FORSYS METALS CORP.

(An exploration stage company)

Consolidated Financial Statements

For the Year Ended December 31, 2017

Index	**Page**
Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Balance Sheet	4
Consolidated Income (Loss) Statement	5
Consolidated Statement of Comprehensive Income (Loss)	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9-27

Forsys Metals Corp.

(An exploration stage company)

Management's Responsibility for Financial Reporting

The consolidated financial statements of Forsys Metals Corp. and the information contained in Management's Discussion and Analysis have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and, where appropriate, reflect management's best estimates and judgments based on currently available information.

Management has developed and maintains a system of internal controls to obtain reasonable assurance that transactions are authorized, the financial information reported is accurate and reliable in all material respects and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Company's independent auditors, BDO, who are appointed by the Directors, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and expresses their opinion on the consolidated financial statements.

The Audit Committee and the Board of Directors meet periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to approval of the consolidated financial statements by the Board of Directors.

Signed by:

Marcel Hilmer
Chief Executive Officer

March 29, 2018

Signed by:

Dale Hanna
Chief Financial Officer

March 29, 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Forsys Metals Corp.

Report on the Audit of the Financial Report

We have audited the financial report of Forsys Metals Corp. (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated income (loss) statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the Financial Report

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation *other than for the acts or omissions of financial services licensees*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Forsys Metals Corp. (the Company) and its subsidiaries (the Group) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO

BDO Audit (WA) Pty Ltd

Perth, 29 March 2018

FORSYS METALS Corp.

(An exploration stage company)

Consolidated Balance Sheet

As at December 31, 2017

(Expressed in Canadian dollars)	*Note*	**2017** **$**	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	*5*	**282,914**	418,040
HST/VAT receivables		**21,595**	4,993
Prepaid expenses and other assets		**9,681**	16,646
Total current assets		**314,189**	439,679
Non-current assets			
Mineral properties, exploration and evaluation costs	*6*	**15,595,212**	79,274,964
Property, plant and equipment	*7*	**134**	9,033,952
Total non-current assets		**15,595,345**	88,308,916
Total assets		**15,909,535**	88,748,595
LIABILIITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	*8*	**252,399**	244,086
Provisions		**96,365**	-
Total liabilities		**348,764**	244,086
Equity			
Share capital		**209,386,562**	208,828,015
Accumulated loss		**(178,246,293)**	(103,367,994)
Accumulated other comprehensive income (loss)		**(15,364,351)**	(16,770,493)
Total equity attributable to shareholders of the Company		**15,775,918**	88,689,528
Non-controlling interests		**(215,148)**	(185,019)
Total equity		**15,560,771**	88,504,509
Total liabilities and equity		**15,909,535**	88,748,595
Commitments and contingencies	*16*		

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

Approved by the Board of Directors

Marcel Hilmer
Director

Mark Frewin
Director

FORSYS METALS Corp.

(An exploration stage company)

Consolidated Income (Loss) Statement

For the year ended December 31, 2017

(Expressed in Canadian dollars except per share amounts)	Note	**2017** **$**	2016 $
General and administrative expenses	*12*	**(728,891)**	(822,935)
Interest income		**1,266**	3,155
Impairment of mineral properties, exploration and evaluation	*6*	**(64,808,680)**	-
Impairment of property, plant and equipment	*7*	**(9,343,728)**	(679,047)
Loss before income tax		**(74,880,033)**	(1,498,827)
Income tax expense	*13*	**-**	-
Net loss for the year		**(74,880,033)**	(1,498,827)
Net loss for the year attributable to:			
Non-controlling interests		**(1,734)**	(166)
Shareholders of the Company		**(74,878,299)**	(1,498,661)
Net loss per share attributable to shareholders of the Company (basic and diluted cents per share)		**(50.60)**	(1.09)
Weighted average number of common shares outstanding		**147,980,616**	138,127,268

Consolidated Statement of Comprehensive Income (Loss)

For the year ended December 31, 2017

(Expressed in Canadian dollars)	Note	**2017** **$**	2016 $
Net loss for the year		**(74,880,033)**	(1,498,827)
Other comprehensive income (loss), net of taxes			
Items that may be reclassified subsequently to net income			
Foreign currency translation		**1,403,737**	3,604,914
Other comprehensive income (loss), net of taxes		**1,403,737**	3,604,914
Comprehensive income (loss) for the year		**(73,476,297)**	2,106,087
Comprehensive income (loss) for the year attributable to:			
Non-controlling interests		**15,007**	41,891
Shareholders of the Company		**(73,491,304)**	2,064,196
		(73,476,297)	2,106,087

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 year ended December 31, 2017

