | 0.77 | 0.57 |
| Operating Profit (US\$mm) | 14.88 | 122.54 | 122.54 | 71.18 | 71.18 | 71.18 | 71.18 | 71.18 | 71.18 | 71.18 | 71.18 | 52.30 |
| Capital Expenditures (US\$mm) | 55.00 | 20.00 | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Interest (US\$mm) | 6.75 | 6.00 | 3.75 | 1.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tax (US\$mm) | 0.33 | 19.43 | 19.30 | 13.61 | 15.02 | 14.33 | 20.45 | 20.61 | 21.06 | 20.71 | 20.71 | 14.98 |
| After Tax Cash Flow (US\$mm) | (47.20) | 77.11 | 95.49 | 52.08 | 53.17 | 53.86 | 47.73 | 47.58 | 47.12 | 47.47 | 47.47 | 34.32 |
| After Tax Cash Flow (Cdn\$mm) | (55.52) | 90.72 | 112.35 | 61.27 | 62.55 | 63.36 | 56.15 | 55.97 | 55.43 | 55.85 | 55.85 | 40.38 |

Source: Company reports and Blackmont Capital Inc.

FORSYS METALS CORP.

Blackmont Research Disclosure

| Company Name | Ticker | Disclosure |
|---------------------|---------|------------|
| Forsys Metals Corp. | FSY-TSX | 1, 2 |

| Distribution of Research Ratings (# of Stocks) | | |
|--|-----|--------|
| BUY | 74 | 49.0% |
| Speculative BUY | 18 | 11.9% |
| HOLD | 46 | 30.5% |
| SELL | 7 | 4.6% |
| Other | 6 | 4.0% |
| Total | 151 | 100.0% |

| Investment Banking Services Provided* | |
|---------------------------------------|-------|
| BUY | 23.0% |
| Speculative BUY | 38.9% |
| HOLD | 10.9% |
| SELL | 28.6% |

* Percentage of subject issuers within each of the research ratings for which Blackmont Capital Corp. has provided investment banking services within 12 months.

Disclosure List

1. Within the last 12 months, Blackmont or its affiliates have managed or co-managed an offering of securities by the subject issuer.
2. Within the last 12 months, Blackmont or its affiliates have received compensation for investment banking and related services from the subject issuer.
3. The research analyst(s) or a member of the research analyst's(s') household has a long position in the shares and/or the options of the subject issuer.
4. The research analyst(s) or a member of the research analyst's(s') household has a short position in the shares and/or the options of the subject issuer.
5. Blackmont or its affiliates is a market maker, or is associated with the specialist that makes a market in the securities of the subject issuer.
6. Blackmont or its affiliates collectively beneficially own 1% or more of any class of the issuer's equity securities.
7. Blackmont has a conflict of interest with the subject issuer.
8. The research analyst(s) has a conflict of interest with the subject issuer.
9. Over the last 12 months, the research analyst(s) has received compensation based on a specific investment banking transaction relative to the subject issuer.
10. The research analyst(s) or a member of the research analyst's(s') household who prepared this research report serves as a Director or Officer or Advisory Board Member of the subject issuer.
11. An employee, officer, or director of Blackmont is a member of the Board of Directors or an advisor or an officer of the subject issuer.
12. The research analyst(s) has visited a site of the subject issuer. The analyst's(s') costs were compensated by the subject issuer (a) in full, (b) in part, or (c) not at all.

Rating Guidelines

BUY: The stock's total return is expected to exceed a minimum of 15% over the next 12 months.

Speculative BUY: The stock's total return is expected to exceed 30% to 40% over the next 12 months. However, there exists a very high and unquantifiable risk in either the corporate or industry fundamentals associated with the investment that could result in a significant loss.

HOLD: The stock's total return is expected to be between 0% and 15% over the next 12 months.

SELL: The stock's total return is expected to be negative over the next 12 months.

FORSYS METALS CORP.

Under Review: The stock's rating is under review for 48 hours for either an upgrade or downgrade.

FORSYS METALS CORP.

Analyst Certification

Each analyst of Blackmont Capital Inc. whose name appears in this research report hereby certifies that (i) the recommendations and opinions expressed in the research report accurately reflect the research analyst's personal views about any and all of the securities or issuers discussed herein that are within the analyst's coverage universe and (ii) no part of the research analyst's compensation was, is, or will be, direct or indirectly related to the provision of specific recommendations or view expressed by the research analyst in the research report.

Distribution Policy

There are four types of documents delivered through the Internet by the Research Department:

Flash: 1/2 page in length; a preliminary but nearly immediate (within 15-30 minutes) intra-day view of a corporate or industry event

Morning Advantage: the daily morning commentary discussing an event or a material change at a company, a change in an investment stance, or a shift in industry dynamics; a 1/2 page note per company is posted daily on our Internet site by 8:45am

ViewPoint: a detailed analysis of material events published on an intra-day basis ranging in length between 2 and 10 pages

Company Reports: offer comprehensive assessments of industry and corporate fundamentals and are also published in hard copy

Research is delivered through regular mail, e-mail and our website.

Disclaimer

This report has been prepared by Blackmont Capital Inc. (BCI).

Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information contained herein is for information purposes only and this report is not, and is not to be construed as, an offer to sell or a solicitation of an offer to buy any securities. The information and opinions contained herein have been compiled or derived from sources believed reliable, but no representation or warranty, expressed or implied, is made as to their accuracy or completeness. Neither BCI nor its affiliates accepts any liability whatsoever for any loss arising from any use of this report or its contents.

BCI and/or its affiliates may have acted as financial adviser and/or underwriter for certain of the issuers mentioned herein and may have received remuneration for such services. BCI, its affiliates and/or other respective officers, directors and employees may from time to time acquire, hold or sell positions in the securities mentioned herein as principal or agent.

To US Residents: Blackmont Capital Corp., an affiliate of Blackmont Capital Inc., accepts responsibility for the contents hereof, subject to the terms as set out above. Any US person effecting transactions in any security discussed herein should do so through Blackmont Capital Corp.

© 2007. Blackmont Capital Inc. Member CIPF and IDA.