



# Management's Discussion and Analysis

## For the 9 months ended September 30, 2021

### Introduction

This Management's Discussion and Analysis ("MD&A") of Forsys Metals Corp. and its subsidiary companies (collectively, the "Company") for the 9 months ended September 30, 2021 has been prepared as of November 15, 2021 and should be read in conjunction with the condensed interim consolidated financial statements including the notes which have been prepared in accordance with International Financial Reporting Standards.

All dollar amounts in this document are expressed in Canadian dollars unless otherwise explicitly indicated.

### Nature of Business

The Company is engaged in the business of acquiring, exploring and developing mineral properties which are located in Namibia, Africa. The principal focus is on uranium and bringing the Norasa Uranium Project ("Norasa"), which combines the fully licensed Valencia Uranium ("Valencia") and the exploration stage Namibplaas Uranium ("Namibplaas") projects, into production. The Company also has a 51% interest in the Ondundu Gold Project ("Ondundu").

### Overall Performance

#### *Changes in key management personnel*

<b>Date</b>	<b>Change</b>
May 20, 2021	Eli Shikongo did not stand for re-election as a director and Richard Parkhouse and Jeremy Hangula were elected as new directors.
August 13, 2021	Interim CEO and Director, Mark Frewin, appointed as CEO
October 8, 2021	Richard Parkhouse appointed as Director, Investor Relations
October 19, 2021	Willem Kotzé appointed as the project manager for the Company's Norasa project.

#### *Grant of stock options*

On May 20, 2021, the Company granted 4,000,000 stock options to directors and officers, entitling the holder to purchase one Class A share for \$0.93 until May 20, 2026.

#### *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 ("Bought Deal"). 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 Bought Deal, 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.

The Offering was underwritten by Red Cloud Securities Inc and Canaccord Genuity Corp.

Net proceeds of the financing will, and are, being applied to meet the following Norasa advancement costs and for general corporate matters currently being progressed:

- conversion of the Namibplaas EPL to a mining licence.
- preparation and implementation of work plans and environmental studies in connection with the conversion.
- review of existing technical reports and appointment of relevant experts to review and update capex and in particular OPEX estimates in the current feasibility study with the intention of preparing an undated preliminary feasibility study..
- investigation of other suitable opportunities
- the hire and retention of in-country Chief Operating Officer and project manager
- compensation of key personnel in line with market and general corporate matters
- completion of a website upgrade
- employment of technical consultants

### Exercise of Bought Deal \$0.75 Warrants

Subsequent to the closing of the Bought Deal, 1,620,000, \$0.75 warrants have been exercised for proceeds to the Company of \$1,215,000.

### Strategic Review of Norasa

On November 15, 2021, the Company announced the appointment of Bacchus Capital Advisers Limited to conduct a strategic review of Norasa, in response to current developments in the uranium market and the structural misalignment of flat or declining supply versus growing demand. The strategic review will consider, evaluate and compare a broad selection of potential development options for the purpose of identifying opportunities to maximise the value of Norasa for the Company's shareholders. As part of the strategic review, Bacchus Capital will undertake a detailed evaluation of the Norasa project within the context of the wider market and regional opportunities.

### Norasa

During the period, the Company continued the care and maintenance of Norasa. It is the Company's intention to commence an update of the DFS incorporating current project economics and a detailed assessment of the suitability of new bulk ore sorting technologies.

The Company filed the DFS on March 18, 2015. Mineral Resources were reported at cut-off grades of 100ppm for Valencia and 140ppm U<sub>3</sub>O<sub>8</sub> for Namibplaas with Measured, Indicated and Inferred Resources classified in accordance with the guidelines of NI 43-101 as listed in Table 1.

The Mineral Reserve estimate is summarized in Table 2. The total Proven and Probable Norasa Mineral Reserve is 206Mt at a grade of 200ppm, which equates to 90.7Mlbs of U<sub>3</sub>O<sub>8</sub>. Resources are reported inclusive of Reserves. Mineral Resources that are not Reserves either haven't demonstrated economic viability or don't meet the cut-off grade criteria.

