

# **Forsys Metals Corp.**

## **Condensed Interim Consolidated Financial Statements**

**March 31, 2022**

(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)

		As at March 31, 2022	As at December 31, 2021
	Notes	\$	\$
<b>Assets</b>			
Current			
Cash and cash equivalents		21,860,856	12,563,441
Receivables		41,008	31,618
Prepaid expenses and other assets		12,796	17,352
		21,914,661	12,612,411
Non-current			
Investment in associate	4	-	2,351,459
Exploration and evaluation	5	10,635,042	9,900,291
Total assets		32,549,703	24,864,161
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		100,994	78,839
Income taxes payable	4	1,150,680	-
		1,251,674	78,839
<b>Shareholders' equity</b>			
Share capital	6	174,210,964	174,210,964
Warrants	7	6,097,115	6,097,115
Contributed surplus		46,987,780	46,987,780
Equity reserve		33,364	33,364
Accumulated loss		(180,428,418)	(184,319,175)
Accumulated other comprehensive loss		(17,505,971)	(18,228,709)
Total equity attributable to shareholders of the Company		29,394,834	24,781,339
Non-controlling interest	9	1,903,195	3,983
Total shareholders' equity		31,298,029	24,785,322
Total liabilities and shareholders' equity		32,549,703	24,864,161

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,	
		2022	2021
	Notes	\$	\$
<b>Expenses</b>			
Professional fees		44,704	34,899
Directors' fees	12	142,174	32,000
Consulting fees	12	154,688	45,750
Advisory fees		20,000	-
Public company costs		63,878	33,596
General and administrative		5,993	4,428
Travel		-	1,083
Foreign exchange loss		113,412	-
Interest income		(4,112)	-
		540,737	151,756
<b>Loss before investment income</b>		(540,737)	(151,756)
<b>Gain on sale of investment in associate</b>	4	7,450,358	-
<b>Income (loss) before income taxes</b>		6,909,621	(151,756)
<b>Income taxes</b>	4	1,119,651	-
<b>Net income (loss)</b>		5,789,970	(151,756)
<b>Other comprehensive loss, net of taxes</b>			
Item that may be reclassified subsequently to loss			
Foreign currency translation		722,738	(201,729)
<b>Comprehensive income (loss)</b>		6,512,707	(353,484)
<b>Net income (loss) attributable to:</b>			
Shareholders of the Company		3,890,758	(151,713)
Non-controlling interest	9	1,899,212	(43)
		5,789,970	(151,756)
<b>Comprehensive income (loss) attributable to:</b>			
Shareholders of the Company		4,613,495	(353,442)
Non-controlling interest	9	1,899,212	(43)
		6,512,707	(353,485)
<b>Net income (loss) per share - basic and diluted (cents)</b>		3.54	(0.09)
<b>Weighted average number of Class A shares outstanding</b>		195,169,467	166,899,467

# Forsys Metals Corp.

## Consolidated Statement of Changes in Equity

(expressed in Canadian dollars)  
(unaudited)

		3 months ended March 31,	
		2022	2021
	Notes	\$	\$
<b>Share capital</b>			
Balance, beginning of period		174,210,964	165,838,742
Share issue costs		-	(3,563)
Balance, end of period		174,210,964	165,835,179
<b>Warrants</b>			
Balance, beginning and end of period		6,097,115	1,300,733
<b>Contributed surplus</b>			
Balance, beginning and end of period		46,987,780	44,449,715
<b>Equity reserve</b>			
Balance, beginning and end of period		33,364	33,364
<b>Accumulated loss</b>			
Balance, beginning of period		(184,319,175)	(180,458,038)
Net income (loss) attributable to shareholders of the Company		3,890,758	(151,713)
Balance, end of period		(180,428,417)	(180,609,751)
<b>Accumulated other comprehensive loss</b>			
Balance, beginning of period		(18,228,709)	(17,115,896)
Currency translation differences on foreign operations		722,738	(201,729)
Balance, end of period		(17,505,971)	(17,317,625)
<b>Non-controlling interest</b>			
Balance, beginning of period		3,983	4,385
Net income (loss) attributed to NCI	9	1,899,212	(43)
Balance, end of period		1,903,195	4,342

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)

