



# Management's Discussion and Analysis For The Three Months Ended March 31, 2017

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## Introduction

This Management's Discussion and Analysis ("MD&A") of Forsys Metals Corp. and its subsidiary companies (collectively, "Forsys" or the "Company") for the three months ended March 31, 2017 has been prepared as of May 9, 2017 and should be read in conjunction with the Company's interim consolidated financial statements for the three months ended March 31, 2017 including the notes thereto and the annual MD&A and financial statements for the year ended December 31, 2016. The interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

## Q1 2017 Significant Events

On March 9, 2017 the Namibplaas exploration licence (EPL 3638) was renewed by the Ministry of Mines and Energy in Namibia until November 6, 2019.

Effective January 11, 2016 the Company executed a Heads of Agreement ("Earn-in") with respect to the Ondundu Gold Project ("Ondundu") with B2Gold Mining Investments Limited and B2Gold Namibia (Proprietary) Limited (together "B2Gold"). The Earn-In gives B2Gold the right to earn up to a 100% interest in Razorback Gold Mining Company (Pty) Limited, a 75% owned subsidiary of Westport Resources Namibia (Pty) Ltd., which is a wholly owned subsidiary of the Company ("Razorback") if B2Gold expend earn-in contributions across three consecutive earn-in periods. On 18 November 2016 the Company received a First Earn-In Notice from B2Gold indicating B2Gold had expended the first US\$ 900,000 on exploration and was entitled to a 25% share in Razorback. The Company has analysed the expenditure details and has issued the first tranche of shares to B2Gold in Q1 2017. Further, B2Gold provided Forsys with a notice of Funds Expended on Ondundu on 11 January 2017. The submission advised that the Second Earn-In Contribution of US\$ 1,100,000 or cumulative spend threshold of US\$ 2,000,000 was met during December 2016. The Company is now completing analyses of the project spend by B2Gold and expects to issue further shares during Q2 2017.

## Nature of Forsys Business

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

Additional information on Valencia, Namibplaas and Ondundu is outlined below.

### Norasa Uranium Project

On March 18, 2015 the Company filed a Technical Report titled Norasa Uranium Project, Definitive Feasibility Study, National Instrument ("NI") 43 - 101 Technical Report ("DFS"). The DFS was prepared by Amec Foster Wheeler<sup>1</sup> and Forsys qualified persons<sup>2</sup>. Mineral Resources are reported at cut-off grades of 100ppm for Valencia and 140ppm U<sub>3</sub>O<sub>8</sub> for Namibplaas with Measured, Indicated and Inferred Resources classified in accordance with the guidelines of NI 43-101 as listed in Table 1.

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

1. "AMEC" is a leading international engineering and project management firm with prior involvement in the development of NI 43-101 Technical Reports for Norasa. The Company utilized the services of their South Africa and Australian offices.
2. The Qualified Persons are disclosed on page 15

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

Resources are reported inclusive of Reserves.

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

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

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

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

A series of sensitivity analyses have been carried out on the major economic variables of Norasa. Uranium price, site operating costs and capital expenditure, were all varied by up to  $\pm 23\%$ . In each case the cash flows post-tax NPVs at 8% real per annum were evaluated. The following star chart (Figure 1) shows the results of the sensitivity analysis on the major variables including radiometric sorting.

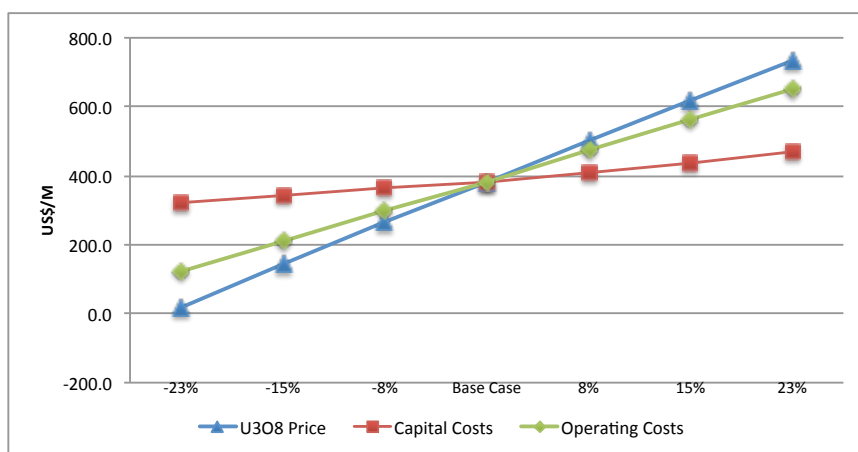


Figure 1. Sensitivity of variables to NPV (US\$) at a discount rate of 8%.

The production schedule is described in Figure 2 and forms the basis for the economic model and the resulting annual uranium production.

