



## **Unaudited Condensed Interim Consolidated Financial Statements**

**For the Nine Months Ended September 30, 2017**

These unaudited condensed interim consolidated financial statements of Forsys Metals Corp. for the nine months ended September 30, 2017 have been prepared by management and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these unaudited interim consolidated financial statements.

# FORSYS METALS Corp.

(An exploration stage company)

## Consolidated Balance Sheet

As at September 30, 2017

		September 30	December 31
		2017	2016
(Expressed in Canadian dollars)	Note	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		29,012	418,040
HST/VAT receivables		13,205	4,993
Prepaid expenses and other assets		13,920	16,646
Total current assets		56,137	439,679
<b>Non-current assets</b>			
Mineral properties, exploration and evaluation costs	3	77,300,836	79,274,964
Property, plant and equipment	4	8,464,685	9,033,952
Total non-current assets		85,765,521	88,308,916
<b>Total assets</b>		<b>85,821,658</b>	<b>88,748,595</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		148,688	244,086
Provisions		92,980	-
<b>Total liabilities</b>		<b>241,668</b>	<b>244,086</b>
<b>Equity</b>			
Share capital		209,036,562	208,828,015
Accumulated loss		(103,895,102)	(103,367,994)
Accumulated other comprehensive loss		(19,344,980)	(16,770,493)
Total equity attributable to shareholders of the Company		85,796,480	88,689,528
Non-controlling interests		(216,490)	(185,019)
<b>Total equity</b>		<b>85,579,990</b>	<b>88,504,509</b>
<b>Total liabilities and equity</b>		<b>85,821,658</b>	<b>88,748,595</b>
Commitments and contingencies	10		

The accompanying notes are an integral part of these consolidated financial statements.

## FORSYS METALS Corp.

(An exploration stage company)

### Consolidated Income (Loss) Statement

For the nine months ended September 30, 2017

	Note	Three months ended September 30		Nine months ended September 30	
		2017 \$	2016 \$	2017 \$	2016 \$
(Expressed in Canadian dollars except per share amounts)					
General and administrative expenses	8	(186,964)	(222,771)	(528,975)	(716,931)
Interest income		67	307	820	2,516
<b>Loss before income tax</b>		<b>(186,897)</b>	<b>(222,464)</b>	<b>(528,155)</b>	<b>(714,415)</b>
Income tax expense		-	-	-	-
<b>Net loss for the period</b>		<b>(186,897)</b>	<b>(222,464)</b>	<b>(528,155)</b>	<b>(714,415)</b>
<b>Net loss for the period attributable to:</b>					
Non-controlling interests		52	(4)	(1,047)	(59)
Shareholders of the Company		(186,949)	(222,460)	(527,108)	(714,356)
<b>Net loss per share attributable to shareholders of the Company</b>		<b>(0.14)</b>	<b>(0.16)</b>	<b>(0.36)</b>	<b>(0.53)</b>
Basic and diluted loss per share (cents per share)					
<b>Weighted average number of common shares outstanding</b>		<b>147,664,017</b>	136,704,899	<b>146,581,657</b>	135,513,611

### Consolidated Statement of Comprehensive Income (Loss)

For the nine months ended September 30, 2017

	Note	Three months ended September 30		Nine months ended September 30	
		2017 \$	2016 \$	2017 \$	2016 \$
(Expressed in Canadian dollars)					
<b>Net loss for the period</b>		<b>(186,898)</b>	<b>(222,464)</b>	<b>(528,155)</b>	<b>(714,415)</b>
<b>Other comprehensive income (loss), net of taxes</b>					
Items that may be reclassified subsequently to net income					
Foreign currency translation		(3,152,206)	3,243,809	(2,569,938)	2,599,781
Other comprehensive income (loss), net of taxes		(3,152,206)	3,243,809	(2,569,938)	2,599,781
<b>Comprehensive income (loss) for the period</b>		<b>(3,339,104)</b>	<b>3,021,345</b>	<b>(3,098,093)</b>	<b>1,885,366</b>
<b>Comprehensive income (loss) for the period attributable to:</b>					
Non-controlling interests		(37,302)	37,512	(31,471)	30,250
Shareholders of the Company		(3,301,802)	2,983,833	(3,066,622)	1,855,116
		<b>(3,339,104)</b>	<b>3,021,345</b>	<b>(3,098,093)</b>	<b>1,885,366</b>

The accompanying notes are an integral part of these consolidated financial statements.

