



# Management's Discussion and Analysis

## For the year ended December 31, 2023

### Introduction

This Management's Discussion and Analysis ("MD&A") of Forsys Metals Corp. and its subsidiary companies (collectively, the "Company") for the year ended December 31, 2023 has been prepared as of March 28, 2024 and should be read in conjunction with the annual consolidated financial statements including the notes which have been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

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

### Nature of Business

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

### Overall Performance

#### *Norasa*

The Company continued various processes to review the Norasa Feasibility Study dated March 16 2015 and filed on March 18, 2015 ("FS")<sup>1</sup> prepared by AMEC Foster Wheeler ("AMEC") together with external consultants and the Company's Qualified Professionals. This work included review of mine design geotechnical parameters to optimize pit shell designs. Value engineering reviews started on process plant designs to further optimize capital cost and process efficiencies. Trade-off studies commenced on economic evaluation of contractor mining versus owner mining.

As a key part of this re-evaluation, the Company has been evaluating the trade-off opportunity between tank and heap leaching, given how advances in HPGR heap leach technology and lower sulphuric acid costs suggest that heap leaching could potentially provide a superior economic flowsheet than the existing tank leach process. To accomplish this, the Company recruited an experienced team of highly respected process engineers, mining experts, geologists, environment consultants, and specialists based in Namibia operating under the leadership of the Company's Country Director, Pine Van Wyk.

#### *Description of Valencia and Namibplaas*

##### *Location and Ownership*

Valencia is situated on the farm "Valencia 122", which is located approximately 75km north-east of Swakopmund in central-west Namibia, covering an area of 735.6 ha and is registered in the name of Valencia Uranium (Pty) Ltd ("Valencia Uranium"). ML 149 is valid for 25 years from date of issue by the Namibian Ministry of Mines and Energy ("MME") on June 23, 2008 and is renewable.

The entire Valencia mineral licence area is located on privately held farmland. As required by law, an agreement must be entered into between a mineral licence holder and the landowner prior to mine development.

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

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<sup>1</sup> As stated in the March 18, 2015 News Release the Feasibility Study could not be classified as a "definitive feasibility study" under NI 43-101 disclosure standards, but represents the definitive basis by which Forsys intended to seek to develop the Norasa Project, and was conducted to an accuracy of +/-15% for Class 3 Capital and Operating Cost estimates.

These agreements facilitated planning for the necessary infrastructure required to support mining operations. This infrastructure has been approved by the MME as the operation's accessory works and includes inter alia the main pit, waste dumps, tailings dump, pipeline, power lines, roads, process plant, explosive magazines, etc. The construction camp / operations village have also been approved. The Company obtained the renewal of its Environmental Clearance Certificate ("ECC") from the Ministry of Environment, Forestry and Tourism on June 21, 2023. This renewal of the ECC lasts three years and is required for compliance with all environmental requirements allowing the Company to further advance the development plan for Norasa. The ECC renewal process included an approved Environmental Impact Assessment ("EIA") and Environmental Management Plan ("EMP") covering an examination of the Company's environmental management practices, incorporating waste management, emissions controls, biodiversity protection, and community engagement, among other factors.

Namibplaas is located 7.5km northeast of the Valencia deposit on the farm "Namibplaas 93" with a total surface area of 1,269 ha. The Exclusive Prospecting Licence ("EPL 3638") for the Namibplaas uranium deposit was recently renewed for a further two years until February 1, 2026. In September 2022, the Company also made an application to the Ministry to convert EPL 3638 to a full 25-year Mining Licence ("ML"), and this submission is pending as ML 251.

EPL 3638 remains in good standing while the Ministry processes the Company's ML 251 submission.

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

There are no historical environmental liabilities for either the Valencia or Namibplaas properties.

#### *Statement of Reserves*

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

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

*Cut-off grade of 100 ppm*

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

*Cut-off grade of 140 ppm*

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

#### **Current Development Status**

On March 17, 2023, the Company announced a program of technical trade-off studies to evaluate the options for practical and economical benefit. In this regard, the Company's subsidiary Valencia Uranium (Pty) Ltd. has appointed DRA Mineral Projects Pty Ltd ("DRA") as the engineering consulting company to conduct the trade-off studies. DRA are highly experienced in Namibian mining as well as uranium mining studies and resource projects in Southern Africa.