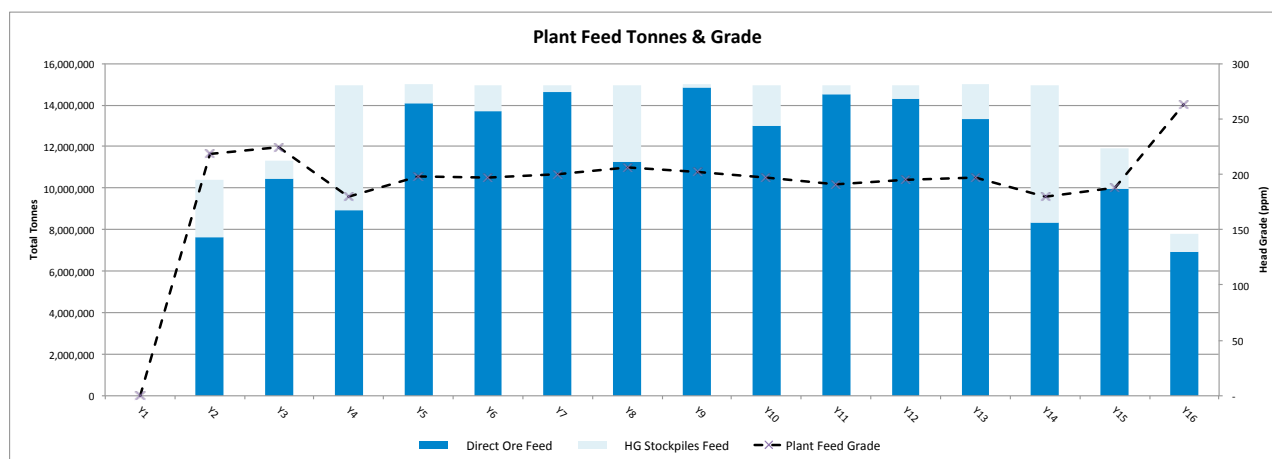


Figure 2. Plant feed tonnages and grade before radiometric sorting

The DFS assumes a schedule of approximately 24 months from the start of detailed engineering to the commencement of plant commissioning. While this timeline is predicated on confirmation of suitable financing for the Project, Forsys expects to optimize this timeframe during the detailed engineering phase.

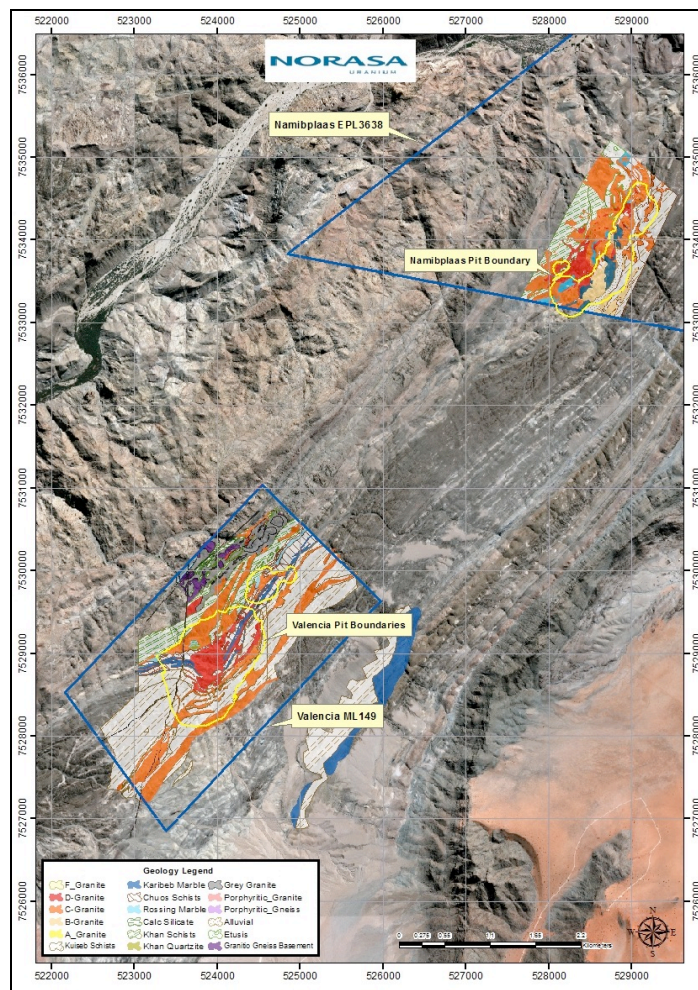


Figure 3. Locality of Norasa's Valencia and Namibplaas deposits with proposed pit outlines.

