

# **Forsys Metals Corp.**

## **Consolidated Financial Statements**

**December 31, 2020 and 2019**

(expressed in Canadian dollars)

## Management's Responsibility for Financial Reporting

The consolidated financial statements of Forsys Metals Corp. and the information contained in Management's Discussion and Analysis have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and, where appropriate, reflect management's best estimates and judgments based on currently available information.

Management has developed and maintains a system of internal controls to obtain reasonable assurance that transactions are authorized, the financial information reported is accurate and reliable in all material respects and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Company's independent auditors, BDO Audit (WA) Pty Ltd, who are appointed by the Directors, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and expresses their opinion on the consolidated financial statements.

The Audit Committee and the Board of Directors meet periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to approval of the consolidated financial statements by the Board of Directors.



Mark Frewin  
Interim Chief Executive Officer



Miles Nagamatsu  
Chief Financial Officer

March 31, 2021

## INDEPENDENT AUDITOR'S REPORT

To the members of Forsys Metals Corp.

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Forsys Metals Corp. (the Entity) and its subsidiaries (the Group), which comprises the consolidated statements of financial position as at 31 December 2020 and 2019, the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the financial report, including a summary of significant accounting policies and the declaration by those charged with governance.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 31 December 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Canada. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Recoverability of Exploration and Evaluation Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 7 of the Financial Statements, the carrying value of Exploration and Evaluation Assets represents a significant asset of the Group.</p> <p>Refer to Note 4 and Note 5 of the Financial Statements for a description of the accounting policy and significant judgements applied to Exploration and Evaluation Assets.</p> <p>In accordance with <i>IFRS 6 Exploration for and Evaluation of Mineral Resources</i>, the recoverability of Exploration and Evaluation Assets requires significant judgment by management in determining whether there are any facts or circumstances that exist to suggest that the carrying value of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p>	<p>We have evaluated management’s assessment of impairment indicators per <i>IFRS 6 Exploration for and Evaluation of Mineral Resources</i>, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing the Group’s rights to explore in the relevant exploration areas and assessing whether the rights to tenure remained current at balance date;</li> <li>• Considering the status of the relevant exploration areas by holding discussions with management, and reviewing the Group’s exploration budget and directors’ minutes;</li> <li>• Assessing whether any data exists to suggest that the carrying value of the Exploration and Evaluation assets is unlikely to be recovered through development or sale; and</li> <li>• Assessing the adequacy of the related disclosures in Note 4, Note 5 and Note 7 to the financial statements</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor’s report thereon, included in the Management’s Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.



### **Responsibilities of management and those charged with governance for the Financial Report**

Management is responsible for the preparation and fair presentation of the financial report in accordance with International Accounting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Canadian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jarrad Prue.

BDO

**BDO Audit (WA) Pty Ltd**

Institute of Chartered Accountants Australia

Level 1, 38 Station Street

SUBIACO WA 6008

AUSTRALIA

Perth, 31 March 2021

# Forsys Metals Corp.

## Consolidated Statement of Financial Position

(expressed in Canadian dollars)

		As at December 31,	
	Notes	2020 \$	2019 \$
<b>Assets</b>			
Current			
Cash and cash equivalents		876,967	712,652
Receivables		26,031	10,523
Prepaid expenses and other assets		20,489	17,435
		<u>923,487</u>	<u>740,610</u>
Non-current			
Investment in associate	6	2,573,967	2,752,455
Exploration and evaluation	7	10,698,359	11,353,515
<b>Total assets</b>		<u>14,195,813</u>	<u>14,846,580</u>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		142,808	102,551
<b>Shareholders' equity</b>			
Share capital	8	165,838,742	164,847,132
Warrants	9	1,300,733	1,300,733
Contributed surplus		44,449,715	44,449,715
Equity reserve		33,364	33,364
Accumulated loss		(180,458,038)	(179,694,340)
Accumulated other comprehensive loss		(17,115,896)	(16,198,230)
Total equity attributable to shareholders of the Company		<u>14,048,620</u>	<u>14,738,374</u>
Non-controlling interest	11	4,385	5,655
<b>Total equity</b>		<u>14,053,005</u>	<u>14,744,029</u>
<b>Total liabilities and equity</b>		<u>14,195,813</u>	<u>14,846,580</u>
Subsequent event	18		

**On behalf of the Board:**

Martin Rowley  
Director

Mark Frewin  
Director

# Forsys Metals Corp.

## Consolidated Statement of Loss and Comprehensive Loss

(expressed in Canadian dollars)

	Notes	Years ended December 31,	
		2020	2019
		\$	\$
<b>Expenses</b>			
Professional fees		233,838	128,468
Directors' fees and benefits		144,000	96,000
Consulting fees		291,953	135,573
Stock-based compensation		-	543,000
Public company costs		66,510	60,930
General and administrative		24,094	22,507
Travel		6,066	-
Foreign exchange loss (gain)		(111)	750
Interest income		(1,383)	(6,576)
Gain on write-off of accounts payable		-	(72,640)
		<u>764,967</u>	<u>908,012</u>
<b>Loss</b>		(764,967)	(908,012)
<b>Other comprehensive loss, net of taxes</b>			
Item that may be reclassified subsequently to loss			
Foreign currency translation		(917,666)	(332,174)
<b>Comprehensive loss</b>		<u>(1,682,633)</u>	<u>(1,240,186)</u>
<b>Net loss attributable to:</b>			
Shareholders of the Company		(764,224)	(908,012)
Non-controlling interest	11	(743)	-
		<u>(764,967)</u>	<u>(908,012)</u>
<b>Comprehensive loss attributable to:</b>			
Shareholders of the Company		(1,681,890)	(1,240,186)
Non-controlling interest	11	(743)	-
		<u>(1,682,633)</u>	<u>(1,240,186)</u>
<b>Loss per share</b>			
<b>- basic and diluted (cents)</b>		(0.46)	(0.58)
<b>Weighted average number of common shares outstanding</b>			
		166,271,052	156,899,467

