



## **Unaudited Condensed Interim Consolidated Financial Statements**

**For the Six Months Ended June 30, 2018**

**These unaudited condensed interim consolidated financial statements of Forsys Metals Corp. for the six months ended June 30, 2018 have been prepared by management and approved by the Board of Directors of the Company.**

**In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these unaudited interim consolidated financial statements.**

# FORSYS METALS Corp.

(An exploration stage company)

## Consolidated Balance Sheet

As at June 30, 2018

		June 30 2018	December 31 2017
(Expressed in Canadian dollars)	Note	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		204,843	282,914
HST/VAT receivables		25,688	21,595
Prepaid expenses and other assets		6,371	9,681
<b>Total current assets</b>		<b>236,902</b>	314,189
<b>Non-current assets</b>			
Mineral properties, exploration and evaluation costs	3	13,599,588	15,595,212
Property, plant and equipment	4	72	134
<b>Total non-current assets</b>		<b>13,599,660</b>	15,595,345
<b>Total assets</b>		<b>13,836,562</b>	15,909,535
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		286,896	252,399
Provisions		99,327	96,365
<b>Total liabilities</b>		<b>386,223</b>	348,764
<b>Equity</b>			
Share capital		209,383,792	209,386,562
Accumulated loss		(178,314,223)	(178,246,293)
Accumulated other comprehensive loss		(16,881,428)	(15,364,351)
<b>Total equity attributable to shareholders of the Company</b>		<b>14,188,141</b>	15,775,918
Non-controlling interests		(737,802)	(215,148)
<b>Total equity</b>		<b>13,450,339</b>	15,560,771
<b>Total liabilities and equity</b>		<b>13,836,562</b>	15,909,535
Commitments and contingencies	10		

The accompanying notes are an integral part of these consolidated financial statements.

## FORSYS METALS Corp.

(An exploration stage company)

### Consolidated Income (Loss) Statement

For the six months ended June 30, 2018

(Expressed in Canadian dollars except per share amounts)	Note	Three months ended June 30		Six months ended June 30	
		2018 \$	2017 \$	2018 \$	2017 \$
General and administrative expenses	8	(182,461)	(177,958)	(282,271)	(342,010)
Gain/(loss) on sale of property, plant and equipment		-	-	211,325	-
Interest income		915	377	1,963	752
<b>Loss before income tax</b>		<b>(181,546)</b>	<b>(177,581)</b>	<b>(68,984)</b>	<b>(341,257)</b>
Income tax expense		-	-	-	-
<b>Net loss for the period</b>		<b>(181,546)</b>	<b>(177,581)</b>	<b>(68,984)</b>	<b>(341,257)</b>
<b>Net loss for the period attributable to:</b>					
Non-controlling interests		125	(165)	(1,055)	(1,099)
Shareholders of the Company		(181,671)	(177,416)	(67,929)	(340,158)
<b>Net loss per share attributable to shareholders of the Company</b> Basic and diluted loss per share (cents per share)		<b>(0.12)</b>	<b>(0.11)</b>	<b>(0.04)</b>	<b>(0.23)</b>
<b>Weighted average number of common shares outstanding</b>		<b>152,626,100</b>	146,029,188	<b>152,620,397</b>	146,029,188

### Consolidated Statement of Comprehensive Income (Loss)

For the six months ended June 30, 2018

(Expressed in Canadian dollars)	Note	Three months ended June 30		Six months ended June 30	
		2018 \$	2017 \$	2018 \$	2017 \$
<b>Net loss for the period</b>		<b>(181,546)</b>	<b>(177,581)</b>	<b>(68,984)</b>	<b>(341,257)</b>
<b>Other comprehensive income (loss), net of taxes</b>					
Items that may be reclassified subsequently to net income					
Foreign currency translation		(8,688,009)	5,565	(4,239,007)	(582,268)
Unrealized loss on available-for-sale investments		-	-	-	-
Other comprehensive income (loss), net of taxes		(8,688,009)	5,565	(4,109,893)	(582,268)
<b>Comprehensive income (loss) for the period</b>		<b>(8,869,645)</b>	<b>(172,016)</b>	<b>(4,307,991)</b>	<b>241,011</b>
<b>Comprehensive income (loss) for the period attributable to:</b>					
Non-controlling interests		(574,353)	(96)	(522,654)	5,831
Shareholders of the Company		(8,295,292)	(171,920)	(3,785,337)	235,180
		<b>(8,869,645)</b>	<b>(172,016)</b>	<b>(4,307,991)</b>	<b>241,011</b>

The accompanying notes are an integral part of these consolidated financial statements.