(Expressed in Canadian dollars)	*Note*	**2017** **$**	2016 $
Share capital			
Common shares			
Balance as at beginning of year		**163,587,203**	163,082,241
Share issuance net of costs	*9*	**558,547**	504,962
Balance as at end of year		**164,145,750**	163,587,203
Share purchase warrants			
Balance as at beginning of year		**1,300,733**	1,153,527
Issue of warrants		**-**	147,206
Balance as at end of year		**1,300,733**	1,300,733
Contributed surplus			
Balance as at beginning of year		**43,906,715**	43,906,715
Share-based compensation	*11*	**-**	-
Balance as at end of year		**43,906,715**	43,906,715
Equity reserve			
Balance as at beginning of year		**33,364**	33,364
Balance as at end of year		**33,364**	33,364
Total share capital		**209,386,562**	208,828,015
Accumulated loss			
Balance as at beginning of year		**(103,367,994)**	(100,869,333)
Loss for the year attributable to shareholders of the Company		**(74,878,299)**	(1,498,661)
Balance as at end of year		**(178,246,293)**	(103,367,994)

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 (continued)

For the year ended December 31, 2017

(Expressed in Canadian dollars)	*Note*	**2017** **$**	2016 $
Accumulated other comprehensive income (loss)			
Foreign currency translation			
Balance as at beginning of year		**(16,770,493)**	(20,333,350)
Currency translation differences on foreign operations		**1,406,142**	3,562,857
Balance as at end of year		**(15,364,351)**	(16,770,493)
Total accumulated comprehensive loss		**(15,364,351)**	(16,770,493)

Non-controlling interests			
Balance as at beginning of year		**(185,019)**	(226,910)
Profit (loss) attributable to non-controlling interests		**15,007**	41,891
Share of net assets divested		**(45,136)**	-
Balance as at end of year		**(215,148)**	(185,019)

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 year ended December 31, 2017

(Expressed in Canadian dollars)	Note	**2017** **$**	2016 $
Cash flows from operating activities			
Net loss for the year		**(74,880,033)**	(1,498,827)
Interest income		**(1,266)**	(3,155)
Items not involving cash:			
Depreciation		**1,254**	10,987
Gain on sale of property, plant and equipment		**-**	(68,259)
Impairment of mineral properties, exploration and evaluation	*6*	**64,808,680**	-
Impairment of property, plant and equipment	*7*	**9,343,728**	679,047
Changes in non-cash operating working capital:			
Trade and other receivables		**(16,154)**	9,690
Prepaid expenses and other assets		**6,992**	1,154
Trade and other payables		**141,001**	33,945
Provisions		**96,365**	
Cash used in operating activities		**(499,433)**	(835,418)
Cash flows from financing activities			
Proceeds from issue of common shares and warrants		**412,500**	660,000
Share issuance costs		**(12,167)**	(7,832)
Cash provided from financing activities		**400,333**	652,168
Cash flows from investing activities			
Interest income		**1,266**	3,155
Additions to mineral properties, exploration and evaluation costs	*6*	**(37,321)**	(354,359)
Proceeds on sale of property, plant and equipment		**-**	70,503
Cash used in investing activities		**(36,055)**	(280,701)
Decrease in cash and cash equivalents		**(135,154)**	(463,951)
Cash and cash equivalents at beginning of year		**418,040**	881,501
Exchange loss on cash held in foreign currency		**28**	490
Cash and cash equivalents at end of year		**282,914**	418,040

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

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.

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 20 Adelaide Street East, Suite 200, Toronto, Ontario, Canada, M5V 2T6.

2. Basis of presentation and adoption of International Financial Reporting Standards

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The preparation of financial statements in conformity with IFRS requires the use of estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Although these estimates are based on management’s best knowledge of the amounts, events or action, actual results ultimately may differ from those estimates. Areas where estimates and judgments are significant to these financial statements are disclosed in note 4.

The policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on March 21, 2018.

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of certain financial assets at fair value.

b) Principles of consolidation

These financial statements incorporate the accounts of Forsys Metals Corp. and its subsidiaries. All intercompany balances, transactions, income and expenses and profits or losses have been eliminated on consolidation.

Subsidiaries are consolidated where the Company possesses power over the subsidiary, has exposure of rights variable to returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect its returns. For non-wholly owned subsidiaries, the net assets attributable to outside equity shareholders are presented as “non-controlling interest” in the equity section of the consolidated balance sheet. Profit for the year that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary. Entities are fully consolidated from the date on which control is obtained by Forsys and are de-consolidated from the date that control ceases.

