

# **Forsys Metals Corp.**

## **Condensed Interim Consolidated Financial Statements**

**March 31, 2020**

(expressed in Canadian dollars)

(unaudited)

### **Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements**

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

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

# Forsys Metals Corp.

## Consolidated Statement of Financial Position

(expressed in Canadian dollars)  
(unaudited)

	Notes	As at March 31, 2020 \$	As at December 31, 2019 \$
<b>Assets</b>			
Current			
Cash and cash equivalents		1,444,312	712,652
Receivables		14,161	10,523
Prepaid expenses and other assets		7,635	17,435
		<u>1,466,108</u>	<u>740,610</u>
Non-current			
Investment in associate	4	2,356,283	2,752,455
Exploration and evaluation	5	9,817,105	11,353,515
<b>Total assets</b>		<u>13,639,496</u>	<u>14,846,580</u>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		71,385	102,550
<b>Shareholders' equity</b>			
Share capital	6	165,839,242	164,847,132
Warrants	7	1,300,733	1,300,733
Contributed surplus		44,449,715	44,449,715
Equity reserve		33,364	33,364
Accumulated loss		(179,828,410)	(179,694,340)
Accumulated other comprehensive loss		(18,232,187)	(16,198,230)
<b>Total equity attributable to shareholders of the Company</b>		<u>13,562,457</u>	<u>14,738,374</u>
Non-controlling interest	9	5,655	5,655
<b>Total equity</b>		<u>13,568,112</u>	<u>14,744,029</u>
<b>Total liabilities and equity</b>		<u>13,639,496</u>	<u>14,846,580</u>

**On behalf of the Board:**

Martin Rowley  
**Director**

Mark Frewin  
**Director**

# Forsys Metals Corp.

## Consolidated Statement of Loss and Comprehensive Loss

(expressed in Canadian dollars)  
(unaudited)

		3 months ended March 31,	
	Notes	2020	2019
		\$	\$
<b>Expenses</b>			
Professional fees		23,020	21,315
Directors' fees and benefits	12	24,456	25,625
Consulting fees	12	54,324	27,000
Public company costs		29,918	28,086
General and administrative		4,736	7,925
Foreign exchange gain		(1,031)	(5,014)
Interest income		(1,352)	(1,713)
		<u>134,071</u>	<u>103,223</u>
<b>Loss</b>		(134,071)	(103,223)
<b>Other comprehensive loss, net of taxes</b>			
Item that may be reclassified subsequently to loss			
Foreign currency translation		(2,033,957)	(365,635)
<b>Comprehensive loss</b>		<u>(2,168,028)</u>	<u>(468,858)</u>
<b>Net loss attributable to:</b>			
Shareholders of the Company		(134,071)	(103,223)
Non-controlling interest		-	-
		<u>(134,071)</u>	<u>(103,223)</u>
<b>Comprehensive loss attributable to:</b>			
Shareholders of the Company		(2,168,028)	(468,858)
Non-controlling interest		-	-
		<u>(2,168,028)</u>	<u>(468,858)</u>
<b>Loss per share</b>			
<b>- basic and diluted (cents)</b>		(0.08)	(0.07)
<b>Weighted average number of common shares outstanding</b>			
		164,371,994	156,899,467

# Forsys Metals Corp.

## Consolidated Statement of Changes in Equity

(expressed in Canadian dollars)  
(unaudited)

	<b>3 months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Share capital</b>		
Balance, beginning of period	164,847,132	164,847,132
Private placement of Class A shares	1,000,000	-
Share issue costs	(7,890)	-
<b>Balance, end of period</b>	<b>165,839,242</b>	<b>164,847,132</b>
<b>Warrants</b>		
Balance, beginning and end of period	1,300,733	1,300,733
<b>Contributed surplus</b>		
Balance, beginning and end of period	44,449,715	43,906,715
<b>Equity reserve</b>		
Balance, beginning and end of period	33,364	33,364
<b>Accumulated loss</b>		
Balance, beginning of period	(179,694,340)	(178,611,296)
Loss attributable to shareholders of the Company	(134,071)	(103,223)
<b>Balance, end of period</b>	<b>(179,828,411)</b>	<b>(178,714,519)</b>
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of period	(16,198,230)	(15,866,056)
Currency translation differences on foreign operations	(2,033,957)	(365,635)
<b>Balance, end of period</b>	<b>(18,232,187)</b>	<b>(16,231,691)</b>
<b>Non-controlling interest</b>		
Balance, beginning and end of period	5,655	(169,376)