### Description of Valencia and Namibplaas Projects

#### Location and Ownership

**Valencia** is situated on the farm "Valencia 122", which is located approximately 75km north-east of the town of Swakopmund in central-west Namibia, covering an area of 735.6 ha and is registered in the name of Valencia Uranium (Pty) Ltd ("Valencia Uranium"). ML 149 was converted from EPL 1496 on June 27, 2008 and is valid for 25 years from date of issue by the Namibian Ministry of Mines and Energy ("MME") and is renewable.

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

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

These agreements have allowed Valencia Uranium to fully plan for the necessary infrastructure required to support mining operations. This infrastructure has been approved by the MME as the operation's accessory works and includes *inter alia* the main pit, waste dumps, tailings dump, pipeline, power lines, roads, process plant, explosive magazines, etc. The construction camp / operations village have also been approved. Environmental clearance was obtained for all operations relating to Valencia, although some amendments to the Valencia plan will be required to include the Valencia satellite pit and relocation of some of the mining infrastructure. All amendment issues will be covered in the updated EIA / EMP that is being prepared. This however does not prevent or delay the Company from construction or the commencement of operations under the current environmental clearance.

**Namibplaas** is located 7.5km northeast of the Valencia deposit on the farm "Namibplaas 93" with a total surface area of 1,269 ha. The Namibplaas exploration licence (EPL 3638) is in good standing and was recently renewed until November 6, 2019.

The Namibplaas mineral licence area is also completely located on private farmland. The majority of the licence (and the entire prospecting area of interest) is on the farm called, "Namibplaas". There is currently an access agreement in place with the landowner of Namibplaas to allow prospecting activities to continue as required. To commence development of the Namibplaas project will require obtaining government approvals including an approved Environmental Impact Assessment ("EIA"), Environmental Management Plan ("EMP"), approval from the MME for accessory works and a compensation agreement entered into with the landowner.

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

There are no historical environmental liabilities for either the Valencia or Namibplaas properties. There are no royalties payable to any third party in relation to the licences except the state mineral royalty to the MME.

#### *Geological Setting*

The Norasa project area is situated in the Central Zone of the intra-continental branch of the Damara Orogenic Belt, which belongs to the late Precambrian, early Palaeozoic, Pan African Mobile Belt system that transects the African continent. It consists of two branches, the north-trending coastal branch and the north-easterly trending intracontinental branch.

The Central Zone of the intracontinental branch is characterized by medium to high grades metamorphism with voluminous granitic intrusions. The Central Zone is separated from the Southern Zone by a pronounced change in structural style, demarcated by the Okahandja lineament (Rössing, 2002). The northern boundary of the Central Zone is demarcated by the Omaruru lineament and marks the boundary between two markedly different magnetic and depositional and/or tectonic regimes.

All of the uraniumiferous granitic occurrences discovered in Namibia are situated in the Central Zone. Karoo age (150 Ma) dolerite intrusives are common throughout the Central Zone. Tertiary and recent sediments cover large portions of the Central Zone.

The Damara Sequence rocks of the Central Zone lie unconformably on the basement rocks of the Proterozoic age Abbabis Complex, which has been dated at 1,925 ± 300 Ma. The Abbabis Complex comprises mainly gneissic granites and granitic gneisses and includes minor amounts of metamorphosed sedimentary rocks.

The Damara Sequence sedimentation began between 900 and 1,000 Ma. This sequence consists of the psammitic Nosib Group, which is overlain by the calcareous pelitic Swakop Group.

In the Norasa area, rocks of both the Khan Formation (Nosib Group) and Swakop Group of the Damara Sequence occur. The Damara Sequence rocks have been intruded by numerous leucocratic granites that are generally referred to as alaskites. These alaskites are present as massive stock-like bodies, dykes and sills of varying thickness as well as veins and veinlets, which can be either conformable with or transgressive to the host rock.

The structure of Valencia represents the core of an eroded antiform, which plunges to the northeast. The surrounding limbs vary in dip from almost flat to steeply overturned. Isoclinal folding is evident on the south-eastern limb of the antiform, as well as over the central portion of the adjoining synform, which is recumbent with both limbs dipping to the southeast. The uraniumiferous alaskite has been intruded into the north-western limb of this recumbent synform. The emplacement of the alaskite appears to have been controlled by a younger north-north-westerly to south-southwesterly trending antiformal fold, which cuts through the older folding at approximately right angles. The alaskites vary in grain size from truly aplitic, through fine and medium-grained phases to pegmatitic.

At least eight phases of alaskite have been identified based on textural and other descriptive qualities and quantities which included uranium content. These phases may be related to separate pulses of intrusion. The different grain size phases are usually all leucocratic, but the biotite content often increases with increasing grain size.

The general composition of the alaskite is quartz and alkali feldspar with or without biotite. Associated minerals such as tourmaline, apatite, garnet and iron may become abundant in places but relates to the non-mineralized alaskites of Nex and Kinnaird (2005).