3. Summary of significant accounting policies (continued)

b) Principles of consolidation (continued)

The Company's principal subsidiaries are as follows:

- a 100% interest in 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;
- a 100% interest in Dunefield Mining Company (Proprietary) Limited, a Namibian based exploration company, which holds a 100% interest in the Namibplaas Uranium Project; and
- a 100% interest in 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 75% of the ordinary shares in Razorback Gold Mining Company (Proprietary) Limited 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 acquisition of subsidiaries is accounted for using the purchase method of accounting whereby the purchase consideration is allocated to the identifiable assets and liabilities and contingent liabilities assumed at the date of acquisition. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date with retroactive restatement to the acquisition date as required. Incremental costs related to the acquisition costs are expensed as incurred.

If the transaction does not meet the definition of a business combination the transaction is recorded as an acquisition of an asset.

c) Foreign currency translation

The presentation currency of the Company is the Canadian dollar, which is also the functional currency of Forsys Metals Corp., the parent entity. The functional currency for each subsidiary is the currency of the primary economic environment in which the subsidiary operates. Primary and secondary indicators are used to determine the functional currency (primary indicators have priority over secondary indicators). The functional currency for the Company's subsidiaries which carry out exploration and development activities located in Namibia is the Namibian dollar.

Transactions in foreign currencies are initially recorded in the functional currency of the entity at the exchange rate in effect at the transaction date. Foreign currency transactions are translated into the functional currency of the entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised within general and administrative expenses in the consolidated income (loss) statement. Non-monetary items, which are measured using historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction.

On consolidation, the foreign exploration and development operation is translated from the functional currency of Namibian dollars into Canadian dollars, the presentation currency of the Company. Income and expense items are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Assets and liabilities in the consolidated balance sheet are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar are recognized as a separate component of equity through other comprehensive income (loss).

d) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, investments and trade payables.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial instruments are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent years is dependent upon the classification of the financial instruments as financial assets and liabilities at fair value through profit and loss ("FVTPL"), available-for-sale, loans and receivables, held-to-maturity, or other financial liabilities. For financial instruments, other than those classified as FVTPL, transaction costs are added to the initial fair value of the related financial instrument.

Financial assets and financial liabilities classified as FVTPL are measured at fair value with changes in those fair values recognized in the consolidated income (loss) statement. Financial assets classified as available for-sale are measured at fair value with changes in those fair values recognized in other comprehensive income. Financial assets classified as loans and receivables, held to maturity or other financial liabilities are measured at amortized cost using the effective interest rate method of amortization. For financial instruments measured at amortized cost, transaction costs or fees, premiums or discounts earned or incurred are recorded, at inception, net against the fair value of the financial instrument. Interest expense is recorded using the effective interest method.

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

The Company's financial assets and liabilities are accounted for as follows:

i) Cash and cash equivalents and trade receivables

Cash and cash equivalents comprise cash at banks and on hand and other highly-liquid short-term money market instruments which have an original term to maturity of three months or less.

Cash and cash equivalents have been classified as loans and receivables. Loans and receivables are initially measured at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less any provision for impairment.

Trade receivables generally have 30 to 60 day terms. Due to their short term nature they are not discounted. Collectability of receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognized when there is objective evidence that the Company will not be able to collect the receivables.

ii) *Investments (shares)*

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses are recognized in other comprehensive income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the consolidated income (loss) statement. Available-for-sale investments are recorded as non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

iii) *Trade payables*

Trade payables are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs and subsequently stated at amortized cost. Due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 45 days of recognition.

e) Mineral properties, exploration and evaluation costs

The Company's activities are directed towards the search, evaluation and development of mineral properties. Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site.

The Company is in the exploration stage with respect to its investment in mineral properties. The Company elected to capitalize all costs where such costs have characteristics of an asset relating to the acquisition of, exploration for, and development of mineral claims. The cost of mineral properties includes the cash consideration and the fair value of shares issued on the date the property is acquired.

Exploration expenditures typically include costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve; (ii) determining the optimal method of extraction and determining metallurgical and treatment processes; (iii) completing studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) preparing economic evaluations to determine whether the development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred. Mineral property, exploration and evaluation costs capitalized represent property acquisition, exploration and evaluation costs and are deferred costs to be charged against operations in the future and do not necessarily reflect the present or future values of the particular projects.

3. Summary of significant accounting policies (continued)

e) Mineral properties, exploration and evaluation costs (continued)

Once a development mining property and development asset goes into commercial production, it is reclassified as "Producing" and the accumulated costs will be charged to operations on a unit-of-production method based on proven and probable reserves and resources in the current mine plan. Commercial production occurs when a property is substantially complete and ready for its intended use.

The aggregate costs related to abandoned mineral claims are charged as an expense within the consolidated income (loss) statement at the time of any abandonment or when it has been determined that there is evidence of an impairment.

Recoverability of the carrying amount of any mineral properties, exploration and evaluation cost is dependent on successful development and commercial exploitation or alternatively, sale of the respective area of interest.

f) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment charges. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged as an expense in the consolidated income (loss) statement during the year in which they are incurred.

