

# **Forsys Metals Corp.**

## **Condensed Interim Consolidated Financial Statements**

**June 30, 2019**

(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 Statements of Financial Position

(expressed in Canadian dollars)  
(unaudited)

	Notes	As at June 30, 2019 \$	As at December 31, 2018 \$
<b>Assets</b>			
Current			
Cash and cash equivalents		407,882	652,623
Receivables		25,694	22,951
Prepaid expenses and other assets		8,372	16,811
		<u>441,948</u>	<u>692,385</u>
Non-current			
Investment in associate	4	2,877,042	2,946,688
Exploration and evaluation	5	11,756,365	12,006,621
<b>Total assets</b>		<u>15,075,356</u>	<u>15,645,694</u>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		88,804	204,477
<b>Shareholders' equity</b>			
Share capital	6	164,847,132	164,847,132
Warrants	7	1,300,733	1,300,733
Contributed surplus		43,906,715	43,906,715
Equity reserve		33,364	33,364
Accumulated loss		(178,723,931)	(178,611,296)
Accumulated other comprehensive loss		(16,208,086)	(15,866,056)
<b>Total equity attributable to shareholders of the Company</b>		<u>15,155,928</u>	<u>15,610,592</u>
<b>Non-controlling interest</b>		<u>(169,376)</u>	<u>(169,376)</u>
<b>Total equity</b>		<u>14,986,552</u>	<u>15,441,217</u>
<b>Total liabilities and equity</b>		<u>15,075,355</u>	<u>15,645,694</u>

**On behalf of the Board:**

Martin Rowley  
Director

Mark Frewin  
Director

# Forsys Metals Corp.

## Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended June 30,		6 months ended June 30,	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>Expenses</b>					
Professional fees		14,653	61,982	35,967	30,116
Directors fees and benefits	11	24,000	56,000	49,625	101,682
Consulting fees	11	27,000	20,026	54,000	78,856
Public company costs		16,657	19,153	44,743	28,964
General and administrative		883	25,294	8,808	42,910
Depreciation		-	47	-	(86)
Foreign exchange gain		-	(41)	(5,014)	(170)
Interest income		(1,140)	(915)	(2,853)	(1,963)
Gain on sale of property, plant and equipment		-	-	-	(211,325)
Gain on write-off of accounts payable		(72,640)	-	(72,640)	-
		9,412	181,546	112,635	68,984
<b>Net loss</b>		(9,412)	(181,546)	(112,635)	(68,984)
<b>Other comprehensive loss, net of taxes</b>					
Item that may be reclassified subsequently to net loss					
Foreign currency translation		23,605	(8,688,009)	(342,030)	(4,239,007)
<b>Comprehensive loss</b>		14,193	(8,869,555)	(454,665)	(4,307,991)
<b>Net loss attributable to:</b>					
Shareholders of the Company		(9,412)	125	(112,635)	(3,785,337)
Non-controlling interest		-	(181,671)	-	(522,654)
		(9,412)	(181,546)	(112,635)	(4,307,991)
<b>Comprehensive loss attributable to:</b>					
Shareholders of the Company		(454,665)	(8,295,292)	(454,665)	
Non-controlling interests		-	(574,263)	-	
		(454,665)	(8,869,555)	(454,665)	-
<b>Net loss per share - basic and diluted (cents)</b>		(0.01)	(0.12)	(0.07)	(0.05)
<b>Weighted average number of common shares outstanding</b>		156,899,467	152,626,100	156,899,467	152,620,397

# Forsys Metals Corp.

## Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)  
(unaudited)

	6 months ended June 30,	
	2019	2018
	\$	\$
<b>Share capital</b>		
Balance, beginning of period	164,847,132	164,145,750
Share issue costs	-	(2,770)
Balance, end of period	164,847,132	164,142,980
<b>Share purchase warrants</b>		
Balance, beginning and end of period	1,300,733	1,300,733
<b>Contributed surplus</b>		
Balance, beginning and end of period	43,906,715	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	(178,611,296)	(178,246,294)
Loss attributable to shareholders of the Company	(112,635)	(522,654)
Balance, end of period	(178,723,931)	(178,768,948)
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of period	(15,866,056)	(16,770,493)
Currency translation differences on foreign operations	(342,030)	110,935
Balance, end of period	(16,208,086)	(16,659,558)
<b>Non-controlling interests</b>		
Balance, beginning of period	(169,376)	(215,148)
Loss attributable to non-controlling interest	-	51,699
Balance, end of period	(169,376)	(163,449)