The conformable nature of relatively thin veins in tight isoclinally folded schist sequences suggests a pre or early syntectonic genesis for these veins, however, the strongly transgressive nature of some dyke-like bodies suggest a separate later syn to post-tectonic history for these bodies.

Uranium deposits worldwide have been grouped into 14 major categories of deposit types based on the geological setting of the deposits. The Valencia deposit is an "intrusive type" of uranium deposit that is associated with alaskite intrusives that comprise massive stock-like bodies, dykes of varying thickness, sill like bodies and veins and veinlets, which can be either conformable with or transgressive to the Damara Sequence metasedimentary host rocks.

Included in this type are those deposits associated with intrusive rocks including alaskite, granite, pegmatite and monzonites. Major world deposits include Rössing (Namibia), Ilimaussaq (Greenland) and Palabora (South Africa).

#### *Statement of Reserves*

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

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

*Cut-off grade of 100 ppm*

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

*Cut-off grade of 140 ppm*



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

### **Current Development Status**

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

#### *Infrastructure*

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

The Namibian government announced in September 2014 that they intend to buy Areva's seawater desalination plant, located north of Swakopmund. Areva is currently operating the plant on a limited scale to provide water to local mining operations through NamWater. The plant was originally designed to produce 20 Mm<sup>3</sup>/annum of potable water, providing sufficient capacity for the existing mines in the region (requiring less than half this volume) with spare capacity for newcomers on a first-come first-served basis. At this stage, only about half the reverse osmosis modules have been installed. The overall plant capacity can be expanded.

Most of the water supply infrastructure will require an upgrade to cater for Norasa and the expansion plans of other operations. Norasa has requested a water allocation of 3 Mm<sup>3</sup> annually for its operating requirements.

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

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

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

In mid-October 2014, NamPower announced a power purchasing agreement with the Zimbabwe Power Company for the supply of 80MW of electricity for the next 15 years. This supplements its own generation capacity and other imports required to maintain power supply to customers. In December 2015, the Minister of Mines and Energy announced that government had given NamPower the go-ahead to start negotiations for the Walvis Bay Power Plant Project, a gas-fired power station located that could deliver up to 250 MW. Planning for the Kudu gas-to-power project proposed for Namibia's South Coast continues.

Standby power generators are being considered by the Company, but a decision on the capacity will be taken at a future date. The generators will be connected to a synchronization and load control panel to operate the generator sets. This control panel will consist of a switchboard arranged for automatic synchronizing of the generator sets, which would include motorized circuit breakers to synchronize the generator sets to a common bus bar. A bus coupler would be included to split or combine the common bus bar to give flexibility to synchronizing or power sharing.

The preferred route to access the mine was determined to be across the Khan River, using tributary valleys. This route links the mine to the B2 highway, 12km northeast of Rössing. The total length of this new road is approximately 26km.

The crossing of the Khan River was designed with low-water culvert structures with concrete drifts between them. The system was designed such that in the event of exceptionally large flood events, water will wash over the road, leaving it temporarily impassable (matter of hours), but undamaged. During such times, alternate routes are available for personnel transport. Roadside drainage systems have been catered for in the design.

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

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

In order to achieve production at Norasa the Company identified certain critical long-lead items required to bring the mine into production. At March 31, 2017 capital work-in-progress includes \$2,403,076 incurred to date for an access road to the Valencia mine site which is now complete, \$6,359,336 to fabricate a crusher (currently in storage in Namibia) and deposits of \$398,232 for construction of hydro infrastructure. Further investment in capital works at the Norasa mine site has been put on hold pending completion of suitable financing arrangements and a formal decision by the Company's Board of Directors for the development of the Norasa Uranium Project.

Capital work-in-progress also includes costs incurred to fabricate three rod mills (currently stored in South Africa). The current Feasibility Study indicates a sag mill will be more efficient and therefore the rod mills will not be utilised. At December 31, 2016 management reviewed the carrying value of the rod mills and further reduced the carrying value to zero being the estimated sale value net of selling costs.

## Ondundu Gold Exploration Project

The Ondundu Exclusive Prospecting Licence (“EPL 3195”), which allows for base, rare and precious metal exploration, is held 100% by Razorback. In February 2015 the MME renewed EPL 3195 relating to Ondundu until February 3, 2017. In October 2016 a renewal application for a further two years was lodged. The licence remains in good standing.