The costs of assets in the course of construction are capitalized as capital work-in-progress and not depreciated. The cost of capital work-in-progress comprises its purchase price and any costs attributable to bringing it into working condition for its intended use. Capital work-in-progress also includes deposits on long lead items. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences when the asset is ready for its intended use. Mine development costs are accumulated and carried forward at cost until the completion of the mine. On completion, the asset is amortized using the unit of production basis.

Depreciation is calculated over the depreciable amount, which is the cost of the asset less its residual value. Assets which are unrelated to production are depreciated according to a straight-line basis including vehicles over three years and office furniture and equipment over five years. Where a unit-of-production methodology is used, the assets are depreciated to their estimated residual value over the useful life defined by management's best estimate of recoverable reserves and resources in the current mine plan. When assets are retired or sold, the resulting gains or losses are reflected in general and administrative expenses in the consolidated income (loss) statement. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

g) Asset Impairment

i) Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognises an impairment loss, as follows:

Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Available-for-sale financial assets: If the value of an investment in shares declines below the carrying amount, the Company undertakes qualitative and quantitative assessments to determine whether the decline is significant or prolonged. The Company considers all relevant facts and circumstances, particularly the length of time and extent to which the fair value has been less than the carrying amount.

If an unrealized loss on an available-for-sale investment has been recognized in Other Comprehensive Income ("OCI") and it is determined to be either significant or prolonged, any cumulative loss that had been recognized in OCI is reclassified as an impairment loss in the consolidated income (loss) statement. The reclassification adjustment is calculated as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the consolidated income (loss) statement. If the value of a previously impaired available-for-sale equity investment subsequently recovers, additional unrealized gains are recorded through OCI and the previously recorded impairment losses are not subject to reversal through the consolidated income (loss) statement.

3. Summary of significant accounting policies (continued)

g) Asset impairment (continued)

ii) Non-financial assets

Mineral property, exploration and evaluation assets in the exploration stage

At each reporting date, management reviews whether there is any indication that mineral property, exploration and evaluation assets may be impaired. Impairment indicators may include expiry of exploration rights, absence of budgeted expenditure, commercially unviable quantities of mineral resources and unlikely recovery of the carrying values through development of the mineral property. Mineral property, exploration and evaluation assets in the exploration stage may be written down to their recoverable amount if their carrying value exceeds their recoverable amount.

Mineral property, exploration and evaluation assets transferred to mine development

Once the Company decides to proceed to development, mineral property, exploration and evaluation assets from the exploration stage are transferred to mine development and tested for impairment. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of measuring recoverable amounts assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). Cash-generating units are individual operating mines or exploration and development projects.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to present value, assumptions used are those that an independent market participant would consider appropriate. In assessing value in use, the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately as an expense in the income (loss) statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in earnings immediately.

Management estimates of mineral prices, recoverable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

Property, plant and equipment

The Company's management performs impairment tests on property, plant and equipment when events or circumstances indicate that a tangible asset may be impaired.

Where an indication of impairment exists, management makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount through a charge to earnings. When the asset does not generate cash flows which are independent from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Tangible assets that have been impaired in prior years are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount which would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings immediately.

It is reasonably possible that certain events could adversely affect management's estimates of fair value and the need for, as well as the amount of, provision for impairment in the carrying value of mineral interests and related assets. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered and provides for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value.

3. Summary of significant accounting policies (continued)

h) Provisions

Provisions are recognized in other liabilities when: the Company has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting year. Any increase in the provision due to the passage of time is recognized as a finance cost.

i) Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against income in the consolidated income (loss) statement over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in the consolidated statement of comprehensive income.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized as an expense or credit in the consolidated statement of comprehensive income.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

Currently the Company does not have a significant restoration, rehabilitation and environmental obligation as the disturbance to date is minimal. As the project progresses, management will assess whether an obligation has arisen. At the point where such liability arises, the financial statement adjustment required will be to increase the project's carrying value and related liability by the discounted value of the total liability.

j) Income taxes

Income tax expense is comprised of current and deferred taxes. Income tax is recognized in the income (loss) statement except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current income tax for each taxable entity is the expected tax payable on the local taxable income for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is recognized on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable taxable income will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition of assets and liabilities in a transaction which affects neither taxable income nor the accounting income. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable sufficient taxable income will be available to allow all or part of the asset to be recovered. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the rates that are expected to apply in the years when the deferred tax asset is realized or the liability is settled, based on tax rates which have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would flow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are presented as non-current.

3. Summary of significant accounting policies (continued)

j) Income taxes (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

k) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

l) Share-based compensation

The Company has a stock option compensation plan for its directors, officers, employees and consultants. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the applicable vesting period as an increase in share-based compensation cost and contributed surplus. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. When such stock options are exercised, the proceeds received by the Company, together with the respective amount from contributed surplus, are credited to share capital. At each balance sheet reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options which are expected to vest. For expired and cancelled options that have vested, compensation expense is not reversed and the related credit remains in contributed surplus.