Category	Cut-Off Grades	Tonnes [M]	U <sub>3</sub> O <sub>8</sub> [ppm]	U <sub>3</sub> O <sub>8</sub> [Mlbs]
<b>Measured</b>	Val 60ppm: Nam 100ppm	27	151	9
	<b>Val 100ppm: Nam 140ppm</b>	<b>16</b>	<b>200</b>	<b>7</b>
	Val 140ppm: Nam 180ppm	10	249	6
<b>Indicated</b>	Val 60ppm: Nam 100ppm	469	152	157
	<b>Val 100ppm: Nam 140ppm</b>	<b>249</b>	<b>196</b>	<b>108</b>
	Val 140ppm: Nam 180ppm	130	251	72
<b>Measured + Indicated</b>	Val 60ppm: Nam 100ppm	496	151	166
	<b>Val 100ppm: Nam 140ppm</b>	<b>265</b>	<b>197</b>	<b>115</b>
	Val 140ppm: Nam 180ppm	140	251	77
<b>Inferred</b>	Val 60ppm: Nam 100ppm	50	153	17
	<b>Val 100ppm: Nam 140ppm</b>	<b>26</b>	<b>200</b>	<b>11</b>
	Val 140ppm: Nam 180ppm	13	260	7

Resources are reported inclusive of Reserves.

1. "AMEC" is a leading international engineering and project management firm with prior involvement in the development of NI 43-101 Technical Reports for Norasa. The Company utilized the services of their South Africa and Australian offices.

Classification	Tonnes [M]	U <sub>3</sub> O <sub>8</sub> [ppm]	U <sub>3</sub> O <sub>8</sub> [Mlbs]
Proven	16	200	7.1
Probable	190	200	83.6
<b>Total Reserve</b>	<b>206</b>	<b>200</b>	<b>90.7</b>

Cut-off grades of 100ppm for Valencia and 140ppm Namibplaas

For the DFS, a financial model incorporating the Mineral Reserve, mining schedule and plant design was prepared to assess the economics of Norasa. The financial model quantified the revenues, costs and capital expenditure over a 15-year life of mine. It is intended that these results are accurate to within ±15%, within the constraints of the associated assumptions. The economic outcomes and DFS key performance indicators (KPI) are summarised in Table 3 below.

<i>Table 3 Key Financial Model Outputs &amp; KPI's</i>		
	<b>Project</b>	<b>US\$/Share</b>
<b>Project Economics</b>		
NPV at a Discount Rate of 8% (US\$M) - (Excl. Tax)	622.6	5.25
- (Incl. Tax)	383.4	3.24
Internal Rate of Return (%) - (Excl. Tax)	32%	
- (Incl. Tax)	26%	
Payback Period from Start of Production (years)	4.4	
Capital Costs (US\$M)	432.8	
<b>Production</b>	<b>Life of Mine</b>	<b>First 5 Years</b>
Quantity Ore Treated (Mt)	206.1	66.7
Recoveries (%)	92.4%	92.2%
Uranium (Mlb U <sub>3</sub> O <sub>8</sub> )	77.8	25.8
<b>Revenue and Cash Flow</b>		
Average U <sub>3</sub> O <sub>8</sub> Base Price (US\$/lb U <sub>3</sub> O <sub>8</sub> )	65	65
Net Revenue (USM)	5,056.8	1,678.0
Operating cash flow (US\$M)	1,751.1	440.2
Net cash flow after tax (US\$M)	1,007.6	161.5
<b>Operating Unit Costs (US\$/lb produced)</b>		
Mining	16.83	14.65
Processing	16.27	16.67
Owners costs	1.63	1.65
<b>Total Operating Costs (US\$/lb produced)</b>	<b>34.72</b>	<b>32.96</b>

### **Description of Valencia and Namibplaas**

#### *Location and Ownership*

Valencia is situated on the farm "Valencia 122", which is located approximately 75km north-east of the town of Swakopmund in central-west Namibia, covering an area of 735.6 ha and is registered in the name of Valencia Uranium (Pty) Ltd ("Valencia Uranium"). ML 149 was converted from EPL 1496 on June 23, 2008 and is valid for 25 years from date of issue by the Namibian Ministry of Mines and Energy ("MME") and is renewable.

The entire Valencia mineral licence area is located on privately held farmland. As required by law, an agreement must be entered into between a mineral licence holder and the landowner to allow exploration activities. In order to progress a project to mine development, a compensation agreement is required to offset the effects of the operation.