# Forsys Metals Corp.

## Consolidated Statements of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

	<b>6 months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	(112,635)	(68,984)
Interest income	(2,853)	(1,963)
Items not affecting cash		
Depreciation	-	(86)
Changes in non-cash operating working capital		
Receivables	(2,744)	(625)
Prepaid expenses and other assets	8,439	3,311
Accounts payable and accrued liabilities	(115,673)	(254,196)
Provisions	-	2,962
	<u>(225,466)</u>	<u>(319,581)</u>
<b>Financing activities</b>		
Share issue costs	-	(2,770)
<b>Investing activities</b>		
Interest income	2,853	1,963
Proceeds on sale of property, plant and equipment	-	211,325
Exploration and evaluation	(7,229)	(8,847)
	<u>(4,376)</u>	<u>204,441</u>
<b>Net increase (decrease) in cash</b>	(229,842)	(117,910)
<b>Cash, beginning of period</b>	652,623	282,914
<b>Effects of exchange rate changes</b>	(14,900)	4,504
<b>Cash, end of period</b>	<u>407,882</u>	<u>169,508</u>

# **Forsys Metals Corp.**

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

### **June 30, 2019**

(expressed in Canadian dollars)  
(unaudited)

#### **1. Nature of operations**

Forsys Metals Corp. (the "Company") is 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.

The Company is in the exploration stage and has no revenue. During the 6 months ended June 30, 2019, the Company recorded a loss of \$112,635 (2018 - \$68,984) and as at that date, the Company had accumulated deficit of \$178,723,931 (December 31, 2018 - \$178,611,296), working capital of \$353,145 (December 31, 2018 - \$487,908) and cash flow deficit from operations of \$225,466 (2018 - \$319,581). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing primarily through the issuance of equity to finance its on-going and planned exploration activities and to cover administrative costs. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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.

These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

#### **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, 2018.

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, 2018.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 9, 2019.

#### Changes in accounting standards

On January 1, 2019, the Company adopted the following amendment to standards:

##### *IFRS 16, Leases ("IFRS 16")*

This standard replaces *IAS 17, Leases*. IFRS 16 provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged from IAS 17.

The adoption of this accounting standard had no impact on these financial statements as the Company is not a party to any leases.

#### 4. Investment in associate

Exclusive Prospecting Licence ("EPL 3195"), which allows for base, rare and precious metal exploration at the Ondundu Gold Project, is held 100% by Razorback Gold Mining Company (Pty) Limited ("Razorback"), a 51% owned subsidiary of Westport Resources Namibia (Pty) Ltd., which is a wholly-owned subsidiary of the Company. EPL 3195 expired on February 3, 2019 and an application to renew the licence has been made.

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 was executed with B2Gold replacing the original agreement. The Earn-In gives B2Gold the option to earn up to a 100% interest in Ondundu. On January 1, 2018, B2Gold earned a 49% interest in Razorback (refer to note 10) by making cumulative expenditures of US\$2,000,000 and has the option to increase its interest to 75% by making expenditures of US\$1,300,000. In consideration of the receipt of an Earn-in extension fee of US\$150,000 and a further payment of US\$100,000 to be made on January 1, 2020, the Company extended the deadline of the 75% Earn-In Option to November 30, 2020.

Until January 2, 2022, B2Gold has an option to increase its interest to a 100% for US\$8,500,000 with a cash payment of US\$4,250,000 and the issue of B2Gold common shares with a value of US\$4,250,000 based on the 5-day VWAP.

For the 12 months after B2Gold earns a 75% interest, the Company has an option to put its remaining 25% interest to B2Gold for US\$8,500,000 with a cash payment of US\$4,250,000 and the issue of B2Gold common shares with a value of US\$4,250,000 based on the 5-day VWAP.