The Company executed a Heads of Agreement with respect to EPL3195 with B2Gold Mining Investments Limited and B2Gold Namibia (Proprietary) Limited (together “B2Gold”) and subsequently on January 11, 2016 an Amended and Restated Heads of Agreement Earn-In on Exclusive Prospecting Licence EPL3195 (“Earn-In”) was executed with B2Gold replacing the original agreement. The Earn-In gives B2Gold the right to earn up to a 100% interest in Ondundu with earn-in status as follows:

- In the first 12 months B2Gold, as project managers, exercised their right to acquire 25% of Ondundu from the Company for a committed spend of US\$900,000. Shares representing a 25% interest in Ondundu were issued on February 21, 2017;
- B2Gold in the second earn-in period spent a further US\$1,100,000 to acquire an additional 24% interest in Ondundu from the Company. The shares representing an additional 24% interest in Ondundu will be issued once the expenditure is audited by the Company;
- B2Gold having exercised their second earn-in right may spend a further US\$1,300,000 to acquire an additional 26% interest in Ondundu;
- B2Gold and Forsys may separately exercise a call or put option to transfer the balance of Ondundu for US\$8,500,000 after 24 months and 36 months respectively.

## Employment

As at the date of this report, the Company employed or engaged as subcontractors in Namibia a total of 2 individuals on a part-time basis in its operations. In addition, the Company had 2 management staff in Australia and 1 in Canada.

## Occupational Health and Safety

For the period January 1, 2017 to March 31, 2017 there have been 265 Occupational Health and Safety incident free man-hours worked with:

- Zero workplace incidents reported
- Zero lost time per occurrence reported
- Zero workers' compensation claims reported
- No contractor incidents reported for Norasa

There were no Occupational Health and Safety incidents reported in 2016.

## Key Economic Trends in the Uranium Industry

### *Uranium Demand*

The forecast demand for uranium in higher nuclear growth nations such as China, USA, South Korea, India and Russia is expected to remain strong and supportive of strengthening of the uranium price over the medium and longer term.

Global primary mine production currently supplies 87% of demand for uranium. The balance of demand is supplied from secondary sources such as remaining excess commercial inventories, reprocessing of spent fuel and inventories held by governments

The analyst's consensus long-term uranium price is US\$60/lb.

On March 1 2017 the World Nuclear Association reported there are 447 nuclear power plants operating worldwide, with 59 nuclear reactors under construction, 164 reactors planned worldwide and 350 reactors proposed and those in operation currently produce 16% of the world's electricity generation. The low operating cost of nuclear power generation and the increasing concern for the environment and climate change are driving a nuclear renaissance. With the only significant commercial use for uranium being fuel for nuclear reactors, it may follow that the nuclear renaissance will have a significant influence on future uranium demand and price.

Namibia is a major source of uranium, being the fifth largest producer in the world in 2016 from the established Rössing and Langer Heinrich uranium mines.

### *Uranium Prices*

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

The long-term contract price for uranium is reported on a monthly basis by UX Consulting. The long-term uranium price was US\$31.75/lb at March 31, 2017 compared to a price of US\$30.00/lb as at December 31, 2016. Long-term prices are driven more by production costs and future supply-demand forecasts rather than current customer inventory levels.

The spot price of uranium can be more volatile than the long-term contract price of uranium; noting that the majority of uranium sales occur under long-term contracts. The spot price for uranium ended on March 31, 2017 at US\$23.50 compared with US\$20.25 at the end of 2016.

## Unaudited Financial Analysis

### The Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016

	Three months ended March 31 2017 \$	Three months ended March 31 2016 \$
<i>(Expressed in Canadian dollars except per share amounts)</i>		
<b>Results of operations:</b>		
General and administrative expenses	(164,052)	(261,074)
Interest income	376	1,437
<b>Loss before income tax</b>	<b>(163,676)</b>	<b>(259,637)</b>
Income tax expense	-	-
<b>Net loss for the period</b>	<b>(163,676)</b>	<b>(259,637)</b>
<b>Net loss for the period attributable to:</b>		
Non-controlling interests	(934)	(7)
Shareholders of the Company	(162,742)	(259,630)
<b>Net loss per share attributable to the shareholders of the Company</b>	<b>(0.11)</b>	<b>(0.19)</b>
Basic and diluted loss per share (cents per share)		
<b>Other comprehensive income (loss):</b>		
<b>Items that may be reclassified subsequently to net income</b>		
Foreign currency translation adjustment	576,703	(578,832)
<b>Other comprehensive income (loss) for the period</b>	<b>576,703</b>	<b>(578,832)</b>
<b>Comprehensive income (loss) for the period</b>	<b>413,027</b>	<b>(838,469)</b>
<b>Comprehensive income (loss) for the period attributable to:</b>		
Non-controlling interest	5,927	(6,473)
Shareholders of the Company	407,100	(831,996)

#### General and Administrative Expenses

- Consulting fees, salaries, benefits and directors fees totaled \$80,717 for the three months ended March 31, 2017 (\$88,341 for the three months ended March 31, 2016) with a reduction in consulting fees and directors fees for the quarter.
- The Company has achieved other cost cutting savings, including audit fees, listing fees, travel and other corporate costs for the quarter comparative to the same quarter in 2016.