# Forsys Metals Corp.

## Consolidated Statement of Changes in Equity

(expressed in Canadian dollars)

	Years ended December 31,	
	2020	2019
	\$	\$
<b>Share capital</b>		
Balance, beginning of year	164,847,132	164,847,132
Private placement of Class A shares	1,000,000	-
Share issue costs	(8,390)	-
Balance, end of year	165,838,742	164,847,132
<b>Warrants</b>		
Balance, beginning and end of year	1,300,733	1,300,733
<b>Contributed surplus</b>		
Balance, beginning of year	44,449,715	43,906,715
Stock-based compensation	-	543,000
Balance, end of year	44,449,715	44,449,715
<b>Equity reserve</b>		
Balance, beginning and end of year	33,364	33,364
<b>Accumulated loss</b>		
Balance, beginning of year	(179,694,340)	(178,611,297)
Reallocation of NCI share of accumulated losses	527	(175,031)
Loss attributable to shareholders of the Company	(764,224)	(908,012)
Balance, end of year	(180,458,038)	(179,694,340)
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of year	(16,198,230)	(15,866,056)
Currency translation differences on foreign operations	(917,666)	(332,174)
Balance, end of year	(17,115,896)	(16,198,230)
<b>Non-controlling interest</b>		
Balance, beginning and end of year	5,655	(169,376)
Reallocation of NCI share of accumulated losses	(527)	175,031
Loss attributed to NCI	(743)	-
Balance, end of year	4,385	5,655

The above consolidated statement should be read in conjunction with the accompanying notes.

# Forsys Metals Corp.

## Consolidated Statement of Cash Flows

(expressed in Canadian dollars)

	Notes	Years ended December 31,	
		2020	2019
		\$	\$
<b>Cash (used in)</b>			
<b>Operating activities</b>			
Loss		(764,967)	(908,012)
Interest income		(1,383)	(6,576)
Item not affecting cash		-	543,000
Stock-based compensation			
Changes in non-cash operating working capital			
Receivables		(15,508)	12,428
Prepaid expenses and other assets		(3,054)	(624)
Accounts payable and accrued liabilities		40,255	(101,926)
<b>Total cash outflow from operating activities</b>		<b>(744,657)</b>	<b>(461,710)</b>
<b>Financing activities</b>			
Private placement of Class A shares		1,000,000	-
Share issue costs		(8,390)	-
<b>Total cash inflow from financing activities</b>		<b>991,610</b>	<b>-</b>
<b>Investing activities</b>			
Interest income		1,383	6,576
Recovery of deposit for hydro infrastructure		-	425,250
Exploration and evaluation		(35,639)	(17,306)
<b>Total cash (outflow) inflow from investing activities</b>		<b>(34,256)</b>	<b>414,520</b>
<b>Net increase (decrease) in cash</b>		<b>212,697</b>	<b>(47,190)</b>
<b>Cash, beginning of year</b>		<b>712,652</b>	<b>652,623</b>
<b>Effects of exchange rate changes</b>		<b>(48,382)</b>	<b>107,219</b>
<b>Cash, end of year</b>		<b>876,967</b>	<b>712,652</b>

The above consolidated statement should be read in conjunction with the accompanying notes.

# **Forsys Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **December 31, 2020 and 2019**

(expressed in Canadian dollars)

#### **1. Nature of operations**

Forsys Metals Corp. and its subsidiary companies (collectively the “Company”) are engaged in the acquisition, exploration and development of mineral properties located in Namibia, Africa. The Company’s principal focus is on bringing its wholly owned Norasa Uranium Project (“Norasa”) into production. Norasa is the consolidation of the Valencia and Namibplaas Uranium Projects.

As an exploration stage company, the Company’s income is limited to interest income and other incidental income. The recoverability of the amount shown for mineral properties, exploration and evaluation costs is dependent upon, but not limited to: the existence and economic recovery of mineral reserves in the future; the ability to obtain necessary permits and financing to complete the exploration and development of these properties; government policies and regulations; and attaining profitable production or proceeds from the disposition of properties. The Company may be adversely affected by governmental amendments or changes to mining laws, regulations and requirements in Namibia.

The Company’s continued operations are dependent on its ability to secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which is assured.

The Company is incorporated under the Business Corporations Act (Ontario) and the primary listing of its common shares is on the Toronto Stock Exchange, with secondary listings on the Namibian Stock Exchange and Frankfurt Stock Exchange. The Company’s registered office is at 20 Adelaide Street East, Suite 200, Toronto, Ontario, Canada, M5C 2T6.