# FORSYS METALS Corp.

(An exploration stage company)

## Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018

(Expressed in Canadian dollars)	Note	Six months ended June 30	
		2018	2017
		\$	\$
<b>Share capital</b>			
<b>Common shares</b>			
Balance as at beginning of period		164,145,750	163,587,203
Share issuance costs		(2,770)	(12,167)
Balance as at end of period		164,142,980	163,764,500
<b>Share purchase warrants</b>			
Balance as at beginning of period		1,300,733	1,153,527
Balance as at end of period		1,300,733	1,153,527
<b>Contributed surplus</b>			
Balance as at beginning of period		43,906,715	43,906,715
Balance as at end of period		43,906,715	43,906,715
<b>Equity reserve</b>			
Balance as at beginning of period		33,364	33,364
Balance as at end of period		33,364	33,364
<b>Total share capital</b>		<b>209,383,792</b>	<b>209,005,312</b>
<b>Accumulated loss</b>			
Balance as at beginning of period		(178,246,293)	(103,367,994)
Loss for the period attributable to shareholders of the Company		(67,929)	(340,158)
Balance as at end of period		(178,314,223)	(103,708,152)
<b>Accumulated other comprehensive loss</b>			
<b>Foreign currency translation</b>			
Balance as at beginning of period		(16,770,493)	(16,770,493)
Currency translation differences on foreign operations		(110,935)	(575,668)
Balance as at end of period		(16,881,428)	(16,194,825)
<b>Total accumulated comprehensive loss</b>		<b>(16,881,428)</b>	<b>(16,194,825)</b>
<b>Non-controlling interests</b>			
Balance as at beginning of period		(215,148)	(185,019)
(Loss) gain attributable to non-controlling interests		(522,654)	(5,831)
Balance as at end of period		(737,802)	(179,188)

The accompanying notes are an integral part of these consolidated financial statements.

# FORSYS METALS Corp.

(An exploration stage company)

## Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

	Note	Three months ended June 30		Six months ended June 30	
		2018	2017	2018	2017
(Expressed in Canadian dollars)		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Net loss for the period		(181,546)	(177,581)	(68,984)	(341,257)
Interest income		(915)	(376)	(1,963)	(752)
Items not involving cash:					
Share-based compensation	6	-	-	-	-
Depreciation	8	47	370	(85)	761
Gain on sale of property, plant and equipment		-	-	-	-
Foreign currency gain on disposal of subsidiary		-	-	-	-
Changes in non-cash operating working capital:					
Trade and other receivables		(2,454)	(1,605)	(3,079)	(8,214)
Prepaid expenses and other assets		132	5,300	3,443	10,959
Trade and other payables		54,813	41,390	(199,383)	49,724
Provisions		-	-	2,962	-
Cash used in operating activities		(129,924)	(132,502)	(267,089)	(288,779)
<b>Cash flows from financing activities</b>					
Share issuance costs		-	-	(2,770)	(12,167)
Exercise of warrants		-	31,250	-	31,250
Cash provided from financing activities		-	31,250	(2,770)	19,083
<b>Cash flows from investing activities</b>					
Interest income		915	376	1,963	752
Additions to mineral properties, exploration and evaluation costs	3	(16,701)	(4,087)	(25,548)	(30,075)
Purchase of property, plant and equipment		-	-	211,325	-
Proceeds on sale of property, plant and equipment	4	-	-	-	-
Cash used in investing activities		(15,786)	(3,711)	187,740	(29,323)
<b>Decrease in cash and cash equivalents</b>		<b>(145,711)</b>	<b>(104,963)</b>	<b>(82,120)</b>	<b>(299,019)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>351,009</b>	<b>223,949</b>	<b>282,914</b>	<b>418,040</b>
Exchange gain (loss) on cash held in foreign currency		(456)	54	4,049	19
<b>Cash and cash equivalents at end of period</b>		<b>204,843</b>	<b>119,040</b>	<b>204,843</b>	<b>119,040</b>

The accompanying notes are an integral part of these consolidated financial statements.