The scope of work includes a review of testwork information to confirm optimal grind size considering uranium recovery, costs, materials handling and tailings handling. Balance of trade-off studies include the comminution circuitry design; leach

circuitry design and layout; and dewatering circuit configuration and design. A tailings deposition option study will also be undertaken. Techno-financial evaluations will be done, in addition to qualitative risk assessments to select the best design basis.

As noted in the Overall Performance section, a key component of the trade-off studies involves evaluating the trade-off opportunity between tank and heap leaching given how advances in HPGR heap leach technology, lower sulphuric acid costs suggest that heap leaching could potentially provide a superior economic flowsheet than the existing tank leach process. These tests are still ongoing.

On June 21, 2023, the Environmental Clearance Certificate (“ECC”) from the Ministry of Environment, Forestry and Tourism was renewed for a further three years. The ECC renewal process included an examination of the Company's environmental management practices, incorporating waste management, emissions controls, biodiversity protection, and community engagement, among other factors.

On April 19, 2023, the Company announced that it had started a 4,100 m drilling program, which commenced on March 31, 2023. This program retrieved fresh samples at depths of up to 420 m from the slope areas for both the planned mining pits at Valencia and Namibplaas. The focus of the drilling program included:

- geotechnical drilling, and logging and sampling for geo-mechanical testing for pit slope stability assessment and optimizing pit designs;
- testing the continuity of mineralization for resource modelling;
- confirming mineral resource estimate parameters; and
- sampling for metallurgical test work and processing design optimization;

On March 26, 2024, the Company reported on the Valencia 2023 drilling programme with assay results from ML149. Fifteen boreholes had been drilled for a combined total of 2,684.44 metres at Valencia.

Drilling, geological and geotechnical logging, down-hole optical televiewer and radiometric scans were completed on the 15 holes drilled. 819 samples from ten of the boreholes underwent assay with quality control protocol and procedures in place and the chemical results have been verified by an accredited lab. Highlights were as follows:

- Multiple zones of massive alaskite intrusions were intersected. Chemical assays confirm uranium mineralisation in all six of the confirmation boreholes.
- Best mineralised borehole PQ-5 intersected 77.34 m of continuous mineralisation, averaging 439 ppm  $U_3O_8$ , including 41.9 m of 683ppm  $U_3O_8$ .
- 2023 intersections of mineralisation correlate with the neighbouring historic drilling intersections and down-hole gamma survey results.
- No major zones of rock weakness, i.e. no geological structures, have been intersected at Valencia. This is a positive result for the ongoing geotechnical specialist work, as it indicates conducive conditions for pit slope optimization and overall mine design.
- Downhole scintillometer surveys were also completed on nine historic exploration boreholes to validate historic results.

Geological context:

- Boreholes GT-01 to GT-07 were drilled from within the planned Valencia Main mine pit, angled and directed away from the centre of the 2015 pit shell to investigate the ground conditions for the pit slope design.
- Two boreholes, RE-01 and RE-02, were strategically positioned to confirm mineralisation from the 2015 FS Mineral Resource Estimate at Valencia in a geologically unique zone.
- Holes PQ-01 to PQ-05 were drilled at Valencia for a total of 285.31 meters, providing approximately 3 tons of sample for metallurgical testing.

Borehole samples were selected for geochemical assay from the routine downhole radiometric scanning results and sent to Trace Elements Analysis Laboratories (Pty) Ltd (“TEA Labs”) at Swakopmund for sample preparation and analyses by XRF. For internal quality control purposes TEA Labs has weekly round robins with independent laboratories at Rosh Pinah Swakop Uranium and Langer Heinrich mines.

The Company also announced on March 26, 2024 that it had commenced a further drilling program at Valencia (ML-149). Three zones of potential uranium mineralization situated outside of the existing resource block model are now being investigated. The drilling program focusses on three target areas:

- A favourable horizon identified at the Jolie Zone (~ 1km north of Valencia pit)
- Valencia West Extension
- Valencia South

Twenty-nine scheduled boreholes, comprising 5,236 meters of drilling, aim to assess mineralisation at depths of up to 380 meters below collar.

The three areas of mineralization potential were delineated from exploration work, including aerial photo interpretation, geological mapping, aeromagnetic surveys, airborne and ground scintillometer surveys, and exploration drilling. Investigation by drilling is required to define the mine's surface infrastructure development and also explore for resource upside potential in these areas.