# Forsys Metals Corp.

## Consolidated Statement of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

		<b>3 months ended March 31,</b>	
	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Cash (used in)</b>			
<b>Operating activities</b>			
Loss		(134,071)	(103,223)
Interest income		(1,352)	(1,713)
Changes in non-cash operating working capital			
Receivables		(3,638)	299
Prepaid expenses and other assets		9,800	9,380
Accounts payable and accrued liabilities		(31,166)	(14,959)
		<u>(160,427)</u>	<u>(110,216)</u>
<b>Financing activities</b>			
Private placement of Class A shares	6	1,000,000	-
Share issue costs		(7,890)	-
		<u>992,110</u>	<u>-</u>
<b>Investing activities</b>			
Interest income		1,352	1,713
Exploration and evaluation		(2,435)	(4,569)
		<u>(1,083)</u>	<u>(2,856)</u>
<b>Net increase (decrease) in cash</b>		830,600	(113,071)
<b>Cash, beginning of period</b>		712,652	652,623
<b>Effects of exchange rate changes</b>		(98,940)	(15,419)
<b>Cash, end of period</b>		<u>1,444,312</u>	<u>524,133</u>

# Forsys Metals Corp.

## Notes to Condensed Interim Consolidated Financial Statements

### March 31, 2020

(expressed in Canadian dollars)  
(unaudited)

#### 1. Nature of operations

Forsys Metals Corp. and its subsidiary companies (collectively the “Company”) are engaged in the acquisition, exploration and development of mineral properties located in Namibia, Africa. The Company’s principal focus is on bringing its wholly owned Norasa Uranium Project (“Norasa”) into production. Norasa is the consolidation of the Valencia and Namibplaas Uranium Projects.

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

- Namibian Metals Ltd., a British Virgin Islands based holding company which owns 100% of the ordinary shares of Valencia Uranium (Proprietary) Limited, a Namibia based exploration company, which holds a 100% interest in the Valencia Uranium Project;
- Dunefield Mining Company (Proprietary) Limited, a Namibia based exploration company, which holds a 100% interest in the Namibplaas Uranium Project; and
- Namibian Westport Ltd., an Ontario based holding company which owns all the ordinary shares of Westport Resources Namibia (Proprietary) Ltd., a Namibian based holding company which owns 51% of the ordinary shares in Razorback Gold Mining Company (Proprietary) Limited (“Razorback”) which holds a 100% interest in the Ondundu Gold Project exploration licence. Westport Resources Namibia (Proprietary) Ltd. also owns 70% of the ordinary shares in subsidiary Omatjete Mining Company (Proprietary) Ltd. which holds a 100% interest in the Ondundu Gold Project IP.

The Company was incorporated under the Business Corporations Act of Ontario on April 11, 1985 and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

#### 2. Going-concern

These condensed interim consolidated financial statements have been prepared on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business.

During the 3 months ended March 31, 2020, the Company incurred a loss of \$134,071 (2019: \$103,223) and a cashflow deficit for operating activities of \$160,427 (2019: \$110,216).

The COVID-19 pandemic announced by the World Health Organisation on March 11, 2020 is having a negative impact on world stock markets, currencies and business activity. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities of the Company.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. The ability of the Company to continue as a going concern is principally dependent upon its ability to secure funds by raising capital from equity markets or by other means, and by managing cash flows in line with available funds, and/or the successful development of its exploration assets.

The Board of Directors are confident of the ability of the Company to raise capital as and when required, which has been demonstrated by the Company raising \$1,000,000 in the 3 months ended March 31, 2020 (see note 6). The Board of Directors are satisfied there are sufficient funds to meet the Group’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 entity not be able to continue as a going concern, it may be required to realize its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

### 3. Basis of presentation

#### Statement of compliance

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

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2019.