In April 2009, Valencia Uranium entered into a compensation agreement with the owner of the farm Valencia 122, in relation to Section 52 of the Minerals Act of 1992, granting Valencia Uranium unrestricted use of the land on and around ML 149 covering an area of 3,327 hectares. A similar agreement was reached with the owners of the neighboring 594 hectare farm "Bloemhof 109", located to the south, for the construction of additional infrastructure and for primary access to the Valencia site.

These agreements facilitated planning for the necessary infrastructure required to support mining operations. This infrastructure has been approved by the MME as the operation's accessory works and includes inter alia the main pit, waste dumps, tailings dump, pipeline, power lines, roads, process plant, explosive magazines, etc. The construction camp / operations village have also been approved. Environmental clearance was obtained for all operations relating to Valencia, although some amendments to the Valencia plan will be required to include the Valencia satellite pit and relocation of some of the mining infrastructure. All amendment issues will be covered in the updated EIA / EMP.

Namibplaas is located 7.5km northeast of the Valencia deposit on the farm "Namibplaas 93" with a total surface area of 1,269 ha. The Namibplaas exploration licence ("EPL 3638") expired November 6, 2019 and an application to renew the licence was made prior to expiry, and on September 17, 2020 the Company received notice that the licence was renewed for a final 2 year term.

To commence development of the Namibplaas project will require obtaining government approvals including an approved Environmental Impact Assessment ("EIA"), Environmental Management Plan ("EMP"), approval from the MME for accessory works.

The environmental studies for Namibplaas are underway, with baseline monitoring of groundwater, air quality, noise studies, archeology, flora & fauna and soils already completed. This work is being done as part of Norasa and is taking the form of an amendment to the original Valencia EIA/EMP, a process that has been approved by the Ministry of Environment and Tourism.

There are no historical environmental liabilities for either the Valencia or Namibplaas properties.

#### *Statement of Reserves*

A breakdown of the Reserves for the individual projects as filed in the NI 43-101 report are detailed in Tables 4 and 5 below:

<b>Table 4 Valencia Reserves Estimate (February 2015)</b>			
<b>Classification</b>	<b>Mt</b>	<b>Grade ppm U<sub>3</sub>O<sub>8</sub></b>	<b>Mlbs U<sub>3</sub>O<sub>8</sub></b>
Proven	16	200	7.1
Probable	139	200	61.3
<b>Total Reserve</b>	<b>155</b>	<b>200</b>	<b>68.4</b>

*Cut-off grade of 100 ppm*

<b>Table 5 Namibplaas Reserves Estimate (February 2015)</b>			
<b>Classification</b>	<b>Mt</b>	<b>Grade ppm U<sub>3</sub>O<sub>8</sub></b>	<b>Mlbs U<sub>3</sub>O<sub>8</sub></b>
Proven	0		0
Probable	51	198	22.3
<b>Total Reserve</b>	<b>51</b>	<b>198</b>	<b>22.3</b>

*Cut-off grade of 140 ppm*

The Mineral Reserve is based on pit optimisations using the resource models and applying modifying factors such as costs and mining and metallurgical factors determined to be appropriate for the deposits and scale of operation to a feasibility study level of accuracy. The Mineral Reserve Estimate for Norasa tabulated above has been assigned confidence levels of Proven and Probable Reserve using the guidelines within NI 43-101. Mineral Resources that are not Mineral Reserves have not demonstrated economic viability, or have not fulfilled the company's strategic criteria of cut-off grade.

#### **Current Development Status**

Valencia, the key component of Norasa, is situated in Namibia, the fifth largest uranium producing country globally and is one of only a few fully licensed undeveloped uranium deposits in the world. The Company released the DFS for Norasa in March 2015. The report was prepared by AMEC Foster Wheeler ("AMEC") together with external consultants and Forsys Qualified Professionals. AMEC is a leading international engineering and project management firm with prior involvement in the development of NI 43-101 Technical Reports for Norasa. SGS South Africa completed additional metallurgical studies including pilot plant testwork.

#### *Infrastructure*

Norasa received NamWater's (Namibia's national bulk water utility) assurance of a supply of water during the construction phase of the project. This will require a 31km temporary pipeline extending from the Rössing reservoir to the construction site. Norasa will design and construct this temporary pipeline with a 300 m<sup>3</sup>/day capacity required to service the construction camp and for construction activities. The pipeline is to be installed adjacent to the completed access road. Production from Norasa will require construction of a permanent 31km main pipeline (replacing the temporary line used during mine construction) linking Norasa to the Rössing reservoir.

