

Forsys Metals Corp.

Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

These unaudited condensed interim consolidated financial statements of Forsys Metals Corp. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

Forsys Metals Corp.

Consolidated Statement of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at March 31, 2021 \$	As at December 31, 2020 \$
Assets			
Current			
Cash and cash equivalents		655,446	876,967
Receivables		34,072	26,031
Prepaid expenses and other assets		16,532	20,489
		706,050	923,487
Non-current			
Investment in associate	4	2,525,425	2,573,967
Exploration and evaluation	5	10,519,211	10,698,359
Total assets		13,750,686	14,195,813
Liabilities			
Current			
Accounts payable and accrued liabilities		54,728	142,808
Shareholders' equity			
Share capital	6	165,835,179	165,838,742
Warrants	7	1,300,733	1,300,733
Contributed surplus		44,449,715	44,449,715
Equity reserve		33,364	33,364
Accumulated loss		(180,609,750)	(180,458,038)
Accumulated other comprehensive loss		(17,317,625)	(17,115,896)
Total equity attributable to shareholders of the Company		13,691,616	14,048,620
Non-controlling interest	9	4,342	4,385
Total equity		13,695,958	14,053,005
Total liabilities and equity		13,750,686	14,195,813
Subsequent event	14		

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)
(unaudited)

		3 months ended March 31,	
	Notes	2021 \$	2020 \$
Expenses			
Professional fees		34,899	23,020
Directors' fees and benefits		32,000	24,456
Consulting fees		45,750	54,324
Public company costs		33,596	29,918
General and administrative		4,428	4,736
Foreign exchange loss (gain)		1,083	(1,031)
Interest income		-	(1,352)
		<u>151,756</u>	<u>134,071</u>
Loss		(151,756)	(134,071)
Other comprehensive loss, net of taxes			
Item that may be reclassified subsequently to loss			
Foreign currency translation		(201,729)	(2,033,957)
Comprehensive loss		<u>(353,485)</u>	<u>(2,168,028)</u>
Net loss attributable to:			
Shareholders of the Company		(151,713)	(134,071)
Non-controlling interest	9	(43)	-
		<u>(151,756)</u>	<u>(134,071)</u>
Comprehensive loss attributable to:			
Shareholders of the Company		(353,442)	(2,168,028)
Non-controlling interest	9	(43)	-
		<u>(353,485)</u>	<u>(2,168,028)</u>
Loss per share			
- basic and diluted (cents)		(0.09)	(0.08)
Weighted average number of common shares outstanding			
		166,899,467	164,371,994

Forsys Metals Corp.

Consolidated Statement of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	3 months ended March 31,	
	2021	2020
	\$	\$
Share capital		
Balance, beginning of period	165,838,742	164,847,132
Private placement of Class A shares	-	1,000,000
Share issue costs	(3,563)	(7,890)
Balance, end of period	165,835,179	165,839,242
Warrants		
Balance, beginning and end of period	1,300,733	1,300,733
Contributed surplus		
Balance, beginning and end of period	44,449,715	44,449,715
Equity reserve		
Balance, beginning and end of period	33,364	33,364
Accumulated loss		
Balance, beginning of period	(180,458,038)	(179,694,340)
Loss attributable to shareholders of the Company	(151,713)	(134,071)
Balance, end of period	(180,609,751)	(179,828,411)
Accumulated other comprehensive loss		
Balance, beginning of period	(17,115,896)	(16,198,230)
Currency translation differences on foreign operations	(201,729)	(2,033,957)
Balance, end of period	(17,317,625)	(18,232,187)
Non-controlling interest		
Balance, beginning of period	4,385	(169,376)
Reallocation of NCI share of accumulated losses		175,031
Loss attributed to NCI	(43)	-
Balance, end of period	4,342	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)
(unaudited)

	Notes	3 months ended March 31, 2021 \$	2020 \$
Cash (used in)			
Operating activities			
Loss		(151,756)	(134,071)
Interest income		-	(1,352)
Changes in non-cash operating working capital			
Receivables		(8,041)	(3,638)
Prepaid expenses and other assets		3,957	9,800
Accounts payable and accrued liabilities		(88,080)	(31,166)
Total cash outflow from operating activities		(243,920)	(160,427)
Financing activities			
Private placement of Class A shares		-	1,000,000
Share issue costs		(3,563)	(7,890)
Total cash (outflow) inflow from financing activities		(3,563)	992,110
Investing activities			
Interest income		-	1,352
Exploration and evaluation		(10,370)	(2,435)
Total cash outflow from investing activities		(10,370)	(1,083)
Net increase (decrease) in cash		(257,853)	830,600
Cash, beginning of period		876,967	712,652
Effects of exchange rate changes		36,332	(98,940)
Cash, end of period		655,446	1,444,312

Forsys Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)
(unaudited)

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.

The Company’s principal wholly-owned subsidiaries are as follows:

- 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;
- Dunefield Mining Company (Proprietary) Limited, a Namibia based exploration company, which holds a 100% interest in the Namibplaas Uranium Project; and
- 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.

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 condensed interim 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.

For the 3 months ended March 31, 2021, the Company incurred a loss of \$151,756 (2020: \$134,071) and a cash outflow from operating activities of \$243,920 (2020: \$160,427), and as of that date, the Company had working capital of \$651,322 (December 31, 2020: \$780,679) including cash of \$655,446 (December 31, 2020: \$876,967).