# FORSYS METALS Corp.

(An exploration stage company)

## Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2017

	Note	Nine months ended September 30	
		2017	2016
(Expressed in Canadian dollars)		\$	\$
<b>Share capital</b>			
<b>Common shares</b>			
Balance as at beginning of period		163,587,203	163,082,241
Share issuance net of costs		208,547	504,962
Balance as at end of period		163,795,750	163,587,203
<b>Share purchase warrants</b>			
Balance as at beginning of period		1,300,733	1,153,527
Issue or warrants		-	147,206
Balance as at end of period		1,300,733	1,300,733
<b>Contributed surplus</b>			
Balance as at beginning of period		43,906,715	43,906,715
Balance as at end of period		43,906,715	43,906,715
<b>Equity reserve</b>			
Balance as at beginning of period		33,364	33,364
Balance as at end of period		33,364	33,364
<b>Total share capital</b>		<b>209,036,562</b>	<b>208,828,015</b>
<b>Accumulated loss</b>			
Balance as at beginning of period		(103,367,994)	(101,869,333)
Loss for the period attributable to shareholders of the Company		(527,108)	(714,356)
Balance as at end of period		(103,895,102)	(102,583,689)
<b>Accumulated other comprehensive loss</b>			
<b>Foreign currency translation</b>			
Balance as at beginning of period		(16,770,493)	(20,333,350)
Currency translation differences on foreign operations		(2,574,487)	2,569,472
Balance as at end of period		(19,344,980)	(17,763,878)
<b>Total accumulated comprehensive loss</b>		<b>(19,344,980)</b>	<b>(17,763,878)</b>
<b>Non-controlling interests</b>			
Balance as at beginning of period		(185,019)	(226,910)
Gain (loss) attributable to non-controlling interests		(31,471)	30,250
Balance as at end of period		(216,490)	(196,660)

The accompanying notes are an integral part of these consolidated financial statements.

# FORSYS METALS Corp.

(An exploration stage company)

## Consolidated Statement of Cash Flows

For the nine months ended September 30, 2017

	Note	Three months ended September 30		Nine months ended September 30	
		2017 \$	2016 \$	2017 \$	2016 \$
(Expressed in Canadian dollars)					
<b>Cash flows from operating activities</b>					
Net loss for the period		(186,898)	(222,464)	(528,155)	(714,415)
Interest income		(68)	(307)	(820)	(2,516)
Items not involving cash:					
Depreciation	8	301	1,473	1,062	9,512
Gain on sale of property, plant and equipment		-	-	-	(53,936)
Changes in non-cash operating working capital:					
Trade and other receivables		(646)	2,730	(8,860)	(2,708)
Prepaid expenses and other assets		(8,280)	(14,226)	2,679	(3,622)
Trade and other payables		(18,154)	30,522	31,570	60,643
Provisions		92,980	-	92,980	
Cash used in operating activities		(120,765)	(202,272)	(409,544)	(707,042)
<b>Cash flows from financing activities</b>					
Proceeds from issue of common shares and warrants		31,250	660,000	62,500	660,000
Share issuance costs		-	(7,832)	(12,167)	(7,832)
Proceeds from borrowings		-	-	-	-
Cash provided from financing activities		31,250	652,168	50,333	652,168
<b>Cash flows from investing activities</b>					
Interest income		67	307	820	2,516
Additions to mineral properties, exploration and evaluation costs	3	(506)	(48,955)	(30,582)	(300,765)
Purchase of property, plant and equipment		-	-	-	-
Proceeds on sale of property, plant and equipment	4	-	-	-	55,966
Cash used in investing activities		(439)	(48,648)	(29,762)	(242,283)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(89,954)</b>	<b>401,248</b>	<b>(388,973)</b>	<b>(297,157)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>119,040</b>	<b>182,278</b>	<b>418,040</b>	<b>881,501</b>
Exchange gain (loss) on cash held in foreign currency		(74)	1,350	(55)	532
<b>Cash and cash equivalents at end of period</b>		<b>29,012</b>	<b>584,876</b>	<b>29,012</b>	<b>584,876</b>

The accompanying notes are an integral part of these consolidated financial statements.

**FORSYS METALS Corp.**

(An exploration stage company)

**Consolidated Statement of Cash Flows**

For the nine months ended September 30, 2017

# **FORSYS METALS Corp.**

(An exploration stage company)

## **Notes to the Financial Statements**

For the nine months ended September 30, 2017

(Expressed in Canadian dollars)

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

Forsys Metals Corp. ("Forsys") 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 utilising the Feasibility Study released in March 2015. 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 amounts shown for mineral properties, exploration and evaluation costs and property, plant and equipment 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. Seasonality does not have a significant impact on the Company's operations.

Forsys 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 Forsys registered office is at 66 Wellington Street West, Toronto Bank Tower, Suite 5300, Toronto, Ontario, Canada, M5K 1E6.

### **2. Significant accounting policies**

#### **a) Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated annual financial statements for the year ended December 31, 2016.

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of, and disclosed in, the consolidated annual financial statements for the year ended December 31, 2016. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and current as of November 13, 2017.