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, 2018	2,946,689
Foreign exchange movement	(69,647)
Balance at June 30, 2019	2,877,042

**Summarized balance sheet of Razorback at June 30, 2019:**

\$

<b>Assets</b>	
<b>Current assets</b>	
Cash	329,460
Value added tax receivable	1,545,649
	<u>1,875,109</u>
Exploration and evaluation	10,628,008
	<u>12,503,116</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	50,806
Due to B2Gold	1,830,647
Other current liabilities	12,317
	<u>1,893,770</u>
<b>Net assets</b>	<u>10,609,347</u>

**Reconciliation to carrying amount:**

Company's share percentage ownership of Razorback	51%
	<u>\$</u>
Company's share of net assets of Razorback	5,410,767
Equity contributed by B2Gold	2,533,725
Carrying amount of investment in Razorback	<u>2,877,042</u>

**Summarized statement of loss and comprehensive loss for the 6 months ended June 30, 2019**

Razorback had no revenue or expenses for the 6 months ended June 30, 2019.

**5. Exploration and evaluation**

\$

<b>Norasa</b>	
Balance at December 31, 2018	12,006,620
Additions to exploration and evaluation costs	7,229
Foreign exchange movement	(257,484)
Balance at June 30, 2019	<u>11,756,365</u>

**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 ML149 for the Valencia Uranium Project. This Mining Licence was granted effective June 23, 2008 for a period of 25 years until June 22, 2033.

*Namibplaas Uranium Project*

The Exclusive Prospecting Licence ("EPL") 3638 for Namibplaas is held by Dunefield Mining Company (Proprietary) Limited which is a wholly owned subsidiary of the Company. EPL 3638 was renewed for a further two-year period to November 6, 2019.

**6. Share capital****Authorized**

An unlimited number of Class A common shares without par value

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

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



**Issued**

	<b>Number of Class A common shares</b>	<b>Amount \$</b>
Balance, December 31, 2018 and June 30, 2019	156,899,467	164,847,132

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

**7. Warrants**

	<b>Weighted- average exercise price \$</b>	<b>Number of warrants outstanding and exercisable</b>
Balance, December 31, 2018 and June 30, 2019	0.230	1,617,647

Warrants outstanding and exercisable as at June 30, 2019 are presented below:

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of warrants outstanding and exercisable</b>
\$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 June 30, 2019, 3,941,666 stock options have been exercised since 1998 and 1,325,000 stock options are outstanding (net of forfeitures and cancellations) leaving 7,183,334 stock options to be granted (December 31, 2018: 6,583,334).

The term of the stock options 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, 2018	0.31	1,325,000
Forfeited	0.31	(450,000)
Balance, June 30, 2019	0.31	875,000

A summary of the Company's stock options outstanding and exercisable as at June 30, 2019 is presented below:

Exercise price	Expiry date	Number of stock options outstanding and exercisable
\$0.31	September 9, 2019	875,000

## 9. Determination of fair values

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:

	June 30, 2019	December 31, 2018
	\$	\$
Recurring measurements		
Financial assets		
Loans and receivables <sup>(1)</sup>	433,576	675,574
Financial liabilities		
Other financial liabilities <sup>(2)</sup>	88,804	204,477

<sup>(1)</sup> Comprises cash and receivables.

<sup>(2)</sup> Comprises accounts payables and accrued liabilities

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.

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.

## 10. 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. At June 30, 2019, total receivables of \$25,694 were classified as other receivables (December 31, 2018: \$21,595).

As at June 30, 2019 and December 31, 2018, there were no receivables past due or impaired. The Company does not have a provision against its trade and other receivables at June 30, 2019 and December 31, 2018.

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 June 30, 2019, the Company had cash of \$407,882 (December 31, 2018: \$652,623) trade and other receivables of \$22,652 (December 31, 2018: \$22,951) and financial liabilities consisting of accounts payable of \$88,804 (December 31, 2018: \$204,477).

## 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 June 30, 2019, 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 June 30, 2019. 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 June 30, 2019, the Company has no exposure to foreign currency risk through trade and other payables.

## 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 June 30, 2019, 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.

## 11. 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:

	6 months ended June 30,		Outstanding as at	
	2019	2018	June 30,	December 31,
	\$	\$	2019	2018
			\$	\$
Director fees and benefits	49,625	104,000	24,000	40,000
Consulting fees	54,000	48,000	–	4,520
	103,625	152,000	24,000	44,520

## 12. 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:

	June 30, 2019	December 31, 2018
	\$	\$
Namibia	11,756,365	12,006,621
Investment in associate	2,877,042	2,946,688
	<hr/> 14,633,407	<hr/> 14,953,309