#### Other Comprehensive Income (Loss)

- During the first quarter of 2017, the Namibian dollar appreciated relative to the Canadian dollar from a rate of \$0.09798 to \$0.09937. Translation of the Namibian dollar balance sheet at period-end resulted in an increase in the book value reported for the net assets of the Company's Namibian operations of \$576,703 for the quarter. This foreign currency translation gain consists primarily of unrealized translation gains of \$450,578 on exploration and evaluation expenditures capitalized by Namibian subsidiaries and \$128,163 on property, plant and equipment.



## Summary of Unaudited Quarterly Results

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

	March 31 2017	December 31 2016	September 30 2016	June 30 2016
(Expressed in Canadian dollars except per share amounts)	\$	\$	\$	\$
<b>Interest and other income</b>	376	639	307	772
<b>Impairment of property, plant and equipment <sup>(1)</sup></b>	-	(679,047)	-	-
<b>Net loss for the period</b>	(163,676)	(784,412)	(222,464)	(232,314)
<b>- Per share (cents per share)</b>	(0.11)	(0.54)	(0.16)	(0.17)
	March 31 2016	December 31 2015	September 30 2015	June 30 2015
(Expressed in Canadian dollars)	\$	\$	\$	\$
<b>Interest and other income</b>	1,437	2,298	1,204	713
<b>Write-back of mineral properties, exploration and evaluation <sup>(2)</sup></b>	-	1,410,086	-	-
<b>Impairment of property, plant and equipment <sup>(1)</sup></b>	-	(1,309,167)	-	-
<b>Net loss for the period</b>	(259,637)	(199,378)	(290,014)	(319,365)
<b>- Per share (cents per share)</b>	(0.19)	(0.15)	(0.24)	(0.27)

(1) Impairment charges to rod mills in capital work in progress

(2) Impairment reversal to Ondundu gold project

The Company is an exploration and development stage mineral resources company. At this time any issues of seasonality or commodity market fluctuations during the period have no impact. The Company's accounting policy is to capitalize its acquisition and exploration and evaluation activities. Over the past eight quarters, variations in the quarterly loss are caused by fluctuations in interest income on cash and short-term deposits, fluctuations in the market value of investments which impact the determination of the fair value of derivatives, variations in consulting fees, salaries, general and administrative expense, stock-based compensation and write-downs of mineral properties. Share-based compensation expense varies from quarter to quarter depending on the number of stock options granted in a quarter, their vesting periods and assumptions used in the Black-Scholes option pricing model, which is used to calculate the fair value of the stock options.

## Mineral Properties, Exploration and Evaluation Costs

The following table sets forth a breakdown of additions to mineral properties, exploration and evaluation costs by project:

	Three months ended March 31, 2017	Year ended December 31, 2016
(Expressed in Canadian dollars)	\$	\$
<b>Additions to Exploration and Evaluation Costs</b>		
<b>Norasa</b>		
Engineering & Geology Fees	2,422	13,210
Employee Costs	-	228,378
Camp Costs	11,884	(4,282)
Overhead Costs	7,390	59,193
<b>Total Norasa Additions</b>	<b>21,696</b>	<b>296,499</b>
<b>Ondundu</b>		
<b>Total Ondundu Additions</b>	<b>-</b>	<b>-</b>
<b>Total Additions</b>	<b>21,696</b>	<b>296,499</b>

## Liquidity and Capital Resources

Forsys has not commenced production from any of its mineral properties and the Company does not generate cash from operations.

Working capital balances (deficiencies) are as follows:

(Expressed in Canadian dollars)	As at March 31, 2017 \$	As at December 31, 2016 \$
Current Assets	246,585	439,679
Current Liabilities	250,178	244,086
Working Capital	(3,593)	195,593

In the first quarter of 2017 cash disbursements have been made principally for general and administrative expenses of \$156,277 and additions to mineral properties, exploration and evaluation costs of \$25,988. These expenditures were funded from cash on hand.

The Company has commenced discussions with potential investors and strategic partners to participate in a non-brokered private placement and with current warrant holders regarding exercise of warrants.

The Company has maintained a conservative level of expenditure on Norasa and reduced corporate staffing levels and outgoings in order to conserve cash whilst strategic and financial alternatives are being evaluated and implemented.

The Company's principal requirements for cash over the next twelve months will be for working capital needs and will be influenced by the timing of activities related to Norasa.

The development of Norasa will require further funding, most likely a combination of equity and debt. The Company is continuing to explore opportunities for off-take and/or the possible participation of a strategic partner. Satisfactory financing arrangements will be required before the Company's Board of Directors can make a formal decision to commence the development of Norasa. The success and nature of any financing in the future will be dependent on the prevailing market conditions at that time.