The Company has outstanding share purchase warrants. The fair value is measured at the issuance date and each issuance is recognized as an increase in share-based compensation cost, or capitalised to mineral properties, exploration and evaluation costs if issued in conjunction with the acquisition of mineral properties, exploration and evaluation assets, and contributed surplus. The fair value of the warrants granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the warrants were issued. When such warrants are exercised, the proceeds received by the Company, together with the respective amount from contributed surplus, are credited to share capital.

m) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities which entitle their holders to obtain common shares in the future. Diluted earnings per share is computed by dividing net income (loss) by the weighted average number of common shares, plus the effects of dilutive common share equivalents such as stock options. The number of shares included with respect to options, warrants and other similar instruments is computed using the treasury method. Under this method, proceeds deemed to be received on the exercise of “in the money” options and warrants in the per-share calculation are deemed to be applied to reacquire common shares at the average market price for the year.

In a loss per share calculation the effect of potential issuance of shares under options and warrants would be anti-dilutive, accordingly, basic and diluted loss per share are the same. As at December 31, 2017 and 2016 there were 1,550,000 and 3,050,000 options outstanding, respectively, which are antidilutive. Also at December 31, 2017 and 2016 there were nil and 13,307,998 warrants outstanding, respectively, which are antidilutive.

n) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

o) Value added tax (VAT)

Expenses and assets are recognized net of the amount of associated VAT, unless the VAT incurred is not recoverable from the taxation authority. In this case it is recognized as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the taxation authority is included in trade and other receivables on the balance sheet.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as changes in non-cash operating working capital.

3. Summary of significant accounting policies (continued)

p) Accounting standards and interpretations issued not yet adopted

A number of new standards, interpretations and amendments to existing standards are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these financial statements. This listing of standards, interpretations and amendments issued includes those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied in the future. The Company intends to adopt these standards when they become effective.

i) IFRS 9, *Financial Instruments*, was issued as a complete version in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI without recycling permitted. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. The adoption of this standard from January 1, 2018 will not have a material impact on the Company.

ii) IFRS 15, *Revenue from Contracts with Customers,* establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows from a contract with a customer. It replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. This standard is applicable to annual reporting periods beginning on or after January 1, 2018. The adoption of this standard from January 1, 2018 will not have a material impact on the Company.

iii) IFRS 16, *Leases* (effective from January 1, 2019). One of the key changes to IFRS 16 Leases is that lessees are required to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is insignificant in value. IFRS 16 will result in lessees recognizing most leases on the balance sheet. As the Company has no leases, the impact of this standard is expected to be minimal.

q) Going concern

This report is prepared on the going concern basis which assumes the continuity of normal business activity and the realization of assets and settlement of liabilities in the normal course of business.

The Company incurred a net loss of $74,880,033 during the year ended December 31, 2017 and as of that date the Company had current assets of $314,189 (2016: $439,679) including cash and cash equivalents of $282,914 (2016: $418,040). Net cash used in operating activities for the year was $499,433 (2016: $835,418).

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

The Board of Directors are confident of the ability of the Company to raise capital as and when required, which has been demonstrated by the Company raising $412,500 before costs during the 2017 financial year (2016: $660,000). The Board of Directors are satisfied there are sufficient funds to meet the Group's working capital requirements as at the date of this report. Subsequent to period end the Company expects to receive additional funding through an equity raise.

The Board of Directors have reviewed the business outlook and the assets and liabilities of the Company and are of the opinion that the going concern basis of accounting is appropriate as they believe the Company will continue to be successful in securing additional funds as and when the need to raise funds arises.

Should the entity not be able to continue as a going concern, it may be required to realize its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

4. 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.

The key areas are summarized below.

Accounting estimates

Determination of ore 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.

Warrants

The fair value of warrants is determined using the Black-Scholes option-pricing model. Significant estimates are required to determine expected volatility, weighted average life of warrants 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:

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. 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.

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

The Company assesses the carrying amount of non-financial assets including property, plant and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset(s). The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset(s). Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset(s) in an arm's length transaction. This is often accomplished by using a discounted cash flow technique.

If, after the Corporation has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired assets is greater than the carrying amount, the Corporation reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been

4. Critical accounting estimates and judgments (continued)

Accounting judgements (continued)

recognized. An impairment loss or a reversal of an impairment loss is recognized in cost of sales, or administrative expense, depending on the nature of the asset. Impairment of goodwill is not reversed.

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.