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, 2019.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 13, 2020.

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

The Ondundu Exclusive Prospecting Licence ("EPL 3195") for base, rare and precious metal exploration is held 100% by Razorback Gold Mining Company (Pty) Limited ("Razorback"). Razorback is a 51% owned subsidiary of Westport Resources Namibia (Pty) Ltd. ("Westport"), which is a wholly-owned subsidiary of the Company. EPL 3195 expires on February 3, 2021.

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 (refer to note 10) by making cumulative expenditures of US\$2,000,000. B2Gold has 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 so increase its shareholding.

B2Gold has 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 elects to increase its shareholding in Razorback to a 75% interest, the Company has an option for a period of one year from such increase to put its remaining 25% interest to B2Gold for the consideration outlined above.

Although the Company holds a 51% interest in Razorback, on November 21, 2018, the Company determined that it no longer had the ability to direct the relevant activities that significantly affect the returns of Razorback. As of that date, the Company accounted for its interest in Razorback using the equity method.

	\$
Balance at December 31, 2019	2,752,455
Foreign exchange movement	(396,172)
<u>Balance at March 31, 2020</u>	<u>2,356,283</u>

## Summarized statement of financial position of Razorback

	As at March 31, 2020 \$	As at December 31, 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	–	203,048
Value added tax receivable	218,181	201,881
	218,181	404,929
Exploration and evaluation	12,698,470	11,415,371
	12,916,651	11,820,300
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	142,663	109,054
Due to B2Gold	161,193	92,769
Other current liabilities	–	12,444
	303,856	214,267
<b>Net assets</b>	12,612,795	11,606,033

## Summarized statement of loss and comprehensive loss for the 3 months ended March 31, 2020

Razorback had no revenue or expenses for the 3 months ended March 31, 2020.

## Reconciliation to carrying amount

	As at March 31, 2020 \$	As at December 31, 2019 \$
Company's share percentage ownership of Razorback	51%	51%
Company's share of net assets of Razorback	\$6,432,525	\$5,919,077
Equity contributed by B2Gold	\$4,076,242	\$3,166,622
Carrying amount of investment in Razorback	\$2,356,283	\$2,752,455

## 5. Exploration and evaluation

	\$
<b>Norasa</b>	
Balance at December 31, 2019	11,353,515
Additions to exploration and evaluation costs	2,435
Foreign exchange movement	(1,538,845)
Balance at March 31, 2020	9,817,105

The Company holds the following licences in relation to mineral properties in Namibia, Africa which have mineral property, exploration and evaluation costs capitalized on the consolidated statement of financial position.

### **Norasa Uranium Project**

The Norasa Uranium Project is the consolidation of the fully licenced Valencia Uranium Project and the adjacent exploration stage Namibplaas Uranium Project in Namibia.

### **Valencia Uranium Project**

Through its wholly owned subsidiary Valencia Uranium (Proprietary) Limited, the Company holds Mining Licence ML 149 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. EPL 3638 expired on November 6, 2019 and an application to renew the licence has been made.

## 6. Share capital

### Authorized

An unlimited number of Class A common shares without par value

An unlimited number of redeemable, voting non-participating Class B shares

An unlimited number of Class C shares with rights and privileges to be determined by the Company’s Board of Directors

### Issued

	Number of Class A common shares	Amount \$
Balance, December 31, 2019	156,899,467	164,847,132
Private placement of common shares	10,000,000	1,000,000
Share issue costs	–	(7,890)
Balance, March 31, 2020	166,899,467	165,839,242

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

### Private placement of common shares

On January 23, 2020, the Company completed a private placement of 10,000,000 Class A shares at a price of \$0.10 per Class A shares for gross proceeds of \$1,000,000.

## 7. Warrants

	Weighted- average exercise price \$	Number of warrants outstanding and exercisable
Balance, December 31, 2019 and March 31, 2020	0.23	1,617,647

Warrants outstanding and exercisable as at March 31, 2020 are presented below:

Exercise price	Expiry date	Number of warrants outstanding and exercisable
\$0.23	September 21, 2020	1,617,647

## 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, 2020, 3,941,666 stock options have been exercised since 1998 and 4,050,000 stock options are outstanding (net of forfeitures and cancellations) leaving 4,008,334 stock options to be granted (December 31, 2019: 4,008,334).