#### **2. Going concern**

These consolidated financial statements are prepared on the going concern basis which assumes the continuity of normal business activity and the realization of assets and settlement of liabilities in the normal course of business.

The Company incurred a net loss of \$764,967 during the year ended December 31, 2020 (2019: \$908,012) and as of that date the Company had net current assets of \$780,679 (2019: \$638,060) including cash of \$876,967 (2019: \$712,652). Net cash used in operating activities for the year was \$744,657 (2019: \$461,710).

The outbreak of the COVID-19 pandemic and the measures adopted by governments to mitigate the spread of the pandemic have not significantly impacted the Company. To date, there has been no significant impact on the Company, however, there is significant uncertainty over the impact of the pandemic on the Company’s ability to secure funds in the future.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. The Company is in the exploration stage and does not generate revenue. The ability of the Company to continue as a going concern is principally dependent upon its ability to secure funds by raising capital from equity markets or by other means, and by managing cash flows in line with available funds, and/or the successful development of its exploration assets.

The Board of Directors are confident of the ability of the Company to raise capital as and when required, which was demonstrated by the Company raising \$1,000,000 on January 23, 2020 (see note 8). The Board of Directors are satisfied there are sufficient funds to meet the Group’s working capital requirements as at the date of this report.

The Board of Directors have reviewed the business outlook and the assets and liabilities of the Company and are of the opinion that the going concern basis of accounting is appropriate as they believe the Company will continue to be successful in securing additional funds as and when the need to raise funds arises. See note 18 for details in relation to a bought deal private placement post period end.

Should the Company not be able to continue as a going concern, it may be required to realize its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

(expressed in Canadian dollars)

#### 3. Basis of presentation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The preparation of financial statements in conformity with IFRS requires the use of estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Although these estimates are based on management’s best knowledge of the amounts, events or action, actual results ultimately may differ from those estimates. Areas where estimates and judgments are significant to these financial statements are disclosed in note 5.

The policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on March 31, 2021.

#### 4. Significant accounting policies and future accounting changes

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

##### Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of certain financial assets at fair value.

##### Principles of consolidation

These financial statements incorporate the accounts of the Company and its subsidiaries. All intercompany balances, transactions, income and expenses and profits or losses have been eliminated on consolidation.

Subsidiaries are consolidated where the Company possesses power over the subsidiary, has exposure of rights variable to returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect its returns. For non-wholly owned subsidiaries, the net assets attributable to outside equity shareholders are presented as “non-controlling interest” in the equity section of the consolidated statement of financial position. Profit for the year that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary. Entities are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

The Company’s principal subsidiaries are as follows:

- a 100% interest in Namibian Metals Ltd., a British Virgin Islands based holding company which owns 100% of the ordinary shares of Valencia Uranium (Proprietary) Limited, a Namibia based exploration company which holds a 100% interest in the Valencia Uranium Project;
- a 100% interest in Dunefield Mining Company (Proprietary) Limited, a Namibian based exploration company, which holds a 100% interest in the Namibplaas Uranium Project; and
- a 100% interest in Namibian Westport Ltd., an Ontario based holding company which owns all the ordinary shares of Westport Resources Namibia (Proprietary) Ltd., a Namibian based holding company which owns 51% of the ordinary shares in Razorback Gold Mining Company (Proprietary) Limited (“Razorback”) which holds a 100% interest in the Ondundu Gold Project exploration licence. Westport Resources Namibia (Proprietary) Ltd. also owns 70% of the ordinary shares in subsidiary Omatjete Mining Company (Proprietary) Ltd. which holds a 100% interest in the Ondundu Gold Project.

The acquisition of subsidiaries is accounted for using the purchase method of accounting whereby the purchase consideration is allocated to the identifiable assets and liabilities and contingent liabilities assumed at the date of acquisition. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date with retroactive restatement to the acquisition date as required. Incremental costs related to the acquisition costs are expensed as incurred.

# **Forsys Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **December 31, 2020 and 2019**

(expressed in Canadian dollars)

If the transaction does not meet the definition of a business combination the transaction is recorded as an acquisition of an asset.

#### **Foreign currency translation**

The presentation currency of the Company is the Canadian dollar, which is also the functional currency of Forsys Metals Corp., the parent entity. The functional currency for each subsidiary is the currency of the primary economic environment in which the subsidiary operates. Primary and secondary indicators are used to determine the functional currency (primary indicators have priority over secondary indicators). The functional currency for the Company's subsidiaries which carry out exploration and development activities located in Namibia is the Namibian dollar.

Transactions in foreign currencies are initially recorded in the functional currency of the entity at the exchange rate in effect at the transaction date. Foreign currency transactions are translated into the functional currency of the entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized within general and administrative expenses in the consolidated statement of loss and comprehensive loss. Non-monetary items, which are measured using historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction.

On consolidation, the foreign exploration and development operation is translated from the functional currency of Namibian dollars into Canadian dollars, the presentation currency of the Company. Income and expense items are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Assets and liabilities in the consolidated statement of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar are recognized as a separate component of equity through other comprehensive income (loss).

#### **Financial instruments**

Except for certain trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets are subsequently measured at fair value through profit or loss ("FVPL"), amortized cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI criterion").

The classification and measurement of the Company's financial assets consists of debt instruments at amortized cost, for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Company's trade and other receivables.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the SPPI criterion.

