

# **Forsys Metals Corp.**

## **Condensed Interim Consolidated Financial Statements**

**March 31, 2023**

(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)

			March 31, 2023	December 31, 2022
	Notes		\$	\$
<b>Assets</b>				
Current				
Cash and cash equivalents	4		16,036,285	16,923,009
Receivables			186,625	62,973
Prepaid expenses and other assets			14,637	58,308
			16,237,547	17,044,290
Non-current				
Exploration and evaluation	5		10,083,157	10,279,477
<b>Total assets</b>			<b>26,320,704</b>	<b>27,323,767</b>
<b>Liabilities</b>				
Current				
Accounts payable and accrued liabilities			195,997	102,690
Income taxes payable	6		1,959,909	2,051,695
			2,155,906	2,154,385
<b>Shareholders' equity</b>				
Share capital	7		174,210,964	174,210,964
Warrants	8		6,097,115	6,097,115
Contributed surplus			46,987,780	46,987,780
Equity reserve			33,364	33,364
Accumulated loss			(182,746,907)	(182,362,736)
Accumulated other comprehensive loss			(20,417,517)	(19,797,105)
<b>Total shareholders' equity</b>			<b>24,164,798</b>	<b>25,169,382</b>
<b>Total liabilities and shareholders' equity</b>			<b>26,320,704</b>	<b>27,323,767</b>

On behalf of the Board:

Martin Rowley  
Director

Mark Frewin  
Director

# Forsys Metals Corp.

## Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(expressed in Canadian dollars)  
(unaudited)

		3 months ended March 31,	
	Notes	2023	2022
		\$	\$
<b>Expenses</b>			
Professional fees		91,871	44,704
Directors' fees	12	151,845	142,174
Consulting fees	12	171,722	154,688
Advisory fees		10,000	20,000
Public company costs		77,918	63,878
General and administrative		9,294	5,993
Foreign exchange loss		(31,401)	113,412
Interest income		(97,078)	(4,112)
		384,171	540,737
<b>Loss before investment income</b>		(384,171)	(540,737)
Gain on sale of investment in associate		-	7,450,358
<b>Income (loss) before income taxes</b>		(384,171)	6,909,621
Income taxes		-	1,119,651
<b>Net income (loss)</b>		(384,171)	5,789,970
<b>Other comprehensive income (loss), net of taxes</b>			
Item that may be reclassified subsequently to loss			
Foreign currency translation		(620,413)	722,738
<b>Comprehensive income (loss)</b>		(1,004,584)	6,512,707
<b>Net income (loss) attributable to:</b>			
Shareholders of the Company		(384,171)	3,890,758
Non-controlling interest		-	1,899,212
		(384,171)	5,789,970
<b>Comprehensive income (loss) attributable to:</b>			
Shareholders of the Company		(1,004,584)	4,613,495
Non-controlling interest		-	1,899,212
		(1,004,584)	6,512,707
<b>Net income (loss) per share - basic and diluted</b>		-	0.03
<b>Weighted average number of Class A shares outstanding</b>		195,169,467	195,169,467

# Forsys Metals Corp.

## Consolidated Statement of Changes in Equity

(expressed in Canadian dollars)  
(unaudited)

	3 months ended March 31,	
	2023	2022
	\$	\$
<b>Share capital</b>		
Balance, beginning and end of period	174,210,964	174,210,964
<b>Warrants</b>		
Balance, beginning and end of period	6,097,115	6,097,115
<b>Contributed surplus</b>		
Balance, beginning and end of period	46,987,780	46,987,780
<b>Equity reserve</b>		
Balance, beginning and end of period	33,364	33,364
<b>Accumulated loss</b>		
Balance, beginning of period	(182,362,736)	(184,319,175)
Net income (loss) attributable to shareholders of the Company	(384,171)	3,890,758
Balance, end of period	(182,746,907)	(180,428,417)
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of period	(19,797,105)	(18,228,709)
Currency translation differences on foreign operations	(620,413)	722,738
Balance, end of period	(20,417,517)	(17,505,971)
<b>Non-controlling interest</b>		
Balance, beginning of period	-	3,983
Net income (loss) attributed to non-controlling interest	-	1,899,212
Balance, end of period	-	1,903,195

# Forsys Metals Corp.

## Consolidated Statement of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

		3 months ended March 31,	
		2023	2022
	Notes	\$	\$
<b>Cash (used in)</b>			
<b>Operating activities</b>			
Net income (loss)		(384,171)	5,789,970
Interest income		(97,078)	(4,112)
Items not affecting cash			
Gain on sale of investment in associate		-	(7,450,358)
Changes in non-cash operating working capital			
Receivables		(123,652)	(9,390)
Prepaid expenses and other assets		43,671	4,556
Accounts payable and accrued liabilities		93,306	22,154
Income taxes payable	6	(91,786)	1,119,651
<b>Total cash outflow from operating activities</b>		<b>(559,710)</b>	<b>(527,529)</b>
<b>Investing activities</b>			
Proceeds on sale of interest in associate		-	9,801,817
Interest income		97,078	4,112
Exploration and evaluation	5	(238,911)	(8,640)
<b>Total cash inflow (outflow) from investing activities</b>		<b>(141,833)</b>	<b>9,797,289</b>
<b>Net increase (decrease) in cash</b>		<b>(701,542)</b>	<b>9,269,760</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>16,923,009</b>	<b>12,563,441</b>
<b>Effects of exchange rate changes on cash</b>		<b>(185,182)</b>	<b>27,656</b>
<b>Cash and cash equivalents, end of period</b>	4	<b>16,036,285</b>	<b>21,860,857</b>

# Forsys Metals Corp.

## Notes to Condensed Interim Consolidated Financial Statements

### March 31, 2023

(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 uranium project ("Valencia") and Namibplaas uranium project ("Namibplaas").