The nearest power off-take point that can supply Norasa is the Khan substation, located at Ebony, 26km north of the mine. The direct route is very rugged through the Khan Valley and tributaries and an alternate indirect transmission route of nearly 30km has been laid out by NamPower.

The Khan substation has recently been upgraded and expanded. NamPower met the cost of the new substation although a new bay for Norasa will be at the mine's expense, as will be the cost of the transmission line to the mine.

Power distribution to the mine is planned to be a 220kV transmission line as part of a regional expansion and strengthening of the coastal power supply using the Norasa line as stage one of a ring feed. At an installed capacity of approximately 35MW and a mine draw of about 31MW, two 40 MVA transformers would be installed, one of which would be maintained as a backup unit. It is assumed that the Company would have to carry the cost of establishing the substation.

Standby power generators are being considered by the Company, but a decision on the capacity will be taken at a future date.

The preferred route to access the mine was determined to be across the Khan River, using tributary valleys. This route links the mine to the B2 highway, 12km northeast of Rössing. The total length of this new road is approximately 26km. The crossing of the Khan River was designed with low-water culvert structures with concrete drifts between them. The system was designed such that in the event of exceptionally large flood events, water will wash over the road, leaving it temporarily impassable (matter of hours), but undamaged. During such times, alternate routes are available for personnel transport. Roadside drainage systems have been catered for in the design.

Construction of the industrial grade gravel road was completed in mid-2010. Some of the internal service roads were also constructed.

#### *Capital Work-in-Progress*

In order to achieve production at Norasa, the Company identified certain critical long-lead items required to bring the mine into production. At September 30, 2021, capital work-in-progress includes the access road to the Valencia mine site which is now complete and a crusher (currently in storage in Namibia). The value of capital work-in-progress was reduced to \$nil during the year ended December 31, 2017 to reflect the depressed uranium market. Further investment in capital works at the Norasa has been put on hold pending completion of suitable financing arrangements and a formal decision by the Company's Board to proceed with the development of Norasa.

#### **Ondundu**

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, the license 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').

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 Resources Namibia (Pty) Ltd. ("Westport"), which is a wholly-owned subsidiary of the Company, all ordinary shares held by B2Gold in Razorback for nil consideration. Westport would then hold 100% of the shares in Razorback.

B2Gold continued exploration at Ondundu. For the 9 months ended September 30, 2021, B2Gold reported expenditures of US\$140,000.

#### **Key Economic Trends in the Uranium Industry**

##### *Uranium Supply and Demand*

The political and environmental groups response toward nuclear power generation has thawed globally and there had been a reawakening to the need for nuclear power as a vital part of the renewable offering. This has been largely driven by the increasing demand for power and the agreement to meet challenging CO<sub>2</sub> emission targets. Many Governments have re-established nuclear programmes and as of mid 2021 there were 442 nuclear power plants operating worldwide and 57 nuclear reactors currently under construction. The low operating cost of nuclear power generation and the increasing concern for the environment and climate change are driving this nuclear renaissance. There are now 514 new reactors planned around the world plus a new generation of Small Modular Reactors (SMRs) which have a shorter construction time

and less capital intensity than larger reactors.

Existing nuclear reactors consume around 67,500 tons of uranium per year, of which, around 90% is satisfied by global mine production with the remainder coming from secondary sources, including Russia's disarmed nuclear stocks, excess commercial inventories, reprocessing of spent fuel and inventories held by governments. The International Atomic Energy Agency (IAEA) estimates that global uranium demand could rise to 79,400 tonnes by 2030 and as high as 112,000 tonnes in 2040 to meet the additional demand for new nuclear power plants. However, world uranium production has significantly declined due to mine curtailment and more recently due to imposed measures to prevent the spread of COVID-19, requiring producers to make spot market purchases to meet contractual obligations. The World Nuclear Association (WNA) estimate that production is only meeting 74% of usage requirements and that this supply demand gap will only widen over the next 20 years. The industry trade association noted that "world uranium production dropped considerably from 63,207 tonnes of uranium (tU) in 2016 to 47,731 tU in 2020".

### *Uranium Prices<sup>1</sup>*

Most of the countries that use nuclear-generated electricity do not have sufficient domestic uranium supply to fuel their reactors and therefore they secure the majority of their required uranium supply by entering into medium-term and long-term contracts with foreign uranium producers and other suppliers. Remaining supplies are secured through spot purchases of uranium.