## Capital Management

The Company's objective when managing capital resources is to ensure it has sufficient capital to support its ongoing operations including a sufficient level of funds to support continued exploration and development in Namibia and to provide adequate returns for shareholders and suitable benefits for other stakeholders.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. The Board of Directors of Forsys has not yet made a formal decision to develop Norasa, which remain subject to 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, 2017 the Company is not subject to any externally imposed capital requirements and there has been no change during the period with respect to the overall capital risk management strategy.

## Outlook

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

## Contractual Obligations and Commitments

In the normal course of business the Company enters into contracts which give rise to commitments for future minimum payments. At March 31, 2017 the Company has no contractual obligations which have not been recorded in the accounts.

The Company has no tenements commitments to the MME at the reporting date which are not recognized as liabilities payable in connection with Ondundu EPL 3195. The Ondundu EPL is renewable on February 3, 2017 and the minimum commitment has been satisfied by the Earn-in expenditure incurred by B2Gold.

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

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as of the date of this document.

## Transactions with Related Parties

### *Compensation of Key Management Personnel*

Key management personnel as defined under IFRS are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's Chief Executive Officer, Chief Financial Officer and members of the Company's Board of Directors.

Compensation awarded to key management personnel is as follows:

(Expressed in Canadian dollars)	Three months ended March 31	
	2017	2016
	\$	\$
Consulting fees	44,662	134,250
Salaries and short-term employee benefits	24,000	46,000
	68,662	180,250

### *Other Related Party Transactions*

General and administrative expenses for the three months ended March 31, 2017 include \$12,992 (three months ended March 31, 2016 - \$12,546) for serviced office expenses paid to a company, in which a Director is also a Director of the Company. These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## Proposed Transactions

There are no proposed transactions of a material nature at the filing of this document. From time to time, the Company reviews potential acquisition, investment, divestiture, merger and joint venture opportunities.

## Environmental Contingency

The Company's exploration and mine development activities are subject to various government laws and regulations, relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As of the date of this MD&A, the Company does not believe there are any significant environmental obligations requiring material capital outlays in the immediate future.

## Outstanding Share Data

On May 9, 2017 there were 145,911,421 Common Shares issued, 1,750,000 stock options exercisable at a weighted average price of \$0.38 and 13,307,998 common share purchase warrants (7,807,999 exercisable at \$0.24 and 5,499,999 exercisable at \$0.075) for a total of 160,969,419 Common Shares on a fully-diluted basis.

## Regulatory Disclosures

### Changes in Accounting Policies

There has been no change in accounting policies to those adopted in the Company's consolidated annual financial statements for the year ended December 31, 2016.

### Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments and/or estimates. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances having regard to prior experience and expectations about future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future year affected. Further details of the nature of these estimates and assumptions may be found in the relevant notes to the consolidated financial statements.

Actual result may differ from the amounts included in the consolidated balance sheet. Information about such judgments and estimation is contained in the accounting policies and/or the notes to the financial statements. The key areas are summarized below.

#### **Accounting Estimates**

##### *Determination of mineral reserves and resources for mining properties*

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to estimate reserves, estimates are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analyzing geological data such as drilling samples. This process may require complex and difficult geological judgments to interpret the data. As a result, management will form a view of forecast sales prices, based on current and long-term historical average price trends.

Estimates are based on information compiled by or under the supervision of a qualified person as defined under National Instrument 43-101, Standards of Disclosures for Mineral Projects within Canada.

Changes in the proven and probable reserves estimates may result in the requirement to perform an impairment test which may impact the carrying value of mineral properties, exploration and evaluation costs and property, plant and equipment.

#### *Share-Based Compensation*

The fair value of stock options is determined using the Black-Scholes option-pricing model. Significant estimates are required to determine expected volatility, weighted average life of options and estimated forfeiture. The Company determines these assumptions mainly by reference to historical experience. If actual results are significantly different from these assumptions, there could be a material impact to the amount recorded for these financial instruments.

#### **Accounting Judgments**

Areas of significant judgment that have the most significant impact on the financial statements are as follows:

##### *Recoverability of mineral properties, exploration and evaluation costs and property, plant and equipment*

The Company undertakes a review of the carrying value of mineral properties, exploration and evaluation costs and property, plant and equipment whenever events or changes indicate their carrying values may exceed their estimated net recoverable amount. If it is determined that the carrying value of assets cannot be recovered the estimated unrecoverable amounts are recorded in the income (loss) statement. The process of estimating the recoverable amount requires significant judgement in evaluating and assessing available geological and geophysical data, estimates of reserves and resources, future commodity prices, production costs, sustaining capital requirements, foreign exchange rates, discount rates, and inflation and income tax rates. If it is determined that the carrying value of assets cannot be recovered the unrecovered amounts are recorded in the income (loss) statement.