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. See note 14, *Subsequent event, Bought deal equity financing*.

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 \$13,000,000 on April 21, 2021 (see note 14, *Subsequent event, Bought deal equity financing*). The Board of Directors are satisfied there are sufficient funds to meet the Company'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.

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.

3. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 17, 2021.

4. 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. On February 4, 2021, EPL 3195 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 EPL 3195 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").

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 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, 2020	2,573,967
Foreign exchange movement	(48,542)
Balance at March 31, 2021	2,525,425

Summarized statement of financial position of Razorback

	As at March 31, 2021 \$	As at December 31, 2020 \$
Assets		
Current assets		
Cash	267,005	273,943
Value added tax receivable	10,615	9,708
	277,620	283,651
Exploration and evaluation	12,275,183	12,353,568
	12,552,803	12,637,219
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	5,615	9,061
Due to B2Gold	686,559	622,617
	692,174	631,678
Net assets	11,860,629	12,005,541

Summarized statement of loss and comprehensive loss for the 3 months ended March 31, 2021

Razorback had no revenues or expenses for the 3 months ended March 31, 2021.

Reconciliation to carrying amount

	As at March 31, 2021	As at December 31, 2020
Company's share percentage ownership of Razorback	51%	51%
	\$	\$
Company's share of net assets of Razorback	6,048,921	6,122,826
Equity contributed by B2Gold	3,523,496	3,548,859
Carrying amount of investment in Razorback	2,525,425	2,573,967

5. Exploration and evaluation

	\$
Norasa	
Balance at December 31, 2020	10,698,359
Additions to exploration and evaluation	10,370
Foreign exchange movement	(189,518)
Balance at March 31, 2021	10,519,211

Norasa Uranium Project

The Norasa Uranium Project is the consolidation of the Valencia Uranium Project and the 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. Following acceptance of terms on September 21, 2020, EPL 3638 was renewed until September 20, 2022.

Impairment

At March 31, 2021 and December 31, 2020, the Board reviewed the carrying value of the capitalized exploration and evaluation of Norasa. The Board considered the impairment indicators contained within IFRS 6 and concluded that no impairment indicators have been identified.

6. 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

Issued

	Number of Class A common shares	Amount \$
Balance, December 31, 2020	166,899,467	165,838,742
Share issue costs	–	(3,563)
Balance, March 31, 2021	166,899,467	165,835,179

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

See note 14, *Subsequent event, Bought deal equity financing*.

7. Warrants

There were no warrants outstanding and exercisable as at March 31, 2021 and December 31, 2020. See note 14, *Subsequent event, Bought deal equity financing*.

8. 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. At March 31, 2021, 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 (December 31, 2020: 4,008,334).

The term of any stock options granted 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 activity in the Company's stock option plan is presented below:

	Weighted- average exercise price \$	Number of stock options outstanding and exercisable
Balance, December 31, 2020 and March 31, 2021	0.17	4,050,000

A summary of the Company's stock options outstanding and exercisable as at March 31, 2021 is presented below:

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

9. Non-controlling interest

	\$
Balance, December 31, 2020	4,385
Loss attributed to non-controlling interest	(43)
Balance, March 31, 2021	4,342

10. Fair value measurement

The Company's principal financial instruments are cash and cash equivalents, receivables 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:

	March 31, 2021 \$	December 31, 2020 \$
Recurring measurements		
Financial assets		
Cash and cash equivalents and receivables	689,518	902,988
Financial liabilities		
Accounts payable and accrued liabilities	54,728	142,808

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 cash equivalents.

The Company manages its credit risk over cash and cash equivalents 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.

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 March 31, 2021, the Company had cash of \$655,446 (December 31, 2020: \$876,967), receivables of \$34,072 (December 31, 2020: \$26,031) and financial liabilities consisting of accounts payable of \$54,728 (December 31, 2020: \$142,808). Subsequent to March 31, 2021, the Company completed a bought deal equity financing for \$13,000,000 (see note 14, *Subsequent event, Bought deal equity financing*).

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 March 31, 2021, the Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash and cash equivalents 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 March 31, 2021. 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 March 31, 2021, the Company has no exposure to foreign currency risk through accounts payable and accrued liabilities.

11. 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 March 31, 2021, 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.

12. 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:

	3 months ended March 31,	
	2021	2020
	\$	\$
Director fees	32,000	24,000
Consulting fees	45,750	45,750
	<u>77,750</u>	<u>70,206</u>

13. Segment 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:

	March 31,	December 31,
	2021	2020
	\$	\$
Namibia		
Exploration and evaluation	10,519,211	10,698,359
Investment in associate	2,525,425	2,573,967
	<u>13,750,686</u>	<u>13,272,326</u>

14. Subsequent event

Bought deal equity financing

On April 21, 2021, the Company completed a bought deal equity financing of 26,000,000 units at a price of \$0.50 per unit for gross proceeds of \$13,000,000. Each unit consisted 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 until April 21, 2023. In connection with the financing, the Company paid a cash commission of \$910,000 and issued 1,820,000 broker warrants entitling the holder to purchase one common share for \$0.57 until April 21, 2023.

Net proceeds of the financing will be used for the advancement of Norasa and for general corporate purposes.