#### **Investment in associate**

Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights of the associate. The Company accounts for its investment in associate using the equity method, under which, the investment in associate was initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of profit or loss of the associate. Dilution gains and losses arising from changes in the interest in investment in associate where significant influence is retained are recognized in the consolidated statement of loss and comprehensive loss.

At each reporting date, the Company determines whether there is any objective evidence that the investment in associate is impaired. If impairment is determined to exist, the amount of the impairment is recognized in the consolidated statement of loss and comprehensive loss. The amount of impairment is calculated as the difference between the recoverable amount of the investment in associate and its carrying value.

# **Forsys Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **December 31, 2020 and 2019**

(expressed in Canadian dollars)

#### **Exploration and evaluation costs**

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

The Company is in the exploration stage with respect to its investment in mineral properties. The Company elected to capitalize all costs where such costs have characteristics of an asset relating to the acquisition of, exploration for, and development of mineral claims. The cost of mineral properties includes the cash consideration and the fair value of shares issued on the date the property is acquired.

Exploration expenditures typically include costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve; (ii) determining the optimal method of extraction and determining metallurgical and treatment processes; (iii) completing studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) preparing economic evaluations to determine whether the development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred. Mineral property, exploration and evaluation costs capitalized represent property acquisition, exploration and evaluation costs and are deferred costs to be charged against operations in the future and do not necessarily reflect the present or future values of the particular projects.

Once a development mining property and development asset goes into commercial production, it is reclassified as "Producing" and the accumulated costs will be charged to operations on a unit-of-production method based on proven and probable reserves and resources in the current mine plan. Commercial production occurs when a property is substantially complete and ready for its intended use.

The aggregate costs related to abandoned mineral claims are charged as an expense within the consolidated statement of loss and comprehensive loss at the time of any abandonment or when it has been determined that there is evidence of an impairment.

Recoverability of the carrying amount of any mineral properties, exploration and evaluation cost is dependent on successful development and commercial exploitation or alternatively, sale of the respective area of interest.

#### **Asset Impairment**

##### **i) Financial assets**

The Company assesses, on a forward-looking basis, the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

(expressed in Canadian dollars)

The Company considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

#### ii) Non-financial assets

##### *Mineral property, exploration and evaluation assets in the exploration stage*

At each reporting date, management reviews whether there is any indication that mineral property, exploration and evaluation assets may be impaired. Impairment indicators may include expiry of exploration rights, absence of budgeted expenditure, commercially unviable quantities of mineral resources and unlikely recovery of the carrying values through development of the mineral property. Mineral property, exploration and evaluation assets in the exploration stage may be written down to their recoverable amount if their carrying value exceeds their recoverable amount.

##### *Mineral property, exploration and evaluation assets transferred to mine development*

Once the Company decides to proceed to development, mineral property, exploration and evaluation assets from the exploration stage are transferred to mine development and tested for impairment. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of measuring recoverable amounts assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). Cash-generating units are individual operating mines or exploration and development projects.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to present value, assumptions used are those that an independent market participant would consider appropriate. In assessing value in use, the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately as an expense in the consolidated statement of loss and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in earnings immediately.

Management estimates of mineral prices, recoverable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

#### **Provisions**

Provisions are recognized in other liabilities when: the Company has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting year. Any increase in the provision due to the passage of time is recognized as a finance cost.

# **Forsys Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **December 31, 2020 and 2019**

(expressed in Canadian dollars)

#### **Restoration, rehabilitation, and environmental obligations**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against income in the consolidated statement of loss and comprehensive loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in the consolidated statement of loss and comprehensive loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized as an expense or credit in the consolidated statement of loss and comprehensive loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

Currently the Company does not have a significant restoration, rehabilitation and environmental obligation as the disturbance to date is minimal. As the project progresses, management will assess whether an obligation has arisen. At the point where such liability arises, the financial statement adjustment required will be to increase the project's carrying value and related liability by the discounted value of the total liability.

#### **Income taxes**

Income tax expense is comprised of current and deferred taxes. Income tax is recognized in the income (loss) statement except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current income tax for each taxable entity is the expected tax payable on the local taxable income for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is recognized on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable taxable income will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition of assets and liabilities in a transaction which affects neither taxable income nor the accounting income. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable sufficient taxable income will be available to allow all or part of the asset to be recovered. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred tax asset is recorded.

# **Forsys Metals Corp.**

## **Notes to Consolidated Financial Statements**

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(expressed in Canadian dollars)

Deferred tax assets and liabilities are measured on an undiscounted basis at the rates that are expected to apply in the years when the deferred tax asset is realized or the liability is settled, based on tax rates which have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would flow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are presented as non-current.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### **Share-based compensation**

The Company has a stock option compensation plan for its directors, officers, employees and consultants. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the applicable vesting period as an increase in share-based compensation cost and contributed surplus. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. When such stock options are exercised, the proceeds received by the Company, together with the respective amount from contributed surplus, are credited to share capital. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options which are expected to vest. For expired and cancelled options that have vested, compensation expense is not reversed and the related credit remains in contributed surplus.