The spot price of uranium can be more volatile than the long-term contract price of uranium; noting that the majority of uranium sales occur under long-term contracts. As producers suspended production as a result of COVID-19 lockdowns and purchased uranium in order to meet contractual obligations, the spot price declined from US\$30.20/lb on December 31, 2020 to a low of US\$27.98/lb on February 28, 2021 and has since recovered, reaching US\$50.80/lb on September 17, 2021 and closing at US\$45.20 on October 31, 2021. UxC LLC reported that as at 18 October 2021 over 80 million lbs of material has traded through the spot market, on pace to match the equivalent period spot market volumes from 2020. Projected spot volumes for November and December 2021 would result in over 100 million lbs of material traded in the spot market in 2021, exceeding the record volume of 94.5 mmlb set in 2020.

Long-term prices are driven more by production costs and future supply-demand forecasts rather than current customer inventory levels. The long-term uranium price was US\$43.00/lb on October 31, 2021, compared to US\$35.00/lb on December 31, 2020, though some analysts are forecasting a longer term price above US\$60/lb.

Uranium prices have also been impacted by the increased activity by investment firms acquiring physical inventory for storage. Existing market participants such as Yellowcake Plc have continued to acquire physical inventory Yellowcake Plc is currently holding 13.9 million lbs of U<sub>3</sub>O<sub>8</sub> with agreed additional purchases which will increase U<sub>3</sub>O<sub>8</sub> holdings to 18.8 million lbs on delivery. More recently new entrants have entered the physical inventory market, including Sprott Physical Uranium Trust, which has acquired 10.9 million lbs. of uranium and indicated that they will raise further funding to continue purchasing inventory in 2022. Kazatomprom announced in October 2021 that it is investing in a new privately held physical uranium fund, ANU Energy OEIC Ltd. The fund will hold physical uranium as a long-term investment. The initial investment of US\$50 mm is expected to be supported by a public or private offering of up to US\$500 mm. Based on the current spot price of US\$47 per pound U<sub>3</sub>O<sub>8</sub>, an investment of c. US\$550 mm would allow for the purchase of up to nearly 12 mmlb U<sub>3</sub>O<sub>8</sub>.

## **Risks and Uncertainties**

### **Going concern**

The 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 9 months ended September 30, 2021, the Company incurred a loss of \$3,345,756 (2020: \$490,494) and a cash outflow from operating activities of \$852,460 (2020: \$527,039). On April 21, 2021, the Company completed a bought deal equity financing of \$13,000,000 ("Bought Deal Equity Financing", (see page 1, *Bought deal equity financing*) and as of September 30, 2021, the Company had working capital of \$11,680,254 (December 31, 2020: \$780,679) including cash and cash equivalents of \$11,684,840 (December 31, 2020: \$876,967). The Company is in the exploration stage and does not generate revenue. In addition to the proceeds of the Bought Deal Equity Financing, the development of Norasa will require further funding. The ability of the Company to continue as a going concern is principally dependent upon its ability to secure

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<sup>1</sup> The Company calculates industry average prices from the month-end prices published by UxC and TradeTech.

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 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 Board of Directors are confident of the ability of the Company to raise capital as and when required, which was demonstrated by the Company completing the 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.

#### Other risk factors

The exploration for natural resources is a speculative activity involving a high degree of risk. Investment in securities of the Company should only be undertaken by investors whose financial resources are sufficient to enable them to assume such risk and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors, which may affect the Company and its financial position. A comprehensive summary of these risk factors is included in the section titled "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2020 available under the Company's filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### Discussion of Operations

	9 months ended September 30,		3 months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Expenses</b>				
Professional fees	119,801	131,033	58,585	82,737
Directors fees	268,118	113,280	141,648	32,000
Consulting fees	279,001	181,948	132,370	54,850
Stock-based compensation	2,585,000	—	—	—
Public company costs	99,578	43,415	9,504	7,851
General and administrative	21,918	17,148	13,517	7,619
Travel	—	6,067	—	6,067
Foreign exchange loss (gain)	(24,550)	(1,031)	(25,624)	—
Other income	(3,110)	(1,366)	(3,110)	(70)
<b>Loss</b>	<b>3,345,756</b>	<b>490,494</b>	<b>326,890</b>	<b>191,053</b>

#### 9 months ended September 30

The Company recorded a loss of \$3,345,756 in the current period compared to a loss of \$490,494 in the comparative period of the previous year. The increase in the loss reflects the following:

- increase in director fees to \$268,118 (2020 - \$113,280) as the result of the appointment of 2 new directors and an increase in director fees in line with comparable companies.
- increase in consulting fees to \$279,001 (2020 - \$181,948) as the result of the appointment of a new consultant and an increase in compensation in line with comparable companies.
- increase in stock-based compensation to \$2,585,000 (2020 - \$nil) reflecting the fair value of stock options granted during the current period.