These condensed interim financial statements for the nine months ended September 30, 2017 (including comparatives) were approved and authorized for issue by the Company's Board of Directors on November 13, 2017.

#### **b) Changes in accounting policies**

There has been no change in accounting policies to those adopted in the Company's consolidated annual financial statements for the year ended December 31, 2016.

# FORSYS METALS Corp.

(An exploration stage company)

## Notes to the Financial Statements (continued)

For the nine months ended September 30, 2017

(Expressed in Canadian dollars)

### 3. Mineral properties, exploration and evaluation costs

a) The continuity of the Company's investment in Mineral properties, exploration and evaluation costs is as follows.

	Norasa Uranium Project \$	Ondundu Gold Project \$	Mineral Properties Total \$
Balance at January 1, 2016	73,212,774	3,006,047	76,218,821
Additions to exploration and evaluation costs	296,499	-	296,499
Foreign exchange movement	2,552,542	207,102	2,759,644
Balance at December 31, 2016	76,061,815	3,213,149	79,274,964
Additions to exploration and evaluation costs	<b>30,582</b>	-	<b>30,582</b>
Foreign exchange movement	<b>(1,854,902)</b>	<b>(149,808)</b>	<b>(2,004,710)</b>
Balance at September 30, 2017	<b>74,237,495</b>	<b>3,063,341</b>	<b>77,300,836</b>

b) The Company holds the following licences in relation to mineral properties in Namibia, Africa which have mineral property, exploration and evaluation costs capitalized on the balance sheet as at September 30, 2017.

#### **Norasa Uranium Project**

Norasa 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 ML149 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. EPL 3638 was renewed in 2013 for a two year period to November 6, 2015. A renewal application for a further two year period to November 2017 was lodged on August 5, 2015. The licence remains in good standing during the assessment period.

#### **Ondundu Gold Project**

The Ondundu Exclusive Prospecting Licence ("EPL 3195"), which allows for base, rare and precious metal exploration, is held 100% by Razorback Gold Mining Company (Pty) Limited, a 75% owned subsidiary of Westport Resources Namibia (Pty) Ltd., which is a wholly owned subsidiary of the Company. In July 2017 the MME renewed EPL 3195 relating to Ondundu until February 3, 2019. The licence remains in good standing.

The Company executed a Heads of Agreement with respect to EPL3195 with B2Gold Mining Investments Limited and B2Gold Namibia (Proprietary) Limited (together "B2Gold") and subsequently on January 11, 2016 an Amended and Restated Heads of Agreement Earn-In on Exclusive Prospecting Licence EPL3195 ("Earn-In") was executed with B2Gold replacing the original agreement. The Earn-In gives B2Gold the right to earn up to a 100% interest in Ondundu over a period of 3 years.



# FORSYS METALS Corp.

(An exploration stage company)

## Notes to the Financial Statements (continued)

For the nine months ended September 30, 2017

(Expressed in Canadian dollars)

### 4. Property, plant and equipment

At September 30, 2017, included in property, plant and equipment of \$8,464,685 (December 31, 2016: \$9,033,952) is capital work-in-progress of \$6,243,933 (December 31, 2016: \$6,663,043).

### 5. Share capital

#### Authorized

The Company is authorized to issue:

An unlimited number of Class A common shares without par value

An unlimited number of redeemable, voting non-participating Class B shares <sup>(2)</sup>

An unlimited number of Class C shares with rights and privileges to be determined by the Forsys Board of Directors <sup>(2)</sup>

#### Issued

A continuity summary of the issued and outstanding Class A common shares and the associated dollar amounts is presented below:

	Number of Common Shares	Amount \$
Balance as at September 30, 2016	145,911,421	163,587,203
Share issuance	-	-
Balance as at December 31, 2016	145,911,421	163,587,203
Share issuance costs	-	(12,167)
Balance as at March 31, 2017	145,911,421	163,575,036
Share issuance	1,619,812	189,464
Balance as at June 30, 2017	147,531,233	163,764,500
Share issuance	416,666	31,250
Balance as at September 30, 2017	147,947,899	163,795,750

### 6. Warrants

On September 12, 2017 416,667 warrants were exercised at a price of \$0.075 per warrant raising net proceeds of \$31,250 resulting in the issue of 416,667 common shares in the Company.

A summary of the Company's warrants outstanding and exercisable as at September 30, 2017 is presented below:

Issue Date	Exercise Price	Warrants Outstanding	Warrants Exercisable	Expiry Date
October 13, 2015	\$0.24	7,807,999	7,807,999	October 12, 2017
September 15, 2015	\$0.075	4,666,667	4,666,667	September 14, 2018
		12,474,666	12,474,666	

# FORSYS METALS Corp.

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## Notes to the Financial Statements (continued)

For the nine months ended September 30, 2017

(Expressed in Canadian dollars)

### 7. Stock options

Forsys has established a stock option plan to provide additional incentive to its officers, directors, employees and consultants in 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, employees, consultants and management to acquire Class A common shares. At September 30, 2017 an aggregate of 1,550,000 options have been granted and are outstanding (net of forfeitures and cancellations) under this plan and 3,941,666 stock options had been exercised since 1998. As a result, as at September 30, 2017, 6,508,334 (December 31, 2016: 5,008,334) options were available for issuance.