The term of any stock options granted is five years from the date of issue and the exercise price of any stock option granted shall not be lower than the market price of the Company’s Class A common shares on the date on which the grant of the stock option is approved by the Board of Directors. The Board of Directors determines the number of stock options, the date or dates on which the options should be granted and the terms and conditions attached to each stock option within the limits prescribed by applicable law.

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

	<b>Weighted- average exercise price \$</b>	<b>Number of stock options outstanding and exercisable</b>
Balance, December 31, 2019 and March 31, 2020	0.17	4,050,000

A summary of the Company's stock options outstanding and exercisable as at March 31, 2020 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	4,050,000

#### 9. Non-controlling interest

	<b>\$</b>
Balance, December 31, 2019 and March 31, 2020	5,655

#### 10. Fair value measurement

The Company's principal financial instruments are cash and cash equivalents, investments and trade payables. Financial instruments are classified into one of five categories: assets and liabilities held at fair value through profit and loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	<b>March 31, 2020 \$</b>	<b>December 31, 2019 \$</b>
<b>Recurring measurements</b>		
Financial assets		
Loans and receivables (cash and cash equivalents and receivables)	1,458,472	723,175
Financial liabilities		
Other financial liabilities (accounts payables and accrued liabilities)	71,385	102,550

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 trade receivables. The Company manages its credit risk over cash 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.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. Total receivables of \$14,161 at March 31, 2020 were classified as other receivables (December 31, 2019: \$10,523).

As at December 31, 2019 and March 31, 2020, there were no receivables past due or impaired. The Company does not have a provision against its trade and other receivables at December 31, 2019 March 31, 2020.

Due to the short-term nature of trade and other receivables, their carrying value approximates fair value. Collateral is not held as security, nor is it the Company's policy to transfer or sell receivables to structured entities.

### **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, 2020, the Company had cash of \$1,444,313 (December 31, 2019: \$712,652), receivables of \$14,161 (December 31, 2019: \$10,523) and financial liabilities consisting of accounts payable and accrued liabilities of \$71,385 (December 31, 2019: \$102,550).

### **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, 2020, the Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash 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, 2020. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Future fluctuations in interest rates will impact the Company's cost of capital which it will require in order to develop its mineral properties.

*Foreign currency risk* - The Company's foreign currency exposures currently related to the currency in which expenses for exploration and development occur. Future profitability may be materially impacted by fluctuations between the Namibian dollar in which production costs will be incurred and the US dollar in which most sales of uranium occur. The Company retains substantially all of its cash with its parent in Canadian dollars until it is required by its foreign subsidiaries. Expenses are incurred in Canadian dollars, United States dollars, Namibian dollars, Australian dollars, Euros and British Pounds. The Company is subject to gains and losses due to fluctuations in these currencies. At March 31, 2020, the Company has no exposure to foreign currency risk through trade and other payables.

## **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, 2020, 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

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	3 months ended March 31,		Outstanding as at	
	2019	2018	March 31, 2020	December 31, 2019
	\$	\$	\$	\$
Director fees and benefits	24,456	25,625	24,000	24,000
Consulting fees	45,750	27,000	–	–
	<u>70,206</u>	<u>52,625</u>	<u>24,000</u>	<u>24,000</u>

### 13. Segment information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the Company's chief operating decision maker, the Chief Executive Officer and for which discrete financial information is available. The Company has determined that it has one operating segment, the acquisition, exploration and development of uranium and gold mineral properties, all of which are currently located in Namibia. The Company's corporate head office earns nominal interest income which is considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment.

Non-current assets excluding financial assets by geographic area are as follows:

	March 31, 2020	December 31, 2019
	\$	\$
Namibia	9,817,105	11,353,515
Investment in associate	2,356,283	2,752,455
	<u>12,173,388</u>	<u>14,105,970</u>