#### 3 months ended September 30

The Company recorded a loss of \$326,890 in the current period compared to a loss of \$191,053 in the comparative period of the previous year. The increase in the loss reflects the following:

- a) increase in director fees to \$141,648 (2020 - \$32,000) as the result of the appointment of 2 new directors and increase in director fees in line with comparable companies.
- b) increase in consulting fees to \$132,370 (2020 - \$54,850) as the result of the appointment of a new consultant and an increase in compensation in line with comparable companies.

## Summary of Quarterly Results

A summary of selected financial information for the eight most recently completed quarters is provided below:

	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	\$	\$	\$	\$
Interest and other income	–	–	–	17
Loss for the period	(326,890)	(2,867,110)	(151,756)	(274,472)
- Per share (cents per share)	(0.17)	(1.53)	(0.09)	(0.16)
	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	\$	\$	\$	\$
Interest and other income	70	–	1,296	1,789
Loss for the period	(191,053)	(165,371)	(134,071)	(707,605)
- Per share (cents per share)	(0.11)	(0.10)	(0.08)	(0.58)

Loss for the 3 months ended June 30, 2021 and December 31, 2019 includes stock-based compensation of \$2,585,000 and \$543,000, respectively.

## Exploration and evaluation

The following table sets forth changes to exploration and evaluation:

	\$
<b>Norasa</b>	
Balance at December 31, 2020	10,698,359
Additions to exploration and evaluation costs	53,391
Foreign exchange movement	(325,926)
Balance at September 30, 2021	10,425,824

## Liquidity and capital resources

As the Company has not commenced production from any of its mineral properties and the Company does not generate cash from operations, the Company has financed its operations with the proceeds of equity financings. The Company is dependent on its Company's ability to secure equity financings to meet its existing obligations and to fund its working capital requirements and the exploration and development of mineral resource properties.

While strategic and financial alternatives are being evaluated and implemented, the Company has maintained a conservative level of expenditure on Norasa and reduced expenses in order to conserve cash.

At September 30, 2021, the Company had working capital of \$11,680,254 which provides the Company with sufficient cash to fund its estimated working capital requirement of \$1,242,000 for 2021.

### **Estimated working capital requirements for 2021**

	\$
Corporate and general expenses	1,100,000
Accounts payable at December 31, 2020	142,000
	1,242,000

For the year ended December 31, 2020, the Company incurred corporate and general expenses of \$766,000. For the year ended December 31, 2021, the Company estimates corporate and general expenses of \$1,100,000. For the 9 months ended September 30, 2021, the Company incurred corporate and general expenses of \$788,000.

In addition to the proceeds of the Bought Deal Equity Financing, the development of Norasa will require further funding, most likely a combination of equity and debt. The Company is continuing to explore opportunities for off-take and/or the possible participation of a strategic partner. Satisfactory financing arrangements will be required before the Company's

Board can make a formal decision to commence the development of Norasa. The success and nature of any financing in the future will be dependent on the prevailing market conditions at that time.

### 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 adequate returns for shareholders and suitable 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 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.

At September 30, 2021, the Company was not subject to any externally imposed capital requirements and there had been no change during the period with respect to the overall capital risk management strategy.

### Outlook

Valencia is one of the very few uranium projects in the world that is construction ready with a Mining Licence. The completion of the updated 2015 DFS confirmed the robustness of Norasa's economics. The DFS delivered a number of outstanding results including increases in tonnage, annual and life of mine production whilst lowering operating costs. The Company believes the outlook is enhanced by the achievement of this milestone and that the study results will eventually attract strategic partners and investors and provide the Company with alternatives for the next phase of Norasa's development.

### Contractual Obligations and Commitments

In the normal course of business the Company enters into contracts which give rise to commitments for future minimum payments. At September 30, 2021, the Company has no contractual obligations which have not been recorded in the accounts.