#### *Infrastructure*

The Company is undertaking a complete review of all power, plant, water, road and rail infrastructure.

Various options for ground water are being evaluated in close proximity to the project to supply water during construction phase. In addition, Water supply for the mine and mineral processing operations will be sourced from one or a combination of the three potential sources listed below:

- Water sourced from the Namwater pipeline (B2 highway): The source of this water is the Orano Resources Namibia plant located at Wlotzkasbaken, approximately 30 km north of Swakopmund. The closest bulk water supply point is the Rössing mine reservoirs, located 24 km to the WSW. Installation of a 31 km long pipeline to run through the Khan River to the site. Upgrading of the pipeline and pumping system will be necessary.
- Ground Water: A paleochannel aquifer is present, southeast of the Valencia site, between the Chuos Mountains and mountains south of the Khan River. Further investigation on this aquifer as part of the geohydrological assessment is scheduled to evaluate this aquifer's potential.
- Khan River: There is also the option to abstract water from the Khan River Alluvium Aquifer or potential for the development of a long-standing plan to build a dam on the Khan River system. The hydrological and geohydrological assessment in the EIA will determine the viability of this option.

The nearest power off-take point that can supply Norasa is the Khan substation, located at Ebony, 26km north of the mine. The direct route is very rugged through the Khan Valley and tributaries and an alternate indirect transmission route of nearly 30km has been laid out by NamPower. The Khan substation has recently been upgraded and expanded. NamPower met the cost of the new substation although a new bay for Norasa will be at the mine's expense, as will be the cost of the transmission line to the mine.

Construction of a 27km private industrial grade gravel access road was completed in mid-2010 linking Valencia to the Trans Kalahari (B2) highway, which is the main artery from the international port of Walvis Bay and the town of Swakopmund to Namibia's capital Windhoek.

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

In order to achieve production at Norasa, the Company identified certain critical long-lead items required to bring the mine into production. At September 30, 2023, capital work-in-progress includes the access road to the Valencia mine site which is now complete and a crusher (currently in storage in Namibia). The value of capital work-in-progress was reduced to \$nil during the year ended December 31, 2017 to reflect the depressed uranium market. Further investment in capital works at Norasa has been put on hold pending completion of suitable financing arrangements and a formal decision by the Company's board to proceed with the development of Norasa.

#### **Outlook**

Valencia is one of the very few uranium projects in the world that is construction ready with a mining licence. The current review and further studies on Norasa are examining how newer, alternative mining equipment and technologies can enhance pit design, recovery and slope angle to improve mining and process costs, which is considered by the Company to be a key milestone in attracting strategic partners and investors and provide the Company with alternatives for the next phase of Norasa's development.

#### **Subsidiary operations**

The Company's subsidiary, Westport Resources Namibia (Pty) Ltd. received approval for a repayment plan for income taxes payable of N\$25,710,464 related to the exercise of a call option granted to B2Gold Mining Investments Limited to increase their interest in the Company's former investment in associate, Razorback Gold Mining Company (Pty) Limited from 49%

to 100%. Pursuant to the repayment plan, the income taxes payable will be paid in instalments until September 30, 2024 and all penalties and interest will be waived.

### **Key Economic Trends in the Uranium Industry**<sup>1</sup>

The nuclear power industry is achieving increasing recognition for its clean energy credentials among policy makers, environmentalists and the public. Nuclear power continues to meet approximately 10% of the world's electricity demand, and accounts for around 25% of the world's low carbon electricity production. As a low carbon reliable and secure source of generation it is expected to play a major role in future energy supply.

The key advantage of nuclear is its proven ability to provide reliable and economic base load power on a near zero carbon basis. In the USA, nuclear energy currently provides around 48% of the country's carbon free electricity. In the European Union it accounts for 40% of the region's carbon free electricity.<sup>1</sup>

As of the end of June 2023, global nuclear capacity was 391 GWe (from 437 units). An additional 64GWe of capacity is expected to be provided by a further 63 new units currently under construction. Over the last two years a total of 12 reactors have been connected to the grid in mature nuclear power nations including Belarus, China, Finland, Pakistan, Slovakia, South Korea, UAE and the USA. Additionally, construction of new reactors has been started in China, Egypt, India, Russia and Turkey and Iran and many other countries are considering either to expand their existing nuclear programmes e.g. Bulgaria Czech Republic, France, Hungary, Netherlands, Romania, and the UK or to build their first reactors e.g. Ghana, Kazakhstan, Kenya, Poland, Saudi Arabia, Uganda. In two of the larger industrial nations (China and India) nuclear capacity growth is expected to increase significantly with over half of the projected new reactors in these two countries alone.<sup>1</sup>

