

Forsys Metals Corp.

Condensed Interim Consolidated Financial Statements

September 30, 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 September 30, 2022	As at December 31, 2021
	Notes	\$	\$
Assets			
Current			
Cash and cash equivalents		17,228,757	12,563,441
Receivables		51,404	31,618
Prepaid expenses and other assets		25,036	17,352
		17,305,196	12,612,411
Non-current			
Investment in associate	4	-	2,351,459
Exploration and evaluation	6	9,684,681	9,900,291
Total assets		26,989,878	24,864,161
Liabilities			
Current			
Accounts payable and accrued liabilities		61,905	78,839
Shareholders' equity			
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		(180,300,405)	(184,319,175)
Accumulated other comprehensive loss		(20,100,845)	(18,228,709)
Total equity attributable to shareholders of the Company		26,927,972	24,781,339
Non-controlling interest	10	-	3,983
Total shareholders' equity		26,927,972	24,785,322
Total liabilities and shareholders' equity		26,989,878	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)

	Notes	3 months ended September 30,		9 months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Expenses					
Professional fees		14,642	58,585	119,144	119,801
Directors' fees	13	148,658	141,648	434,554	268,118
Consulting fees	13	168,747	132,370	487,576	279,001
Stock-based compensation		-	-	-	2,585,000
Advisory fees		20,000	-	70,000	-
Public company costs		31,288	9,504	142,689	99,578
General and administrative		3,692	13,517	14,485	21,918
Foreign exchange loss		1,525	(25,624)	1,273	(24,550)
Interest income		(43,292)	(3,110)	(63,576)	(3,110)
		345,260	326,890	1,206,144	3,345,756
Loss before investment income		(345,260)	(326,890)	(1,206,144)	(3,345,756)
Gain on sale of investment in associate	4	-	-	7,450,358	-
Gain on deconsolidation of subsidiary	5	-	-	793,420	-
Income (loss) before income taxes		(345,260)	(326,890)	7,037,634	(3,345,756)
Income taxes	4	-	-	1,119,651	-
Net income (loss)		(345,260)	(326,890)	5,917,982	(3,345,756)
Other comprehensive income (loss), net of taxes					
Item that may be reclassified subsequently to loss					
Foreign currency translation		(555,683)	(464,286)	(1,872,137)	(428,361)
Comprehensive income (loss)		(900,943)	(791,176)	4,045,845	(3,774,117)
Net income (loss) attributable to:					
Shareholders of the Company		(345,261)	(326,870)	4,018,771	(3,345,693)
Non-controlling interest	10	-	-	1,899,212	(63)
		(345,261)	(326,870)	5,917,982	(3,345,756)
Comprehensive income (loss) attributable to:					
Shareholders of the Company		(900,943)	(791,176)	2,146,634	(3,774,054)
Non-controlling interest	10	-	-	1,899,212	(63)
		(900,943)	(791,176)	4,045,845	(3,774,117)
Net income (loss) per share - basic and diluted (cents)		(0.18)	(0.17)	3.61	(1.83)
Weighted average number of Class A shares outstanding		195,169,467	193,249,467	195,169,467	182,735,104

Forsys Metals Corp.

Consolidated Statement of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

		3 months ended September 30,	
		2022	2021
	Notes	\$	\$
Share capital			
Balance, beginning of period		174,210,964	165,838,742
Bought deal equity financing		-	13,000,000
Fair value of unit warrants issued		-	(4,737,000)
Fair value of broker warrants issued		-	(759,000)
Share issue costs		-	(1,379,056)
Exercise of warrants		-	52,500
Fair value of exercised warrants		-	25,507
Exercise of stock options		-	59,500
Fair value of exercised stock options		-	46,935
Balance, end of period		174,210,964	172,148,128
Warrants			
Balance, beginning of period		6,097,115	1,300,733
Fair value of unit warrants issued		-	4,737,000
Fair value of broker warrants issued		-	759,000
Fair value of exercised warrants		-	(25,507)
Balance, end of period		6,097,115	6,771,226
Contributed surplus			
Balance, beginning of period		46,987,780	44,449,715
Stock-based compensation		-	2,585,000
Fair value of exercised stock options		-	(46,935)
Balance, end of period		46,987,780	46,987,780
Equity reserve			
Balance, beginning and end of period		33,364	33,364
Accumulated loss			
Balance, beginning of period		(184,319,175)	(180,458,038)
Net income (loss) attributable to shareholders of the Company		4,018,771	(3,345,693)
Balance, end of period		(180,300,405)	(183,803,731)
Accumulated other comprehensive loss			
Balance, beginning of period		(18,228,709)	(17,115,896)
Currency translation differences on foreign operations		(1,872,137)	(428,361)
Balance, end of period		(20,100,845)	(17,544,257)
Non-controlling interest			
Balance, beginning of period		3,983	4,385
Net income (loss) attributed to NCI	10	1,899,212	(63)
Effect of deconsolidation of subsidiary	5	(1,903,195)	-
Balance, end of period		-	4,322