The Company has no tenement commitments to the MME at the reporting date which are not recognized as liabilities payable in connection with Ondundu EPL 3195. The minimum commitment will be satisfied by the earn-in expenditure incurred by B2Gold.

If the Company decides to relinquish certain leases and/or does not meet these obligations or obtain appropriate waivers, asset values recognised in the balance sheet may require review to determine the appropriateness of those carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish any tenement obligations.

### Transactions with Related Parties

#### *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 for the 9 months ended September 30, 2021 is as follows:

Key management personnel		Notes	Director and consulting fees \$	Stock-based compensation \$	Total \$
Martin Rowley	Director	1	49,595	484,725	534,320
Mark Frewin	Director/Chief Executive Officer	1	165,429	484,725	650,154
Paul Matysek	Director		49,595	484,725	534,320
Elia Shikongo	Director	1,2	12,388	–	12,388
Jorge Estepa	Director/Corporate Secretary	1	70,500	484,725	555,225
Richard Parkhouse	Director	3	34,008	161,575	195,583
Jeremy Hangula	Director	3	34,008	161,575	195,583
Miles Nagamatsu	Chief Financial Officer	1	58,929	226,205	285,134
			474,452	2,488,255	2,962,707

Notes:

1. Amounts were paid to a company controlled by the respective key management personnel.
2. To the date that Mr. Shikongo left the Board on May 20, 2021.
3. From the date of appointment on May 20, 2021

## Regulatory Disclosures

### **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.

Actual result may differ from the amounts included in the consolidated balance sheet. Information about such judgments and estimation is contained in the accounting policies and/or the notes to the 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:

#### *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.

### **Financial instruments**

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 September 30, 2021, the Company had cash and cash equivalents of \$11,684,840 (December 31, 2020: \$876,967), receivables of \$29,472 (December 31, 2020: \$26,031) and financial liabilities consisting of accounts payable and accrued liabilities of \$58,230 (December 31, 2020: \$142,808).

#### **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 September 30, 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 September 30, 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 September 30, 2021, the Company has no exposure to foreign currency risk through accounts payable and accrued liabilities.

### **Disclosure Controls and Procedures**

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management, to allow timely decisions regarding required disclosure.

Management including the Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedure as of December 31, 2020. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures as defined under the rules of Canadian Securities Administrators were effective to ensure information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

### **Internal Controls Over Financial Reporting**

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS. The Company's internal controls over financial reporting include policies and procedures that:

- pertain to the maintenance of records which accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
- ensure the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized transactions which could have a material effect on the annual or interim financial statements.

An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted by the Company's management, including the Chief Executive Officer and the Chief Financial Officer. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (2013) to assess the effectiveness of the Company's internal control over financial reporting ("ICFR"). Based on this assessment, management has concluded that the Company's internal controls over financial reporting were effective.

There were no changes in the Company's internal controls which occurred during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Limitations of Controls and Procedures**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. Disclosure controls and procedures are designed to ensure information required to be disclosed by the Company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, including its Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability reporting, including financial reporting and financial statement disclosure.

### **Outstanding Share Data at November 15, 2021**

194,869,467 Class A common shares.

### Stock options

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of stock options</b>
\$0.17	October 9, 2024	3,700,000
\$0.93	May 20, 2026	4,000,000
		7,700,000

### Warrants

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of warrants</b>
\$0.75	April 21, 2023	11,380,000
\$0.57	April 21, 2023	1,820,000
		13,200,000

### Note Regarding Forward-Looking Information

Certain statements and information herein, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws. Such forward looking statements or information include but are not limited to statements or information with respect to the future price of uranium, estimated future production, estimation of mineral reserves and mineral resources, our exploration and development program, estimated future expenses, exploration and development capital requirements and our goals and strategies. Often, but not always, forward-looking statements or information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things, assumptions about the price of uranium, anticipated costs and expenditures and our ability to achieve our goals. Although our management believes the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

See our annual information form for additional information on risks, uncertainties and other factors relating to the forward looking statements and information. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors which cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond our control. Accordingly, readers should not place undue reliance on forward-looking statements or information. We undertake no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information made herein are qualified by this cautionary statement.

### Additional Information

Additional information relating to the Company, including the Company’s Annual Information Form, is available from the Company’s filings on SEDAR at [www.sedar.com](http://www.sedar.com).