World reactor requirements for uranium in 2023 estimated at about 65,650 tonnes in the WNA 2023 reference scenario is expected to increase to 83,840 tonnes in 2030 and almost 130,000 tonnes in 2040. The WNA estimate that primary uranium supply is meeting only 74% of 2020s reactor requirements and that this supply demand gap will only widen over the next 20 years.<sup>1</sup>

To meet the reference scenario in the WNA 2023 review, intense development of new projects will be needed to avoid potential supply disruptions.

Governments are in the process of re-establishing nuclear programmes. Today there are 437 nuclear power plants operating worldwide in 33 countries with a further 63 nuclear reactors currently under construction. The lower operating cost of nuclear power generation and the increasing concern for the environment and climate change are driving this nuclear renaissance. There are now 514 new reactors planned around the world plus a new generation of Small Modular Reactors (SMRs) which offer a lower initial capital investment, greater scalability, and siting flexibility for locations unable to accommodate more traditional larger reactors. They also have the potential for enhanced safety and security compared to earlier design.<sup>1</sup>

### *Uranium Price*<sup>2</sup>

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

During the last two years, as producers suspended production due to COVID-19 lockdowns and then purchased uranium in order to meet contractual obligations, the spot price declined to a low of US\$27.98/lb on February 28, 2021 and has since recovered reaching a high of US\$106.25/lb on January 29, 2024. On December 31, 2023, the uranium spot price was US\$92.35/lb.

While the uranium spot price can be volatile, the majority of uranium sales occur under long-term contracts with the long-term contract price having moved upwards to US\$68.00/lb on December 31, 2023 (UxC).

Uranium prices have also been impacted by the increased activity by investment firms acquiring physical inventory for storage. Existing market participants such as Yellowcake Plc have continued to acquire physical inventory. As at December 31, 2023, Yellowcake Plc held 21.862 million lbs of U<sub>3</sub>O<sub>8</sub>. Sprott Physical Uranium Trust has also been very active and as of December 31, 2023 had acquired 63.2 million lbs of U<sub>3</sub>O<sub>8</sub> overall.

<sup>1</sup> The Nuclear Fuel Report: Global Scenarios for demand and supply availability 2023-2040 <https://world-nuclear.org>

<sup>2</sup> The Company calculates industry average prices from the month-end prices published by UxC and TradeTech.

## Risks and Uncertainties

The exploration and development of natural resources is a speculative activity involving a high degree of risk. Investment in securities of the Company should only be undertaken by investors whose financial resources are sufficient to enable them to assume such risk and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors, which may affect the Company and its financial position. A comprehensive summary of these risk factors is included in the section titled "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2023 available under the Company's filings on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## Annual Summary Information

	Years ended December 31		
	2023	2022	2021
	\$	\$	\$
Total revenues	–	–	–
Net income (loss)	(5,823,504)	3,250,572	(3,861,539)
Net income (loss) per share - basic and diluted	(0.03)	0.02	(0.02)
Total assets	24,274,009	27,323,767	24,864,161
Total long-term liabilities	–	–	–
Cash dividends declared per common share	–	–	–

The net loss for 2021 reflects stock-based compensation of \$2,858,000 in respect of stock options granted during the year. Net income for 2022 reflects a gain on sale of investment in associate of \$7,450,358 and income taxes of \$3,136,581.

The net loss for 2023 reflects stock-based compensation of \$4,220,000 in respect of stock options and performance share units granted during the year.