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 September 30,	
		2022	2021
	Notes	\$	\$
Cash (used in)			
Operating activities			
Net income (loss)		5,917,982	(3,345,756)
Interest income		(63,576)	-
Items not affecting cash			
Stock-based compensation		-	2,585,000
Gain on sale of investment in associate	4	(7,450,358)	-
Gain on deconsolidation of subsidiary	5	(793,420)	-
Changes in non-cash operating working capital			
Receivables		(19,786)	(26,441)
Prepaid expenses and other assets		(7,684)	(3,684)
Accounts payable and accrued liabilities		(16,934)	(84,579)
Total cash outflow from operating activities		(2,433,776)	(875,460)
Financing activities			
Bought deal equity financing		-	13,000,000
Share issue costs		-	(1,379,056)
Exercise of warrants		-	52,500
Exercise of stock options		-	59,500
Total cash inflow from financing activities		-	11,732,944
Investing activities			
Proceeds on sale of interest in associate	4	9,801,817	-
Interest income		63,576	-
Exploration and evaluation	6	(173,542)	(53,391)
Net cash outflow on deconsolidation of subsidiary		(2,943,656)	-
Total cash inflow (outflow) from investing activities		6,748,195	(53,391)
Net increase in cash		4,314,420	10,804,094
Cash and cash equivalents, beginning of period		12,563,441	876,967
Effects of exchange rate changes on cash		350,896	(19,221)
Cash and cash equivalents, end of period		17,228,757	11,661,840

The above consolidated statement should be read in conjunction with the accompanying notes.

Forsys Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 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 achieving 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 November 10, 2022.

4. Investment in associate - Ondundu Gold Project

	\$
Investment in associate	
Balance at December 31, 2021	2,351,460
Disposition	(2,351,460)
Balance at September 30, 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 August 31, 2015, a 70% owned subsidiary of the Company granted a call option to B2Gold Mining Investments Limited and B2Gold Namibia (Proprietary) Limited (together “B2Gold”) to increase their interest in Razorback from 49% to 100% (“Call Option”). On January 1, 2022, B2Gold exercised the Call Option. 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. Of the net gain, 70% was attributable to the Company and 30% was attributable to the holder of the 30% non-controlling interest in the subsidiary. See note 5 for settlement of the non-controlling interest.

5. Deconsolidation of subsidiary

On March 1, 2022, to settle the non-controlling interest arising from the exercise of the Call Option (see note 4), the Company transferred its interest in the subsidiary, Omajete Mining Company (Proprietary) Limited. The Company recorded a gain of \$793,420 and cash outflow of \$2,934,656 upon the deconsolidation of this subsidiary.

6. Exploration and evaluation

	\$
Norasa	
Balance at December 31, 2021	9,900,291
Additions to exploration and evaluation	173,542
Foreign exchange movement	(389,152)
Balance at September 30, 2022	9,684,681

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 3638 (“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. The Company has applied for a mining licence to develop Namibplaas as part of Norasa.

Impairment

At December 31, 2021 and September 30, 2022, 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.

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, 2021 and September 30, 2022	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 September 30, 2022 is presented below:

	Weighted-average exercise price \$	Number of warrants
Balance, December 31, 2021 and September 30, 2022	0.72	12,900,000

A summary of the Company's outstanding warrants as at September 30, 2022 is presented below:

Exercise price	Expiry date	Number of warrants outstanding
\$0.75	April 21, 2023	11,080,000
\$0.57	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 September 30, 2022, 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:

	Weighted- average exercise price \$	Number of stock options outstanding and exercisable
Balance, December 31, 2021 and September 30, 2022	0.56	7,700,000

A summary of the Company's stock options outstanding and exercisable as at September 30, 2022 is presented below:

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

At September 30, 2022, the Company has not issued any restricted share units, performance share units or deferred stock units.

10. Non-controlling interest

	\$
Balance, December 31, 2021	3,983
Net income attributed to non-controlling interest	1,899,212
Effect of deconsolidation of subsidiary (note 5)	(1,903,195)
Balance, September 30, 2022	—

11. 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:

	September 30, 2022 \$	December 31, 2021 \$
Recurring measurements		
Financial assets		
Cash and cash equivalents and receivables	17,280,161	12,595,059
Financial liabilities		
Accounts payable and accrued liabilities	61,905	78,839

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 September 30, 2022, the Company had cash and cash equivalents of \$17,228,757 (December 31, 2021: \$12,563,441), receivables of \$51,404 (December 31, 2021: \$31,618) and financial liabilities consisting of accounts payable and accrued liabilities of \$61,905 (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 September 30, 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 September 30, 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 September 30, 2022, the Company was exposed to foreign currency risk on cash of US\$31,573 and N\$80,201,773. The Company estimates that if the exchange rate between United States dollars/Canadian dollars and Namibian dollars/Canadian dollars at September 30, 2022 had changed, for each 1% change, with all other variables held constant, the foreign exchange gain (loss) would have increased or decreased by \$61,490.

12. 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 September 30, 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.

13. 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:

	9 months ended September 30,	
	2022	2021
	\$	\$
Director fees	434,554	268,118
Consulting fees	352,382	206,334
Stock-based compensation	–	2,488,255
	786,936	2,962,707

14. 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.

	September 30,	December 31,
	2022	2021
	\$	\$
Namibia	9,684,681	12,251,750