# **FORSYS METALS Corp.**

(An exploration stage company)

## **Notes to the Financial Statements**

For the six months ended June 30, 2018

(Expressed in Canadian dollars)

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

Forsys Metals Corp. ("Forsys") 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.

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

The Company's continued operations are dependent on its ability to secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which is assured. Seasonality does not have a significant impact on the Company's operations.

Forsys is incorporated under the Business Corporations Act (Ontario) and the primary listing of its common shares is on the Toronto Stock Exchange, with secondary listings on the Namibian Stock Exchange and Frankfurt Stock Exchange. The Forsys registered office is at 66 Wellington Street West, Suite 5300, Toronto, Ontario, Canada, M5K 1E6.

### **2. Significant accounting policies**

#### **a) Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated annual financial statements for the year ended December 31, 2017.

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of, and disclosed in, the consolidated annual financial statements for the year ended December 31, 2017. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and current as of August 14, 2018.

These condensed interim financial statements for the six months ended June 30, 2018 (including comparatives) were approved and authorized for issue by the Company's Board of Directors on August 14, 2018.

#### **b) 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, 2017.

# FORSYS METALS Corp.

(An exploration stage company)

## Notes to the Financial Statements (continued)

For the six months ended June 30, 2018

(Expressed in Canadian dollars)

### 3. Mineral properties, exploration and evaluation costs

a) The continuity of the Company's investment in Mineral properties, exploration and evaluation costs is as follows.

	Norasa Uranium Project \$	Ondundu Gold Project \$	Mineral Properties Total \$
Balance at January 1, 2017	76,061,815	3,213,149	79,274,964
Additions to exploration and evaluation costs	37,321	-	37,321
Impairment	(64,808,680)	-	(64,808,680)
Foreign exchange movement	1,009,544	82,063	1,091,607
Balance at December 31, 2017	12,300,000	3,295,212	15,595,212
Additions to exploration and evaluation costs	25,548	-	25,548
Foreign exchange movement	(1,769,467)	(251,705)	(2,021,172)
Balance at June 30, 2018	10,556,081	3,043,507	13,599,588

b) 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 balance sheet as at June 30, 2018.

#### **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.

#### **Ondundu Gold Project**

The Ondundu Exclusive Prospecting Licence ("EPL 3195"), which allows for base, rare and precious metal exploration, is held 100% by Razorback Gold Mining Company (Pty) Limited, a 51% owned subsidiary of Westport Resources Namibia (Pty) Ltd., which is a wholly owned subsidiary of the Company. In July 2017 the MME renewed EPL 3195 relating to Ondundu until February 3, 2019. 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 over a period of 3 years 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 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.
- )] B2Gold having exercised their second earn-in right are spending a further US\$1,300,000 to acquire an additional 26% interest in Ondundu (third earn-in period);

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 if B2Gold exercise their right in the third earn-in period.

# FORSYS METALS Corp.

(An exploration stage company)

## Notes to the Financial Statements (continued)

For the six months ended June 30, 2018

(Expressed in Canadian dollars)

### 5. Share capital

#### Authorized

The Company is authorized to issue:

An unlimited number of Class A common shares without par value

An unlimited number of redeemable, voting non-participating Class B shares<sup>(1)</sup>

An unlimited number of Class C shares with rights and privileges to be determined by the Forsys Board of Directors<sup>(1)</sup>

A continuity summary of the issued and outstanding Class A common shares and the associated dollar amounts is presented below:

	Number of Common Shares	Amount \$
Balance as at July 1, 2017	147,531,233	163,764,500
Share issuance	416,666	31,250
Balance as at September 30, 2017	147,947,899	163,795,750
Share issuance	4,666,667	350,000
Balance as at December 31, 2017	152,614,566	164,145,750
Share issuance costs	-	(2,770)
Balance as at March 31, 2018	152,614,566	164,145,750
Balance as at June 30, 2018	153,664,173	164,258,437

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



# FORSYS METALS Corp.

(An exploration stage company)

## Notes to the Financial Statements (continued)

For the six months ended June 30, 2018

(Expressed in Canadian dollars)

### 6. Stock options

Forsys has established a stock option plan to provide additional incentive to its officers, Directors, employees and consultants in 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, employees, consultants and management to acquire Class A common shares. At June 30, 2018 an aggregate of 1,550,000 options have been granted and are outstanding (net of forfeitures and cancellations) under this plan and 3,941,666 stock options had been exercised since 1998. As a result, as at June 30, 2018, 6,733,334 (December 31, 2017 – 6,508,334) options were available for issuance.