5. Cash and cash equivalents

	2017	2016
	$	$
Cash at bank and on hand	**282,914**	418,040
Cash and cash equivalents	**282,914**	418,040

6. Mineral properties, exploration and evaluation costs

a) 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, 2016	73,212,774	3,006,047	**76,218,821**
Additions to exploration and evaluation costs	296,499	-	**296,499**
Foreign exchange movement	2,552,542	207,102	**2,759,644**
Balance at December 31, 2016	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**

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 December 31, 2017.

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, 2017.

Impairment
During the current year, the board reviewed the carrying value of the capitalised Exploration Expenditure of the Norasa Uranium Project, being the Valencia Uranium Project and the Namibplaas Uranium Project. The board considered the impairment indicators contained within IFRS 6. The board concluded that given the assets are held in care & maintenance, that no exploration activity was undertaken during the current period and that no exploration activity was budgeted over the forward 12 months, that it would be prudent to reduce the carrying value of the capitalised exploration costs relating to both projects. This resulted in a non-cash impairment expense in the Statement of Financial Performance in the current period of $64,108,680 (December 2016: nil) relating to capitalised exploration expenditure and $9,343,728 relating to property, plant and equipment (Refer Note 7).

To determine the projects fair value value in use and arrive at the impairment, the Definitive Feasability Study valuation model, as released in March 2015 was used. For the impairment test carried out as at December 31, 2017, management's key assumptions that were applied at that time were retained with the following exceptions:

- Post-tax Discount Rate: 14% (2015 – 8%)
- Uranium L/T price/lb: US$55/lb (2015 – $65/lb)
- Commerical production commencement: 2023 (2015 – 2018)

In all other respects the input parameters remained unchanged.

The fair value of the consolidated projects were higher than its consolidated carrying amount. The most sensitive assumptions used in the impairment testing model include the discount rate and uranium price. A 200 base point increase in the discount rate to 16% would reduce the carrying value to Nil. A reduction in the long-term uranium price per pound to US$50 would reduce the carrying value to Nil. A corresponding reduction in discount rate and increase in the price of uranium would increase the fair value by US$24m and US$55m respectively.

It should be noted that the requirement for impairment arises from the accounting standards and when there are facts and circumstances suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, but

not from any geological, technical or prospectivity down-grades of these projects. Whilst there is no certainty a transaction involving one or more of the projects will occur, the Company will continue to hold the relevant tenements within its portfolio with a view to extracting value for its shareholders in the near future.

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 75% 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.

On March 20, 2018 the Company announced that B2Gold, having expended the minimum amounts required under the Earn-In in the second earn-in period, exercised its right and had increased its equity in Razorback to 49% with the Company retaining the balance of 51%. The Earn-In is now in its third and final period and provides B2Gold the right to acquire an additional 26% interest in Ondundu by spending a further minimum US$1,300,000. If the right to increase B2Gold's equity position in Razorback to 75% is exercised by B2Gold on or before January 2, 2019, Forsys may exercise a put option to transfer the balance of Ondundu for US$8,500,000 at any time during afor a period of 12 months period.

7. Property, plant and equipment

The property, plant and equipment balance consists of the following:

	Vehicles	Office Furniture	Equipment	Capital work-in- progress	**Total**
Cost or Fair Value	$	$	$	$	**$**
Balance at January 1, 2016	133,584	29,678	157,273	8,867,068	**9,187,603**
Disposals	(131,629)	(5,134)	(6,316)	-	**(143,079)**
Write-down -	-	-	-	(679,047)	**(679,047)**
Foreign exchange movement	(1,955)	707	14,193	844,483	**857,428**
Balance at December 31, 2016	-	25,251	165,150	9,032,504	**9,222,905**
Disposals	-	-	-	-	**-**
Write-down	-	-	-	(9,343,728)	**(9,343,728)**
Foreign exchange movement	-	(16,960)	5,691	311,224	**299,955**
Balance at December 31, 2017	-	8,291	170,841	-	**179,132**
Accumulated Depreciation					
Balance at January 1, 2016	131,585	24,643	149,782	-	**306,010**
Depreciation	-	4,774	6,213	-	**10,987**
Disposals	(129,689)	(5,134)	(6,012)	-	**(140,835)**
Foreign exchange movement	(1,896)	670	14,017	-	**12,791**
Balance at December 31, 2016	-	24,953	164,000	-	**188,953**
Depreciation	-	276	979	-	**1,254**
Disposals	-	-	-	-	**-**
Foreign exchange movement	-	(16,946)	5,736	-	**(11,209)**
Balance at December 31, 2017	-	8,283	170,715	-	**178,998**
Net book value					
At December 31, 2016	-	298	1,150	9,032,504	**9,033,952**
At December 31, 2017	-	9	125	-	**134**

Impairment

During the current year, the Board reviewed the carrying value of the Property, Plant and Equipment associated with the Norasa Uranium Project, being the Valencia Uranium Project and the Namibplaas Uranium Project. The Board concluded that given the Projects are held in care & maintenance, that no exploration activity was undertaken during the current period and that no exploration activity was budgeted over the forward 12 months, that it would be prudent to reduce the carrying value of the Property, Plant and Equipment relating to both projects. This resulted in a non-cash write-down expense in the Statement of Financial Performance in the current period of $9,343,728 (December 2016: nil). Refer to Note 6 for further details.