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

#### 2. Going concern

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

#### 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, 2022.

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, 2022.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 11, 2023.

#### 4. Cash and cash equivalents

	March 31, 2023 \$	December 31, 2022 \$
Cash at bank	918,389	1,672,210
Cash on deposit	15,117,896	15,250,799
	16,036,285	16,923,009

## 5. Exploration and evaluation

\$

### Norasa

Balance, December 31, 2022	10,279,477
Additions to exploration and evaluation	238,911
Foreign exchange movement	(435,231)
Balance, March 31, 2023	10,083,157

### 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 149 for the Valencia Uranium Project ("ML149"). ML149 was granted effective June 23, 2008 for a period of 25 years until June 22, 2033.

#### Namibplaas Uranium Project

Through its wholly owned subsidiary Valencia Uranium (Proprietary) Limited, the Company holds Exclusive Prospecting Licence 3638 for Namibplaas ("EPL 3638"). EPL 3638 expired on September 20, 2022 and the Company has applied for a mining licence to develop Namibplaas as part of Norasa. It is the Company's expectation that EPL 3638 will be renewed.

#### Impairment

At December 31, 2022 and March 31, 2023, 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. Income taxes payable

\$

Balance, December 31, 2022	2,051,695
Foreign exchange movement	(91,786)
Balance, March 31, 2023	1,959,909

## 7. 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, 2022 and March 31, 2023	195,169,467	174,210,964

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

## 8. Warrants

A summary of the Company's common share warrants outstanding at March 31, 2023 is presented below:

	Weighted-average exercise price \$	Number of warrants
Balance, December 31, 2022 and March 31, 2023	0.72	12,900,000

A summary of the Company's outstanding warrants as at March 31, 2023 is presented below:

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of warrants outstanding</b>
\$0.75 (expired subsequent to March 31, 2023)	April 21, 2023	11,080,000
\$0.57 (expired subsequent to March 31, 2023)	April 21, 2023	1,820,000
		12,900,000

## 9. Stock options

The shareholders of the Company approved a new Omnibus Incentive Plan (the "Plan") at an annual and special meeting held on June 30, 2022. Subsequently, on July 15, 2022, the Toronto Stock Exchange approved the Plan. With the implementation of the Plan, all previously issued stock options which were granted pursuant to the Company's stock option plan are now governed by the Plan. The Plan permits the Board to make awards of stock options, restricted share units, performance share units and deferred stock units. The maximum number of Class A common shares for issuance under the Plan will not exceed 10% of the Company's then issued and outstanding shares. At March 31, 2023, the maximum number of Class A common shares for issuance under the Plan is 19,516,946.

All stock options granted under the Plan have an exercise price determined and approved by the Board at the time of grant, which shall not be less than the closing price of the Common Shares on the TSX on the trading day immediately preceding the date of the granting of the option. Subject to any vesting conditions set forth in a participant's grant agreement, options vest in equal portions in successive annual periods over a period of three years after they are granted. Options are exercisable during a period established by the Board which shall not be more than 10 years from the grant of the option.

A summary of the activity in the Company's stock options is presented below:

	<b>Weighted-average exercise price</b> \$	<b>Number of stock options outstanding and exercisable</b>
Balance, December 31, 2022 and March 31, 2023	0.56	7,700,000

A summary of the Company's stock options outstanding and exercisable as at March 31, 2023 is presented below:

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

At March 31, 2023, the Company has not issued any restricted share units, performance share units or deferred stock units.

## 10. Fair value measurement

The Company's principal financial instruments are cash and cash equivalents, receivables and accounts payable and accrued liabilities and income taxes payable. 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:

	<b>March 31, 2023</b> \$	<b>December 31, 2022</b> \$
<b>Financial assets</b>		
Cash and cash equivalents and receivables	16,222,910	16,985,982
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities and income taxes payable	2,155,906	2,154,385



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, 2023, the Company had working capital of \$14,081,641, calculated as follows:

	\$
Current assets	16,237,547
Current liabilities	2,155,906
	<hr/> 14,081,641

#### **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, 2023, 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, 2023. 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. 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, 2023, the Company had cash and cash equivalents of \$16,036,285 which included cash of US\$75,340. If the foreign exchange related to the Company's US dollar balances increased or decreased by 1%, with all other variables held constant, the currency translation adjustment would have increased or decreased by \$994.

At March 31, 2023, the Company had cash and cash equivalents of \$16,036,285 which included cash of N\$72,834,261, receivables of N\$2,287,336, accounts payable and accrued liabilities of N\$873,088 and income taxes payable of N\$25,710,464. If the foreign exchange related to the Company's Namibian dollar balances increased or decreased by 1%, with all other variables held constant, the currency translation adjustment would have increased or decreased by \$37,000.

## 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, 2023, 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:

	<b>3 months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Director fees	151,845	142,174
Consulting fees	124,481	110,456
	<b>276,326</b>	<b>252,630</b>

## 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:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Namibia	10,083,157	10,279,477

**14. Events occurring after the reporting period**

Except for the expiry of warrants (see note 8), at the date of this report, there are no other matters or circumstances which have arisen since March 31, 2023 that have significantly affected or may significantly affect operations, results of operations or the state of affairs of the Company.