The Company has outstanding share purchase warrants. The fair value is measured at the issuance date and each issuance is recognized as an increase in share-based compensation cost, or capitalised to mineral properties, exploration and evaluation costs if issued in conjunction with the acquisition of mineral properties, exploration and evaluation assets, and contributed surplus. The fair value of the warrants granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the warrants were issued. When such warrants are exercised, the proceeds received by the Company, together with the respective amount from contributed surplus, are credited to share capital.

#### **Loss per share**

Basic loss per share is calculated by dividing net loss for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities which entitle their holders to obtain common shares in the future. Diluted earnings per share is computed by dividing net loss by the weighted average number of common shares, plus the effects of dilutive common share equivalents such as stock options. The number of shares included with respect to options, warrants and other similar instruments is computed using the treasury method. Under this method, proceeds deemed to be received on the exercise of "in the money" options and warrants in the per-share calculation are deemed to be applied to reacquire common shares at the average market price for the year.

In a loss per share calculation the effect of potential issuance of shares under options and warrants would be anti-dilutive, accordingly, basic and diluted loss per share are the same. As at December 31, 2020, there were 4,050,000 options (2019 - 4,050,000) and no warrants (2019 - 1,617,647) outstanding which were antidilutive.

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

(expressed in Canadian dollars)

#### **Value added tax (VAT)**

Expenses and assets are recognized net of the amount of associated VAT, unless the VAT incurred is not recoverable from the taxation authority. In this case it is recognized as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the taxation authority is included in trade and other receivables on the consolidated statement of financial position.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as changes in non-cash operating working capital.

#### **5. Critical accounting estimates and judgments**

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments and/or estimates. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances having regard to prior experience and expectations about future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future year affected. Further details of the nature of these estimates and assumptions may be found in the relevant notes to the consolidated financial statements.

The key areas are summarized below.

#### **Accounting estimates**

##### *Determination of mineral reserves and resources for mining properties*

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to estimate reserves, estimates are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analyzing geological data such as drilling samples. This process may require complex and difficult geological judgments to interpret the data. As a result, management will form a view of forecast sales prices, based on current and long-term historical average price trends.

Estimates are based on information compiled by or under the supervision of a qualified person as defined under National Instrument 43-101, Standards of Disclosures for Mineral Projects within Canada.

Changes in the proven and probable reserves estimates may result in the requirement to perform an impairment test which may impact the carrying value of mineral properties, exploration and evaluation costs and property, plant and equipment.

##### *Share-based compensation*

The fair value of stock options is determined using the Black-Scholes option-pricing model. Significant estimates are required to determine expected volatility, weighted average life of options and estimated forfeiture. The Company determines these assumptions mainly by reference to historical experience. If actual results are significantly different from these assumptions, there could be a material impact to the amount recorded for these financial instruments.

#### **Accounting judgments**

Areas of significant judgment that have the most significant impact on the financial statements are as follows:

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

(expressed in Canadian dollars)

#### *Recoverability of investment in associate*

The Company assesses the carrying amount of its investment in associate at each reporting date to determine whether there is any indication of impairment. If objective evidence of impairment exists, the Company performs an impairment test.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows that the investee is expected to generate or the present value of the expected future dividend cash flows, together with any proceeds from the ultimate disposal of the investment) and fair value less costs to sell the investment.

If, after the Company has previously recognized an impairment loss, circumstances indicate that the fair value of the investment associate is greater than the carrying amount, the Company reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss.

#### *Recoverability of mineral properties, exploration and evaluation costs and property, plant and equipment*

The Company assesses the carrying amount of non-financial assets including property, plant and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset(s). The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset(s). Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset(s) in an arm's length transaction. This is often accomplished by using a discounted cash flow technique.

If, after the Company has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired assets is greater than the carrying amount, the Company reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in cost of sales, or administrative expense, depending on the nature of the asset. Impairment of goodwill is not reversed.

#### *Deferred tax assets*

Judgment is required in determining whether deferred tax assets are recognized on the consolidated statement of financial position. Deferred tax assets including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate future taxable earnings in future years in order to utilize any deferred tax asset which has been recognized. Estimates of future taxable income are based on forecast cash flows and the application of substantially enacted tax rates expected to apply in each jurisdiction. At the current reporting date, no deferred tax assets have been recognized as no production decision has been made with respect to the Company's mineral properties.

#### **6. Investment in associate - Ondundu Gold Project**

The Ondundu Exclusive Prospecting Licence ("EPL 3195") for base, rare and precious metal exploration is held 100% by Razorback Gold Mining Company (Pty) Limited ("Razorback"). Razorback is a 51% owned subsidiary of Westport Resources Namibia (Pty) Ltd. ("Westport"), which is a wholly-owned subsidiary of the Company. EPL 3195 expired on February 3, 2021 and an application to renew was filed prior to expiry. On February 4, 2021 the licence was renewed for a further 2-year term.

On August 31, 2015, Omajete Mining Company (Proprietary) Limited, a 70% owned subsidiary of Westport executed a Heads of Agreement Earn-in on EPL3195 with B2Gold Mining Investments Limited and B2Gold Namibia (Proprietary) Limited (together "B2Gold"). On January 11, 2016, an Amended and Restated Heads of Agreement Earn-In was executed replacing the original agreement and the deadlines for the 75% earn-in and call option for the balance of the shares in Razorback were both extended by letter agreement dated October 2, 2018. The Company was paid an Earn-in extension fee of US\$150,000 in 2018 and a further payment of US\$100,000 in 2019 ("Extension Fees").