8. Trade and other payables

	2017	2016
	$	$
Trade payables	**179,759**	12,382
Other payables	**72,640**	231,704
	252,399	244,086

Trade payables are non-interest bearing and are normally settled on a 45 day term. Other payables represent accruals for professional fees, employee benefits and vacation entitlements that are expected to be settled within 12 months.

9. 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 (2)

An unlimited number of Class C shares with rights and privileges to be determined by the Forsys Board of Directors (2)

Issued

A 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 January 1, 2016	134,911,421	163,082,241
Share issuance (net of costs $7,832)	11,000,000	504,962
Balance as at December 31, 2016	145,911,421	163,587,203
Share issuance (net of costs $12,167) (1) a. to e.	**6,703,145**	**558,547**
Balance as at December 31, 2017	**152,614,566**	**164,145,750**

(1) The Company has issued the following Class A shares:

a. On June 8, 2017 416,666 warrants were excercised at a price of $0.075 per warrant.

b. On June 30, 2017 1,203,146 Class A common shares were issued as part payment for outstanding directors and consulting fees totalling $158,214.

c. On September 12, 2017 416,666 warrants were excercised at a price of $0.075 per warrant.

d. On October 4, 2017 4,416,667 warrants were excercised at a price of $0.075 per warrant.

e. On December 12, 2017 250,000 warrants were excercised at a price of $0.075 per warrant.

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

10. Warrants

During the period 5,499,999 warrants expiring September 14, 2018 were excercised at a price of $0.075 per warrant.

On October 12, 2017, 7,807,999 warrants with an exercise price of $0.24 per warrant expired.

No warrants were granted or issued during the period.

There are no outstanding and exercisable warrants as at December 31, 2017. Warrants outstanding and exercisable as at December 31, 2016 are presented below:

Issue Date	Exercise Price	Warrants Outstanding	Warrants Exercisable	Expiry Date
October 13, 2015	$0.24	7,807,999	7,807,999	October 12, 2017
September 15, 2016	$0.075	5,499,999	5,499,999	September 14, 2018
		13,307,998	13,307,998	

11. Stock options

Forsys 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 December 31, 2017 an aggregate of 1,325,000 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 December 31, 2017, 6,508,334 (December 31, 2016 – 5,008,334) 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.

	2017		2016	
	Number of Options	**Weighted Average Exercise Price Per Share $**	Number of Options	Weighted Average Exercise Price Per Share $
Stock options outstanding, beginning of the year	**3,050,000**	**0.62**	3,600,000	0.74
Transactions during the year:				
Forfeited	**(1,725,000)**	**(0.86)**	(550,000)	(1.41)
Stock options outstanding at end of year	**1,325,000**	**0.31**	3,050,000	0.62
Stock options exercisable at end of year	**1,325,000**	**0.31**	3,050,000	0.62

A summary of the Company's options outstanding and exercisable as at December 31, 2017 is presented below:

Grant Date	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 during the year ended December 31, 2017.

During the twelve months ended December 31, 2017 share-based compensation of $Nil (2016 - $Nil) was expensed within general and administrative expenses and $Nil (2016 - $Nil) was included in mineral properties, exploration and evaluation costs.

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 December 31, 2017, the Company has a maximum value of unvested share-based compensation expense of $Nil (2016 - $Nil) to be recognized in future years.

12. Expenses by nature

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

	2017	2016
	$	$
Consulting fees	**227,683**	507,416
Salaries, directors fees and benefits	**200,592**	148,261
Professional fees	**141,772**	58,653
Public company costs	**48,984**	76,167
Other corporate costs	**5,000**	-
Marketing, administration and other corporate costs	**76,734**	69,028
Travel	**24,294**	20,426
Depreciation	**1,254**	10,986
Gain on sale of property, plant and equipment	**-**	(68,259)
(Gain) loss on foreign exchange	**2,578**	257
General and administrative expense for year	**728,891**	822,935

13. Income taxes

a) The difference between the Company's income tax provision calculated using the statutory rate and the reported amount is as follows:

	2017		2016	
	$	**%**	$	%
Loss before income taxes	**(74,880,033)**		(1,498,827)	
Income tax recovery at statutory rates	**(192,821)**	**(26.5)**	(397,189)	(26.5)
Difference between Canadian and foreign statutory rates	**(11,559)**	**(4.7)**	(70,705)	(4.7)
Other	**(43,000)**	**0.0**	(300)	0.0
Tax effects of tax losses for which no DTA was recognised	**247,380**	**31.2**	468,194	31.2
Income tax expense	**-**	**-**	-	-

The tax rates used for the 2017 and 2016 reconciliations above is 26.5% which is the corporate tax rate applicable to the Company in Canada.