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 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 option within the limits prescribed by applicable law.

A summary of the activity in the Company's stock option plan is presented below.

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	Number of Options	Weighted Average Exercise Price Per Share \$	Number of Options	Weighted Average Exercise Price Per Share \$
Stock options outstanding, beginning of the period	1,550,000	\$0.31	<b>3,050,000</b>	<b>\$0.62</b>
Transactions during the period:				
Expired	-	-	<b>(1,500,000)</b>	<b>\$0.94</b>
Stock options outstanding at end of period	1,550,000	\$0.31	<b>1,550,000</b>	<b>\$0.31</b>
Stock options exercisable at end of period	1,550,000	\$0.31	<b>1,550,000</b>	<b>\$0.31</b>

A summary of the Company's options outstanding and exercisable as at September 30, 2017 is presented below:

Grant Date	Market Price / Exercise Price	Options Outstanding	Options Exercisable	Expiry Date
September 09, 2014	\$0.31	1,550,000	1,550,000	September 09, 2019
		1,550,000	1,550,000	

No options were granted by the Company during the first nine months of 2017.

During the nine months ended September 30, 2017 no share-based compensation was expensed or included in mineral properties, exploration and evaluation costs (nine months ended September 30, 2016: \$Nil).

The fair values of stock options with vesting provisions are amortized following a graded vesting method as share-based compensation expense over the applicable vesting periods. At September 30, 2017, the Company has no unvested share-based compensation expense to be recognized in future periods.

# FORSYS METALS Corp.

(An exploration stage company)

## Notes to the Financial Statements (continued)

For the nine months ended September 30, 2017

(Expressed in Canadian dollars)

### 8. Expenses by nature

The elements of general and administrative expense in the consolidated income (loss) statement are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Consulting fees	34,003	124,781	173,412	436,281
Salaries, directors' fees and benefits	117,036	38,666	165,091	131,055
Professional fees	5,654	26,110	60,129	64,134
Public company costs	-	9,640	45,122	62,249
Other corporate costs	21,286	14,961	56,534	53,826
Travel	8,564	7,160	26,454	13,573
Depreciation	301	1,473	1,062	9,512
(Gain) loss on foreign exchange	120	(20)	682	237
(Gain) loss on sale of property, plant and equipment	-	-	489	(53,936)
General and administrative expense for period	186,964	222,771	528,975	716,931

### 9. Fair value measurement

The Company's principal 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 assets and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	September 30	December 31
	2017	2016
	\$	\$
Recurring measurements		
Financial Assets		
Cash and cash equivalents	29,012	418,040
HST/VAT receivables	13,205	4,993
Financial Liabilities		
Trade and other payables	148,688	244,086
Provisions	92,980	-

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 balance sheet 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

# FORSYS METALS Corp.

(An exploration stage company)

## Notes to the Financial Statements (continued)

For the nine months ended September 30, 2017

(Expressed in Canadian dollars)

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.

### 10. Commitments and contingencies

The Company has obligations of \$1.62m relating to tenement minimum requirements on the Ondundu EPL 3195 to the Ministry of Mines and Energy of the Republic of Namibia. Tenement obligations are subject to re-negotiation upon expiry of the exploration licences or when application for a mining licence is made. This commitment on EPL 3195 should be satisfied by the Earn-in expenditure incurred by B2Gold before the expiry of the licence on February 3, 2019.

The Company is involved from time to time in various legal actions and claims in the ordinary course of business. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Company's financial position or results.

### 11. 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, Vice-President Legal Affairs and members of the Company's Board of Directors.

Compensation awarded to key management personnel is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Consulting fees	132,980	106,334	152,149	374,834
Salaries and short-term employee benefits	28,000	38,667	172,980	130,667
	160,980	145,001	325,129	505,501

#### Related party transactions

General and administrative expenses for the three months ended September 30, 2017 include \$13,079 (three months ended September 30, 2016: \$12,668) and \$38,353 for the nine months ended September 30, 2017 (nine months ended September 30, 2016: \$37,380) for serviced office expenses paid to a company in which a Director is also a Director of Forsys. These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 12. 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 and deferred taxes by geographic area are as follows:

	September 30	December 31
	2017	2016
	\$	\$
Namibia	85,765,521	88,308,916
	85,765,521	88,308,916