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

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(expressed in Canadian dollars)

The Earn-In gives B2Gold the option to earn up to a 100% interest in EPL 3195. On January 1, 2018, B2Gold earned a 49% interest in Razorback by making cumulative expenditures of US\$2,000,000. B2Gold had the option to increase its interest to 75% by making expenditures of US\$1,300,000 by November 30, 2020 and by making a subsequent election to increase its shareholding ("Election"). While B2Gold incurred the requisite expenditures, B2Gold decided not to make the Election, but retains a call option exercisable to January 2, 2022 to increase its existing shareholding in Razorback to a 100%. The consideration for exercise of this call option is US\$8,500,000 less the Extension Fees and other payments made by B2Gold to buy-out interests in EPL 3195 amounting to US\$ 434,000. The consideration can be a 100% cash payment or, at B2Gold's option, 50% cash payment with the balance paid by the issue of B2Gold common shares based on a 5-day VWAP prior to the exercise date.

If B2Gold withdraws from the agreement, B2Gold will transfer to Westport all ordinary shares held by B2Gold in Razorback for nil consideration. Westport would then hold 100% of the shares in Razorback.

Although the Company holds a 51% interest in Razorback, on November 21, 2018, the Company determined that it no longer had the ability to direct the relevant activities that significantly affect the returns of Razorback. As of that date, the Company accounted for its interest in Razorback using the equity method and exploration and evaluation related to Ondundu and non-controlling interest in Razorback were reclassified to interest in associate.

	\$
Balance at December 31, 2018	2,946,688
Earn-in extension fee	(131,220)
Foreign exchange movement	(63,013)
Balance at December 31, 2019	2,752,455
Foreign exchange movement	(178,488)
Balance at December 31, 2020	2,573,967

#### Summarized statement of financial position of Razorback

	As at December 31,	
	2020	2019
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	273,943	203,048
Value added tax receivable	9,708	201,881
	283,651	404,929
Exploration and evaluation	12,353,568	11,415,371
	12,637,219	11,820,300
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	9,061	109,054
Due to B2Gold	622,617	92,769
Other current liabilities	–	12,444
	631,678	214,267
<b>Net assets</b>	12,005,541	11,606,033

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

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#### Reconciliation to carrying amount:

	As at December 31,	
	2020	2019
Company's share percentage ownership of Razorback	51%	51%
Company's share of net assets of Razorback	\$6,122,826	\$5,919,077
Equity contributed by B2Gold	\$3,548,859	\$3,166,622
Carrying amount of investment in Razorback	\$2,573,967	\$2,752,455

#### Summarized statement of loss and comprehensive loss for the year ended December 31, 2020

Razorback had no revenue or expenses for the year ended December 31, 2020.

#### 7. Exploration and evaluation

	\$
<b>Norasa</b>	
Balance at December 31, 2018	12,006,620
Additions to exploration and evaluation costs	17,306
Recovery of hydro deposit	(425,250)
Foreign exchange movement	(245,161)
Balance at December 31, 2019	11,353,515
Additions to exploration and evaluation costs	35,639
Foreign exchange movement	(690,795)
Balance at December 31, 2020	10,698,359

#### **Norasa Uranium Project**

The Norasa Uranium Project is the consolidation of the fully licenced Valencia Uranium Project and the adjacent exploration stage Namibplaas Uranium Project in Namibia.

#### *Valencia Uranium Project*

Through its wholly owned subsidiary Valencia Uranium (Proprietary) Limited, the Company holds Mining Licence ML 149 for the Valencia Uranium Project. This Mining Licence was granted effective June 23, 2008 for a period of 25 years until June 22, 2033.

#### *Namibplaas Uranium Project*

The Exclusive Prospecting Licence ("EPL") 3638 for Namibplaas is held by Dunefield Mining Company (Proprietary) Limited which is a wholly owned subsidiary of the Company. Following acceptance of terms on September 21, 2020, EPL 3638 was renewed until September 20, 2022.

#### *Impairment*

During the years ended December 31, 2020 and December 31, 2019, the Board reviewed the carrying value of the capitalized exploration and evaluation of the Project. The Board considered the impairment indicators contained within IFRS 6 and concluded that no impairment indicators have been identified during the current year.

#### 8. Share capital

##### Authorized

An unlimited number of Class A common shares without par value

An unlimited number of redeemable, voting non-participating Class B shares

An unlimited number of Class C shares with rights and privileges to be determined by the Company's Board of Directors

**Forsys Metals Corp.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

(expressed in Canadian dollars)

**Issued**

	<b>Number of Class A common shares</b>	<b>Amount \$</b>
Balance, December 31, 2018 and December 31, 2019	156,899,467	164,847,132
Private placement of common shares	10,000,000	1,000,000
Share issue costs	—	(8,390)
<b>Balance, December 31, 2020</b>	<b>166,899,467</b>	<b>165,838,742</b>

**Private placement of common shares**

On January 23, 2020, the Company completed a private placement of 10,000,000 Class A shares at a price of \$0.10 per Class A shares for gross proceeds of \$1,000,000.

The Company has not issued any Class B or Class C shares.