## Discussion of Operations

	Years ended December 31,		3 months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Expenses</b>				
Professional fees	218,156	206,019	62,408	86,876
Director fees	606,825	587,183	152,546	152,629
Consulting fees	686,378	660,030	172,381	172,454
Bonuses	164,638	–	–	–
Stock-based compensation	4,220,000	–	2,030,000	–
Advisory fees	93,500	90,000	33,500	20,000
Public company costs	218,970	192,145	71,756	49,456
General and administrative	160,547	26,685	70,331	12,200
Foreign exchange loss	(4,554)	14,429	(8,096)	13,156
Other expenses	3,522	–	(18,478)	–
Interest income	(601,340)	(145,160)	(112,420)	(81,584)
	5,766,642	1,631,331	2,453,928	425,186
Loss before investment income	(5,766,642)	(1,631,331)	(2,453,928)	(425,186)
Gain on sale of investment in associate	–	7,450,358	–	–
Gain on deconsolidation of subsidiary	–	568,125	–	(225,295)
Income (loss) before income taxes	(5,766,642)	6,387,152	(2,453,928)	(650,481)
Income taxes	56,862	3,136,581	–	2,016,930
Net income (loss)	(5,823,504)	3,250,571	(2,510,789)	(2,667,411)

### Years ended December 31

The Company recorded a net loss of \$5,823,504 in the current year compared to net income of \$3,250,571 in the previous year. The results reflect the following:

- increase in bonuses to \$164,638 (2022 - \$nil) to key management personnel.
- increase in stock-based compensation to \$4,220,000 (2022 - \$ nil) for stock options and performance share units granted during the current year.
- increase in interest income to \$601,340 (2022 - \$145,160) earned on the proceeds of the exercise of B2 Gold call

option.

- d) no gain on sale of investment in associate recorded in current period compared to gain of \$7,450,358 recorded in the previous year on the exercise of B2 Gold call option.
- e) no gain on deconsolidation of subsidiary recorded in current period compared to a gain of \$568,125 recorded in the previous year.
- f) no income taxes recorded in the current year compared to \$3,136,581 recorded in the previous year on the gain on the exercise of B2 Gold call option.

### 3 months ended December 31

The Company recorded a net loss of \$2,510,789 in the current period compared to net loss of \$2,667,411 in the comparative period of the previous year. The results reflect the following:

- a) increase in stock-based compensation to \$2,030,000 (2022 - \$ nil) for performance share units granted during the current year
- b) no income taxes recorded in the current year compared to \$2,016,930 recorded in the comparative period of the previous year on the gain on the exercise of B2 Gold call option.

## Summary of Quarterly Results

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

	<b>December 31, 2023</b>	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>
	\$	\$	\$	\$
Interest and other income	60,340	105,233	286,609	97,078
Net income (loss) for the period	(2,510,789)	(2,763,383)	(165,161)	(384,171)
- Per share	-	(0.01)	-	-
	<b>December 31, 2022</b>	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>
	\$	\$	\$	\$
Interest and other income	81,584	43,292	16,173	4,112
Net income (loss) for the period	(2,667,410)	(345,260)	473,274	5,789,970
- Per share	(0.01)	-	-	0.03

Net loss for the 3 months ended December 31, 2023 includes stock-based compensation of \$2,030,000 for performance share units granted.

Net loss for the 3 months ended September 30, 2023 includes stock-based compensation of \$2,190,000.

Net loss for the 3 months ended December 31, 2022 includes an additional income tax provision of \$2,016,930 on the gain on sale of investment in associate.

Net income for the 3 months ended June 30, 2022 includes a gain on deconsolidation of subsidiary of \$793,420.

Net income for the 3 months ended March 31, 2022 includes a gain of \$7,450,358 on sale of associate, Razorback, and income taxes of \$1,119,651 for Namibian income taxes on the gain.

## Exploration and evaluation

The following table sets forth changes to exploration and evaluation:

	\$
<b>Norasa</b>	
Balance at December 31, 2022	10,279,477
Additions to exploration and evaluation costs	2,067,881
Foreign exchange movement	(983,738)
Balance at December 31, 2023	11,363,621

## Liquidity and capital resources

As the Company has not commenced production from any of its mineral properties and the Company does not generate cash from operations, the Company has financed its operations with the proceeds of equity financings. The Company is dependent on its Company's ability to secure equity financings to meet its existing obligations and to fund its working capital requirements and the exploration and development of mineral resource properties.

While strategic and financial alternatives are being evaluated and implemented, the Company has maintained a conservative level of expenditure on Norasa and reduced expenses in order to conserve cash.

At December 31, 2023, the Company had working capital of \$10,875,363 which will provide the Company with sufficient cash to fund its estimated working capital requirement of \$3,778,000 for 2024.