##### *Impairment of available-for-sale financial assets*

At each balance sheet date the Company undertakes a review of the carrying value of its available-for-sale financial assets as set out in its accounting policy in note 3(g) on asset impairment in the annual financial statements for the year ended December 31, 2016. This assessment requires management to use judgment to determine if any decline in value of available-for-sale investments below cost is significant or prolonged including consideration of the circumstances such as the nature of the investment, percentage and duration of the decline and certain other qualitative factors.

##### *Capital work-in-progress*

Included in property, plant and equipment is capital work-in-progress for long-lead time items which are required to bring the Norasa mine into production. Final delivery and installation of some long-lead time items has been put on hold pending completion of financing arrangements which will allow a formal decision by the Company's board for the development of the Norasa uranium mine to proceed. In the event that a decision is made not to proceed with mine development, or if a decision is made to use a different processing method, the Company will reassess costs already capitalized for impairment and will attempt to recover costs by resale.

##### *Deferred tax assets*

Judgment is required in determining whether deferred tax assets are recognized on the balance sheet. Deferred tax assets including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate future taxable earnings in future years in order to utilize any deferred tax asset which has been recognized. Estimates of future taxable income are based on forecast cash flows and the application of substantially enacted tax rates expected to apply in each jurisdiction. At the current balance sheet date, no deferred tax assets have been recognized as no production decision has been made with respect to the Company's mineral properties.

#### **Financial Instruments Risk Exposure**

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 and trade receivables. 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.

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.

##### **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, 2017 the Company had cash and cash equivalents of \$223,949 (December 31, 2016 \$418,040) trade and other receivables of \$11,609 (December 31, 2016 \$4,993) and financial liabilities consisting of trade payables of \$21,224 (December 31, 2016 \$12,382).

### 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. The Company's current exposure to the risk of changes in market interest rates relates primarily to the Company's cash and cash equivalents. At March 31, 2017 these investments consisted primarily of interest bearing bank deposits issued by Canadian banks. The Company also holds cash and cash equivalents 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 as of March 31, 2017. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. As of March 31, 2017, management estimates that if interest rates had moved by 0.5%, (i.e. 50 basis points), assuming all other variables remained constant, the impact on the net loss would have been an increase/decrease of \$400. 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, British pounds and Euros. The Company is subject to gains and losses due to fluctuations in these currencies. At March 31, 2017 the Company is exposed to foreign currency risk through AUD 8,367 trade payables. Management estimates that as at March 31, 2017, if foreign exchange rates had moved by 10%, assuming all other variables remained constant, the impact on the net loss would have been an increase/decrease of \$900.

### Other Risk Factors

The exploration for natural resources is a speculative activity involving a high degree of risk. Investment in securities of the Company should only be undertaken by investors whose financial resources are sufficient to enable them to assume such risk and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors, which may affect the Company and its financial position. A comprehensive summary of these risk factors is included in the section titled "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2016 available on the Forsys website at [www.forsysmetals.com](http://www.forsysmetals.com) or under the Company's filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### Disclosure Controls and Procedures

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

Management including the Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedure as of December 31, 2016. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures as defined under the rules of Canadian Securities Administrators were effective to ensure information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

Since the December 31, 2016 evaluation there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

### Internal Controls Over Financial Reporting

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

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

An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted for the year ended December 31, 2016 by the Company's management, including the Chief Executive Officer and the Chief Financial Officer. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (2013) to assess the effectiveness of the Company's internal control over financial reporting ("ICFR"). Based on this assessment management has concluded that the Company's internal controls over financial reporting were effective.

There were no significant adverse changes in the Company's internal controls which occurred during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



## **Limitations of Controls and Procedures**

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

## **NI 43-101 and Qualified Persons**

Mr. Martin Hirsch, M.Sc in Geology and a member of the British IMMM, Chief Geologist for Forsys Metals Corp., was the designated Qualified Person ("QP") responsible for the Company's exploration programs and reporting of Mineral Resources until his departure in April 2014. Mr. Hirsch has sufficient experience that is relevant to the style and mineralization, type of deposit and the use of radiometrics in resource estimation to qualify as a QP under NI 43-101.

Mr. Dag Kullmann, M.Sc. Mining Engineering from the University of Alberta, a Fellow of the Southern African Institute of Mining and Metallurgy (SAIMM), Engineering Manager for Forsys, is the designated QP responsible for the reporting of Mineral Reserves. Mr. Kullmann has sufficient experience in the assessment and application of modifying factors required for the determination of reserves for open pit operations to qualify as a QP under NI 43-101.

## **Note Regarding Forward-Looking Information**

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

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

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

## **Additional Information**

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