**9. Warrants**

	<b>Weighted- average exercise price \$</b>	<b>Number of warrants outstanding and exercisable</b>
Balance, December 31, 2018 and December 31, 2019	0.23	1,617,647
Expired	0.23	(1,617,647)
<b>Balance, December 31, 2020</b>	<b>—</b>	<b>—</b>

**10. Stock options**

The Company has established a stock option plan to provide additional incentive to its officers, directors, employees and consultants for their efforts on behalf of the Company in the conduct of its affairs. Under this stock option plan, as amended in 2008, the Company is authorized to grant a maximum of 12,000,000 stock options to its directors, officers, employees and consultants to acquire Class A common shares. As at December 31, 2020, 3,941,666 stock options have been exercised since 1998 and 4,050,000 stock options are outstanding (net of forfeitures and cancellations) leaving 4,008,334 stock options to be granted (2019: 4,008,334).

The term of the stock options is five years from the date of issue and the exercise price of any stock option granted shall not be lower than the market price of the Company's Class A common shares on the date on which the grant of the stock option is approved by the Board of Directors. The Board of Directors determines the number of stock options, the date or dates on which the options should be granted and the terms and conditions attached to each stock option within the limits prescribed by applicable law.

A summary of the Company's stock options outstanding and exercisable as at December 31, 2020 is presented below:

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of stock options outstanding and exercisable</b>
\$0.17	October 9, 2024	4,050,000

On October 9, 2019, the Company granted 4,050,000 stock options to directors, officers and consultant, which vested on the date of grant. Each stock option entitles the holder to purchase one Class A share for \$0.17 until October 9, 2024. The fair value of the stock options was calculated as \$543,000 using the Black-Scholes option pricing model. No stock options were granted during the year ended December 31, 2020.

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

(expressed in Canadian dollars)

#### 11. Non-controlling interest

	Amount \$
Balance, December 31, 2018	(169,376)
Reallocation of NCI share of accumulated losses	175,031
Balance, December 31, 2019	5,655
Reallocation of NCI share of accumulated losses	(527)
Loss attributed to NCI	(743)
Balance, December 31, 2020	4,385

#### 12. Income taxes

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

	2020		2019	
	\$	%	\$	%
Loss before income taxes	(764,967)		(908,012)	
Income tax recovery at statutory rates	(202,717)	(26.5)	(240,623)	(26.5)
Difference between Canadian and foreign statutory rates	(67,688)	(8.8)	(22,268)	(2.4)
Other	–	–	143,895	15.8
Tax effects of tax losses for which no DTA was recognised	270,405	35.3	118,996	13.1
Income tax expense	–	–	–	–

The tax rate used for the 2020 and 2019 reconciliations above is 26.5% which is the corporate tax rate applicable to the Company in Canada.

#### Canadian operations

The following are the temporary differences that give rise to a deferred tax asset which management has not recognized because it does not meet the recognition criteria under IAS 12.

	2020 \$	2019 \$
Resource deductions	171,093	171,093
Property, plant and equipment	52,227	52,227
Investments	400,000	400,000
Share issue costs	16,645	13,244
Non-capital losses carried forward expiring from 2025 to 2032	15,626,101	14,856,144
Capital losses from cancellation of Angus Mining Inc. shares and warrants carried forward (no expiry date)	1,348,000	1,348,000
	17,614,066	16,840,708

#### Namibian operations

There are deductible temporary differences of approximately \$9,501,691 (2019: \$9,395,747) from the Namibian operations which are not recognized because the deferred tax asset does not meet the recognition criteria under IAS 12.

#### 13. Fair value measurement

The Company's principal financial instruments are cash and cash equivalents, investments and trade payables. Financial instruments are classified into one of five categories: assets and liabilities held at fair value through profit and loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

(expressed in Canadian dollars)

	2020	2019
	\$	\$
Recurring measurements		
Financial assets		
Cash and cash equivalents and receivables	902,988	723,175
Financial liabilities		
Accounts payables and accrued liabilities	142,808	102,550

Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities,

Level 2 – Values based on quoted prices in markets that are not active or model inputs which are observable either directly or indirectly for substantially the full term of the asset or liability,

Level 3 – Values based on prices or valuation techniques that require inputs which are both unobservable and significant to the overall fair value measurement.

The Company applies a fair value measurement hierarchy to assets and liabilities in the consolidated statement of financial position carried at fair value.

A number of the Company's accounting policies and disclosures require the determination of fair values for both financial assets and non-financial assets and liabilities. The fair value has been determined for measurement and/or disclosure purposes based on the methods described below. Where applicable additional information on the assumptions used to determine fair value is included in the notes related to the specific asset or liability.

#### Financial risk management

The Company's activities expose it to a variety of risks arising from financial instruments. These risks, and management's objectives, policies and procedures for managing these risks, are discussed below.

##### i) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment objectives. The Company's credit risk primarily relates to cash and trade receivables. The Company manages its credit risk over cash by purchasing short-term investment grade securities, such as banker's acceptances and bank deposit notes issued by Canadian banks. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of "A"- grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. Total receivables of \$26,031 at December 31, 2020 were classified as other receivables (2019: \$10,523).

As at December 31, 2020 and 2019, there were no receivables past due or impaired. The Company does not have a provision against its trade and other receivables at December 31, 2020 and 2019.