### ***Estimated working capital requirements for 2024***

	\$
Corporate and general expenses	1,800,000
Accounts payable at December 31, 2023	125,000
Income taxes payable at December 31, 2023	1,853,000
	<hr/> 3,778,000

For the year ended December 31, 2023, the Company incurred corporate and general expenses of \$1,930,000. For the year ended December 31, 2024, the Company estimates corporate and general expenses of \$2,150,000.

At December 31, 2023, the Company had working capital of \$10,930,964 which included cash and cash equivalents of \$12,405,165. In addition to the cash and cash equivalents on hand, the development of Norasa will require further funding, most likely a combination of equity and debt. The Company is continuing to explore opportunities for off-take and/or the possible participation of a strategic partner. Satisfactory financing arrangements will be required before the Company's Board can make a formal decision to commence the development of Norasa. The success and nature of any financing in the future will be dependent on the prevailing market conditions at that time.

## Capital management

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. The Board has not yet made a formal decision to commence the development of Norasa, which decision remains subject to, amongst other factors, suitable financing arrangements and prevailing market and economic conditions. Management will consider the issue of senior debt, convertible investments, other financial instruments and the introduction of strategic partners as a means to finance development of Norasa while minimizing equity dilution.

At December 31, 2023, the Company was not subject to any externally imposed capital requirements and there had been no change during the period with respect to the overall capital risk management strategy.

## Contractual Obligations and Commitments

In the normal course of business, the Company enters into contracts which give rise to commitments for future minimum payments. At December 31, 2023, the Company has no contractual obligations which have not been recorded in the accounts.

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

## Transactions with Related Parties

### *Compensation of Key Management Personnel*

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

Compensation awarded to key management personnel for the year ended December 31, 2023 is as follows:

Key management personnel		Director and consulting fees	Bonuses	Stock-based compensation	Total
		\$	\$	\$	\$
Martin Rowley <sup>1</sup>	Director	101,138	29,635	596,876	727,648
Mark Frewin	Director/Chief Executive Officer	337,133	42,806	596,876	976,815
Paul Matysek	Director	101,138	–	596,876	698,014
Jorge Estepa <sup>1</sup>	Director/Corporate Secretary	141,593	22,391	596,876	760,859
Richard Parkhouse	Director	221,138	30,293	596,876	848,307
Jeremy Hangula	Director	101,138	19,757	390,347	511,241
Miles Nagamatsu <sup>1</sup>	Chief Financial Officer	101,138	19,757	245,793	366,687
		1,104,416	164,638	3,620,520	4,889,571

Notes:

1. Amounts were paid to a company controlled by the respective key management personnel.

## Regulatory Disclosures

### **Critical accounting estimates and judgments**

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

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

### **Accounting estimates**

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

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

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

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

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

## Accounting judgments

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

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

The Company 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 Company has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired assets is greater than the carrying amount, the Company 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 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.

### *Income taxes*

The Company is subject to income tax and other taxes in a number of jurisdictions. Significant judgment is required in determining the worldwide provision for income tax and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain at the time a liability must be recorded. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made.

### *Deferred tax assets*

Judgment is required in determining whether deferred tax assets are recognized on the consolidated statement of financial position. 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 reporting date, no deferred tax assets have been recognized as no production decision has been made with respect to the Company's mineral properties.

## Financial instruments

The Company's principal financial instruments are cash and cash equivalents, receivables and accounts payable and accrued liabilities and income taxes payable. 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:

	December 31, 2023 \$	December 31, 2022 \$
<b>Financial assets</b>		
Cash and cash equivalents and receivables	12,757,550	16,985,982
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities and income taxes payable	2,035,025	2,154,385

Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities,

Level 2 – Values based on quoted prices in markets that are not active or model inputs which are observable either directly or indirectly for substantially the full term of the asset or liability,

Level 3 – Values based on prices or valuation techniques that require inputs which are both unobservable and significant to the overall fair value measurement.

The Company applies a fair value measurement hierarchy to assets and liabilities in the consolidated statement of financial position carried at fair value.

A number of the Company's accounting policies and disclosures require the determination of fair values for both financial assets and non-financial assets and liabilities. The fair value has been determined for measurement and/or disclosure purposes based on the methods described below. Where applicable, additional information on the assumptions used to determine fair value is included in the notes related to the specific asset or liability.

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.

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.