13. Income taxes

b) Canadian operations

The following are the temporary differences that give rise to a deferred tax asset which management has not recognized because it does not meet the recognition criteria under IAS 12.

	2017	2016
	$	$
Resource deductions	**171,093**	171,093
Property, plant and equipment	**52,227**	52,227
Investments	**400,000**	400,000
Non-capital losses carried forward expiring from 2025 to 2032	**14,218,680**	13,480,093
Capital losses carried forward [(1)]	**1,348,000**	1,348,000
	16,190,000	15,451,413

[(1)] Capital losses from cancellation of Angus Mining Inc. shares and warrants that have no expiry date.

c) Namibian operations

There are deductible temporary differences of approximately $9,515,297 (2016 - $9,401,607) from the Namibian operations which are not recognized because the deferred tax asset does not meet the recognition criteria under IAS 12.

14. Fair Value measurement

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

	2017	2016
	$	$
Recurring measurements		
Financial Assets		
Loans and receivables [(1)]	**282,914**	418,040
Financial Liabilities		
Other financial liabilities [(2)]	**72,176**	12,382

[(1)] Comprises cash and cash equivalents.

[(2)] Comprises trade payables.

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 fair value measurement has been applied to capital work-in-progress as detailed in note 7.

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.

14. Fair Value measurement (continued)

Financial Risk Management

The Company's activities expose it to a variety of risks arising from financial instruments. These risks, and management's objectives, policies and procedures for managing these risks, are discussed below.

i) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment objectives. The Company's credit risk primarily relates to cash and cash equivalents 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. Total receivables of $21,595 at December 31, 2017 were classified as other receivables.

As at December 31, 2017 and 2016 there were no receivables past due or impaired. The Company does not have a provision against its trade and other receivables at December 31, 2017 and 2016.

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 December 31, 2017 the Company had cash and cash equivalents of $282,914 (2016 $418,040) trade and other receivables of $21,595 (2016 $4,993) and financial liabilities consisting of trade payables of $72,176 (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 December 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 December 31, 2017. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. As of December 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 $1,500. Future fluctuations in interest rates will impact the Company's cost of capital which it will require in order to develop its mineral properties. The Company's weighted average interest rate on bank deposits during the year was 0.6% (2016 – 0.6%).

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 December 31, 2017 the Company has no exposure to foreign currency risk through trade and other payables.

15. 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 Forsys has not yet made a formal decision to develop the Norasa mine, pending the completion of feasibility studies and satisfactory financing arrangements. Management will consider the issue of senior debt, convertible investments, other financial instruments and strategic partners as a means to finance development of the Norasa uranium project while minimizing equity dilution. The Company expects that it will be able to obtain financing or pursue other strategies to develop the Valencia uranium project but there are no assurances these initiatives will be successful.

As of December 31, 2017 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.

16. Commitments and contingencies

The Company has no commitments or contingencies at year end.

17. 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:

	2017	2016
	$	$
Consulting fees	**227,683**	432,769
Salaries and short-term employee benefits	**200,592**	147,797
	428,276	580,566

Related party transactions

General and administrative expenses include $38,711 (2016 - $49,663) for serviced office expenses paid to a company, in which a Director is also a Director of Forsys. 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.

18. 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 by geographic area are as follows:

	2017	2016
	$	$
Namibia	**15,595,345**	88,308,916
Other	**-**	-
	15,595,345	88,308,916

19. Events occurring after the reporting period

On March 20, 2018 the Company announced B2Gold having expended the minimum amounts required under the Earn-In in the second earn-in period, exercised its right and has increased its equity in Razorback to 49%; the Company retains the balance of 51%. The Earn-In, now in its third and final period, provides B2Gold the right to acquire an additional 26% interest in Ondundu by spending a further minimum US$1,300,000. If the right to increase B2Gold's equity position in Razorback to 75% is exercised by B2Gold on or before January 2, 2019, Forsys may exercise a put option to transfer the balance of Ondundu for US$8,500,000 at any time during after a period of 12 months period.

Other than the item above, at the date of this report there are no other matters or circumstances which have arisen since December 31, 2017 that have significantly affected or may significantly affect:

- The operations, in financial years subsequent to December 31, 2017, of the Company;
- The results of those operations, in financial years subsequent to December 31, 2017, of the Company;
- The state of affairs, in financial years subsequent to December 31, 2017 of the Company.