Due to the short-term nature of trade and other receivables, their carrying value approximates fair value. Collateral is not held as security, nor is it the Company's policy to transfer or sell receivables to structured entities.

##### ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial liabilities as they come due. The Company's approach to managing its liquidity risk is to prepare company-wide rolling cash forecasts to determine the funding required to support the Company's normal operating activities on an ongoing basis. At December 31, 2020 the Company had cash of \$876,967 (2019: \$712,652), receivables of \$26,031 (2019: \$10,523) and financial liabilities consisting of accounts payable of \$142,808 (2019: \$102,551).

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

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#### iii) Market risk

Market risk is the risk that changes in market price, foreign exchange rates and interest rates will affect the Company's future cash flows and earnings. The impact of each of these components is discussed below.

*Price risk* – The Company is not exposed to equity securities price risk.

*Interest rate risk* - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2020, the Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash held in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values at December 31, 2020. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Future fluctuations in interest rates will impact the Company's cost of capital which it will require in order to develop its mineral properties.

*Foreign currency risk* - The Company's foreign currency exposures currently related to the currency in which expenses for exploration and development occur. Future profitability may be materially impacted by fluctuations between the Namibian dollar in which production costs will be incurred and the US dollar in which most sales of uranium occur. The Company retains substantially all of its cash with its parent in Canadian dollars until it is required by its foreign subsidiaries. Expenses are incurred in Canadian dollars, United States dollars, Namibian dollars, Australian dollars, Euros and British Pounds. The Company is subject to gains and losses due to fluctuations in these currencies. At December 31, 2020, the Company has no exposure to foreign currency risk through trade and other payables.

#### 14. Capital management

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. The Board of Directors of the Company has not yet made a formal decision to commence the development of Norasa, which decision, remains subject to, amongst other factors, suitable financing arrangements and prevailing market and economic conditions. Management will consider the issue of senior debt, convertible investments, other financial instruments and the introduction of strategic partners as a means to finance development of Norasa while minimizing equity dilution.

As of December 31, 2020, the Company is not subject to any externally imposed capital requirements and there has been no change during the year with respect to the overall capital risk management strategy.

#### 15. Commitments and contingencies

The Company and its investment in associate (note 6) have no commitments or contingencies at year end.

#### 16. Key management compensation and related party transactions

##### Compensation of key management personnel

Key management personnel as defined under IFRS are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's Chief Executive Officer, Chief Financial Officer and members of the Company's Board of Directors.

Compensation awarded to key management personnel is as follows:

	2020	2019
	\$	\$
Director fees	144,000	96,000
Consulting fees	183,000	133,000
Stock-based compensation	–	516,285
	<u>327,000</u>	<u>745,285</u>

# Forsys Metals Corp.

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

(expressed in Canadian dollars)

#### 17. Segmented information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the Company's chief operating decision maker, the Chief Executive Officer and for which discrete financial information is available. The Company has determined that it has one operating segment, the acquisition, exploration and development of uranium and gold mineral properties, all of which are currently located in Namibia. The Company's corporate head office earns nominal interest income which is considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment.

Non-current assets excluding financial assets by geographic area are as follows:

	2020	2019
	\$	\$
Namibia	10,698,359	11,353,515
Investment in associate	2,573,967	2,752,455
	<u>13,272,326</u>	<u>14,105,970</u>

#### 18. Events occurring after the reporting period

Except as outlined below, at the date of this report there are no other matters or circumstances which have arisen since December 31, 2020 that have significantly affected or may significantly affect:

- The operations, in financial years subsequent to December 31, 2020 of the Company;
- The results of those operations, in financial years subsequent to December 31, 2020, of the Company;
- The state of affairs, in financial years subsequent to December 31, 2020 of the Company.

#### Bought deal equity financing

On March 22, 2021, the Company entered into an agreement with Canaccord Genuity Corp. and Red Cloud Securities Inc. (collectively, the "Co-Lead Underwriters"), to act as lead underwriters and joint bookrunners on behalf of a syndicate of underwriters that will purchase for resale to substituted purchasers, 17,000,000 units at a price of \$0.50 per unit (each, a "Unit") on a "bought deal" basis for gross proceeds of \$8,500,000 (the "Offering"). Each Unit will consist of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for \$0.75 for 24 months after the closing of the Offering. The Company also granted the Co-Lead Underwriters an underwriters' option, exercisable up to 48 hours prior to the closing date, to purchase for resale up to 3,000,000 additional Units to raise additional gross proceeds of up to \$1,500,000 ("Underwriters' Option").

On March 23, 2021, due to investor demand, the Co-Lead Underwriters agreed to increase the size of the Offering to 26,000,000 Units for aggregate gross proceeds of \$13,000,000. The Company and the Co-Lead Underwriters further agreed to eliminate the Underwriters' Option.

The net proceeds of the Offering will be used for the advancement of the Company's Norasa Project in Namibia and for general corporate purposes. The Offering is scheduled to close on or about April 14, 2021 (the "Closing Date") and is subject to certain conditions, including, but not limited to, the receipt of all necessary regulatory and other approvals, including the approval of the listing of the common shares as well as the common shares issuable upon the exercise of the Warrants on the Toronto Stock Exchange. All securities issued or issuable under the Offering will be subject to a hold period of four months following the Closing Date.