		3 months ended March 31,	
		2022	2021
	Notes	\$	\$
<b>Cash (used in)</b>			
<b>Operating activities</b>			
Net income (loss)		5,789,970	(151,756)
Interest income		(4,112)	-
Item not affecting cash			
Gain on sale of investment in associate	4	(7,450,358)	-
Income taxes not paid	4	1,119,651	-
Changes in non-cash operating working capital			
Receivables		(9,390)	(8,041)
Prepaid expenses and other assets		4,556	3,957
Accounts payable and accrued liabilities		22,154	(88,080)
Total cash outflow from operating activities		(527,529)	(243,919)
<b>Financing activities</b>			
Share issue costs		-	(3,563)
Total cash inflow (outflow) from financing activities		-	(3,563)
<b>Investing activities</b>			
Proceeds on sale of interest in associate	4	9,801,817	-
Interest income		4,112	-
Exploration and evaluation	5	(8,640)	(10,370)
Total cash inflow (outflow) from investing activities		9,797,289	(10,370)
<b>Net increase (decrease) in cash</b>		9,269,760	(257,853)
<b>Cash and cash equivalents, beginning of period</b>		12,563,441	876,967
<b>Effects of exchange rate changes on cash</b>		27,656	36,332
<b>Cash and cash equivalents, end of period</b>		21,860,857	655,446

# **Forsys Metals Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

### **March 31, 2022**

(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.

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

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

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

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

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

#### **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, 2021.

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, 2021.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 16, 2022.

#### 4. Investment in associate - Ondundu Gold Project

	\$
<b>Investment in associate</b>	
Balance at December 31, 2021	2,351,460
Disposition	(2,351,460)
Balance at March 31, 2022	—

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”). At December 31, 2021, Razorback was a 51% owned subsidiary of Westport Resources Namibia (Pty) Ltd. (“Westport”), which is a wholly-owned subsidiary of the Company.

On January 1, 2022, B2Gold Mining Investments Limited and B2Gold Namibia (Proprietary) Limited (together “B2Gold”) exercised its call option to increase its interest in Razorback from 49% to 100% (“Call Option”) by acquiring the 51% interest in Razorback. On February 11, 2022, in consideration for the exercise of the Call Option, the Company received a cash payment of \$9,801,817, the Canadian dollar equivalent of US\$7,716,751 (being the option price of US\$8,500,000 less the fees of US\$250,000 paid by B2Gold for the extension of the option period and other payments of US\$533,249 made by B2Gold to buy-out interests in EPL 3195.

The Company recorded a gain of \$7,450,358 on the disposition of its investment in associate and income taxes payable of \$1,119,651 for Namibian income tax on the gain.

#### 5. Exploration and evaluation

	\$
<b>Norasa</b>	
Balance at December 31, 2021	9,900,291
Additions to exploration and evaluation	8,640
Foreign exchange movement	726,111
Balance at March 31, 2022	10,635,042

##### ***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, 2022 and December 31, 2021, 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**

	<b>Number of Class A common shares</b>	<b>Amount \$</b>
Balance, December 31, 2021 and March 31, 2022	195,169,467	174,210,964

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

**7. Warrants**

A summary of the Company's common share warrants outstanding at March 31, 2022 is presented below:

	<b>Weighted-average exercise price \$</b>	<b>Number of warrants</b>
Balance, December 31, 2021 and March 31, 2022	0.72	12,900,000

A summary of the Company's outstanding warrants as at March 31, 2022 is presented below:

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of warrants outstanding</b>
\$0.75	April 21, 2023	11,080,000
\$0.57	April 21, 2023	1,820,000
		12,900,000

**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 2022, 4,291,666 stock options have been exercised since 1998 and 7,700,000 stock options are outstanding (net of forfeitures and cancellations) leaving 8,334 stock options to be granted (December 31, 2021: 8,334).

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:

	<b>Weighted- average exercise price \$</b>	<b>Number of stock options outstanding and exercisable</b>
Balance, December 31, 2021 and March 31, 2022	0.56	7,700,000

A summary of the Company's stock options outstanding and exercisable as at March 31, 2022 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



## 9. Non-controlling interest

	\$
Balance, December 31, 2021	3,983
Net income attributed to non-controlling interest	1,899,212
Balance, March 31, 2022	1,903,195

## 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:

	March 31, 2022 \$	December 31, 2021 \$
Recurring measurements		
<b>Financial assets</b>		
Cash and cash equivalents and receivables	21,901,864	12,563,441
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	100,994	78,839
Income taxes payable	1,150,680	—

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, 2022, the Company had cash and cash equivalents of \$21,860,856 (December 31, 2021: \$12,563,441), receivables of \$41,008 (December 31, 2021: \$31,618) and financial liabilities consisting of accounts payable and accrued liabilities of \$100,994 (December 31, 2021: \$78,839).

## 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, 2022, 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, 2022. 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, 2022, the Company was exposed to foreign currency risk on cash of US\$7,835,306. The Company estimates that if the exchange rate between United States dollars and Canadian dollars at March 31, 2022 had changed, for each 1% change, with all other variables held constant, the foreign exchange gain (loss) would have decreased or increased by \$97,910.

## 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, 2022, 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,	
	2022	2021
	\$	\$
Director fees	142,174	32,000
Consulting fees	110,456	45,750
	252,630	77,750

### 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.

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Namibia	10,635,042	12,251,750