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 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 option within the limits prescribed by applicable law.

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

	Three Months Ended June 30, 2018	
	Number of Options	Weighted Average Exercise Price Per Share \$
Stock options outstanding, beginning of the period	1,325,000	0.31
Stock options outstanding at end of period	1,325,000	0.31
Stock options exercisable at end of period	1,325,000	0.31

A summary of the Company's options outstanding and exercisable as at June 30, 2018 is presented below:

Grant Date	Market Price / Exercise Price	Options Outstanding	Options Exercisable	Expiry Date
September 09, 2014	\$0.31	1,325,000	1,325,000	September 09, 2019
		1,325,000	1,325,000	

No options were granted by the Company during the first or second quarter of 2018.

The fair values of stock options with vesting provisions are amortized following a graded vesting method as share-based compensation expense over the applicable vesting periods. At June 30, 2018, the Company has a maximum value of unvested share-based compensation expense of \$Nil to be recognized in future periods.

### 7. Warrants

There are no outstanding and exercisable warrants as at June 30, 2018 and December 31, 2017.

# FORSYS METALS Corp.

(An exploration stage company)

## Notes to the Financial Statements (continued)

For the six months ended June 30, 2018

(Expressed in Canadian dollars)

### 8. Expenses by nature

The elements of general and administrative expense in the consolidated income (loss) statement are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Consulting fees	20,026	82,747	78,856	139,409
Salaries, Directors' fees and benefits	56,000	24,000	101,682	48,055
Professional fees	61,982	22,067	30,116	54,475
Public company costs	19,153	22,466	28,964	52,622
Other corporate costs	25,294	8,417	42,910	28,308
Travel	-	17,890	-	17,890
Depreciation	47	370	(86)	761
FX	(41)	-	(171)	489
General and administrative expense for period	182,461	177,957	278,271	342,009

### 9. 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 assets and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	June 30 2018 \$	December 31 2017 \$
Recurring measurements		
Financial Assets		
Cash and cash equivalents	204,843	282,914
HST/VAT receivables	25,688	21,595
Financial Liabilities		
Trade and other payables	286,896	252,399

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 balance sheet 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.

# FORSYS METALS Corp.

(An exploration stage company)

## Notes to the Financial Statements (continued)

For the six months ended June 30, 2018

(Expressed in Canadian dollars)

### 10. Commitments and contingencies

The Company has no obligations relating to tenement minimum requirements on the Ondundu "EPL 3195 to the Ministry of Mines and Energy of the Republic of Namibia. Tenement obligations are subject to re-negotiation upon expiry of the exploration licences or when application for a mining licence is made. This commitment on EPL 3195 will be satisfied by the Earn-in expenditure incurred by B2Gold.

The Company is involved from time to time in various legal actions and claims in the ordinary course of business. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Company's financial position or results.

### 11. Key management compensation and related party transactions

#### Compensation of key management personnel

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

Compensation awarded to key management personnel is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Consulting fees	52,000	67,487	104,000	112,149
Salaries and short-term employee benefits	24,000	28,000	48,000	52,000
Share-based compensation	-	-	-	-
	76,000	95,487	152,000	164,149

### 12. Segmented 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 and deferred taxes by geographic area are as follows:

	June 30 2018	December 31 2017
	\$	\$
Namibia	13,599,588	15,595,345
Other	-	-
	13,599,588	15,595,345

### 13. Events subsequent to balance date

Subsequent to June 30, 2018, the Company issued 1,049,607 common shares to Directors of the Company as payment for outstanding consulting and directors' fees with a fair value of \$115,457.