#### **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, 2023, the Company had cash and cash equivalents of \$12,405,165 and working capital of \$10,875,363.

#### **iii) Market risk**

Market risk is the risk that changes in market price, foreign exchange rates and interest rates will affect the Company's future cash flows and earnings. The impact of each of these components is discussed below.

*Price risk* - The Company is not exposed to equity securities price risk.

*Interest rate risk* - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2023, the Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash and cash equivalents held in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values at December 31, 2023. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Future fluctuations in interest rates will impact the Company's cost of capital which it will require in order to develop its mineral properties.

*Foreign currency risk* - The Company's foreign currency exposures currently related to the currency in which expenses for exploration and development occur. Future profitability may be materially impacted by fluctuations between the Namibian dollar in which production costs will be incurred and the US dollar in which most sales of uranium occur. 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, 2023, the Company had cash and cash equivalents of N\$45,491,432, receivables of N\$4,340,483, accounts payable and accrued liabilities of N\$785,182 and income taxes payable of N\$26,481,511. If the foreign exchange related to the Company's Namibian dollar balances increased or decreased by 1%, with all other variables held constant, the currency translation adjustment would have increased or decreased by \$16,200.

## Disclosure Controls and Procedures

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

Management including the Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedure as of December 31, 2023. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures as defined under the rules of Canadian Securities Administrators were effective to ensure information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

## Internal Controls Over Financial Reporting

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

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

As of December 31, 2023, an evaluation of the effectiveness of the Company's internal control over financial reporting was conducted by the Company's management, including the Chief Executive Officer and the Chief Financial Officer. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (2013) to assess the effectiveness of the Company's internal control over financial reporting ("ICFR"). Based on this assessment, management has concluded that the Company's internal controls over financial reporting were effective.

There were no changes in the Company's internal controls which occurred during the 3 months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Limitations of Controls and Procedures

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

## Outstanding Share Data at March 28, 2024

### *Class A common shares*

195,169,467 Class A common shares.

### *Stock options*

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of stock options</b>
\$0.17	October 9, 2024	3,700,000
\$0.93	May 20, 2026	4,000,000
\$0.59	September 20, 2023	5,200,000
\$0.79	January 9, 2029	150,000
		<hr/> 13,050,000

The shareholders of the Company approved an Amended and Restated Omnibus Incentive Plan (the “Plan”) at an annual and special meeting held on June 30, 2023, which removed the eligible director participation limit. Subsequently, on August 9, 2023, the Toronto Stock Exchange approved the Plan. With the implementation of the Plan all previously issued stock options which were granted pursuant to the Company’s stock option plan are now governed by the Plan. The Plan permits the Board to make awards of stock options, restricted share units, performance share units and deferred stock units. The maximum number of Class A common shares for issuance under the Plan will not exceed 10% of the Company’s then issued and outstanding shares. At December 31, 2023, the maximum number of Class A common shares for issuance under the Plan is 19,516,946.

All stock options granted under the Plan have an exercise price determined and approved by the Board at the time of grant, which shall not be less than the closing price of the Common Shares on the TSX on the trading day immediately preceding the date of the granting of the option. Subject to any vesting conditions set forth in a participant’s grant agreement, options vest in equal portions in successive annual periods over a period of three years after they are granted. Options are exercisable during a period established by the Board which shall not be more than 10 years from the grant of the option. On September 20, 2023, the Company granted 5,200,000 stock options to directors, officers and consultants. Each stock option entitled the holder to purchase one common share for \$0.59 until September 20, 2028.

*Performance share units, restricted share units and deferred stock units*

On September 20, 2023, the Company granted 4,450,000 performance share units (“PSUs”) to directors, officers and consultants. The PSUs vest as follows:

<b>Vesting condition</b>	<b>Number of PSUs</b>
Vest in full upon the Company’s share price reaching \$0.80 (vested)	2,950,000
Vest in full upon granting of an EPL for Namibplaas (vested)	650,000
Vest in full upon the granting of a Mining Licence for Namibplaas	650,000
Vest in full when upon the achievement of certain milestones related to the accounting and administration of the Company’s Namibian subsidiaries (vested)	200,000
	<b>4,450,000</b>

As at March 28, 2024, the Company has not issued any restricted share units or deferred stock units.

**Note Regarding Forward-Looking Information**

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

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

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

**Additional Information**

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