



BeMETALS CORP.

Consolidated financial statements of

BeMetals Corp.

Years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)



Independent auditor's report

To the Shareholders of BeMetals Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BeMetals Corp. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



The engagement partner on the audit resulting in this independent auditor's report is Mark Platt.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 28, 2020

BeMetals Corp.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	As at December 31, 2019	As at December 31, 2018
Assets		
Current assets		
Cash	\$ 1,212,885	\$ 342,849
Term deposits	28,750	28,750
Amounts receivable	3,185	6,316
Prepays and deposits	46,584	6,433
	1,291,404	384,348
Investments (Note 7)	253,266	-
Exploration and evaluation assets (Note 5)	6,293,258	3,456,132
Option - South Mountain (Note 4)	3,056,240	-
Total assets	\$ 10,894,168	\$ 3,840,480
Liabilities and equity		
Current liabilities		
Trade and other payables	\$ 62,334	\$ 74,237
Commitment for exploration expenditures (Note 6)	1,329,848	-
	1,392,182	74,237
Commitment for exploration expenditures (Note 6)	-	2,434,141
Total liabilities	1,392,182	2,508,378
Shareholders' equity		
Share capital (Note 8)	13,444,992	4,508,704
Equity reserves (Note 8)	670,863	621,300
Deficit	(4,613,869)	(3,797,902)
Total equity	9,501,986	1,332,102
Total liabilities and equity	\$ 10,894,168	\$ 3,840,480

Nature of operations and going concern (Note 1)

Subsequent events (Notes 5,8,14)

Approved by the Board of Directors and authorized for issue on April 28, 2020:

"Clive T. Johnson"	Director
"John Wilton"	Director

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

BeMetals Corp.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended December 31,	
	2019	2018
Expenses		
Consulting	\$ 139,913	\$ 120,000
Foreign exchange (gain) loss (Note 6)	(76,031)	58,799
Marketing	62,262	-
Office and administration	67,041	60,087
Professional fees	43,336	204,693
Regulatory and transfer agent	72,718	6,553
Salaries and benefits (Note 9)	299,190	227,165
Share-based compensation (Note 8)	164,310	297,082
Travel	76,443	45,564
	(849,182)	(1,019,943)
Finance income	33,215	10,139
Loss	(815,967)	(1,009,804)
Other comprehensive loss		
Unrealized loss on marketable securities	(81,459)	-
Other comprehensive loss	(81,459)	-
Loss and comprehensive loss	\$ (897,426)	\$ (1,009,804)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	91,497,995	61,919,731

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

BeMetals Corp.

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)

	SHARE CAPITAL		EQUITY RESERVES			Total equity (deficiency)
	Shares issued	Amount	Share-based payments	Marketable securities	Deficit	
At December 31, 2017	56,798,577	\$ 2,345,095	\$ 324,218	\$ -	\$ (2,788,098)	\$ (118,785)
Private placement	11,200,000	2,240,000	-	-	-	2,240,000
Share issue costs	-	(96,391)	-	-	-	(96,391)
Shares issued for the acquisition of exploration assets	100,000	20,000	-	-	-	20,000
Share-based compensation	-	-	297,082	-	-	297,082
Loss and comprehensive loss	-	-	-	-	(1,009,804)	(1,009,804)
At December 31, 2018	68,098,577	4,508,704	621,300	-	(3,797,902)	1,332,102
Private placement	25,000,000	6,250,000	-	-	-	6,250,000
Share issue costs	-	(251,716)	-	-	-	(251,716)
Shares issued for the acquisition of exploration assets (Note 5)	1,078,863	259,716	-	-	-	259,716
Shares issued for Option - South Mountain (Note 4)	10,000,000	2,600,000	-	-	-	2,600,000
Exercise of share options	750,000	78,288	(33,288)	-	-	45,000
Share-based compensation	-	-	164,310	-	-	164,310
Loss and comprehensive loss	-	-	-	(81,459)	(815,967)	(897,426)
At December 31, 2019	104,927,440	\$ 13,444,992	\$ 752,322	\$ (81,459)	\$ (4,613,869)	\$ 9,501,986

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

BeMetals Corp.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31,	
	2019	2018
Operating activities		
Loss	\$ (815,967)	\$ (1,009,804)
Adjusted for:		
Share-based compensation	164,310	297,082
Unrealized foreign exchange	(94,928)	54,261
Changes in non-cash working capital items:		
Amounts receivable	3,131	36,814
Prepaid expenses	(40,151)	(6,433)
Trade and other payables	(21,979)	(193,547)
	(805,584)	(821,627)
Investing activities		
Cash payments for Option - South Mountain (Note 4)	(456,240)	-
Cash acquisition costs for Pangei Copper Project (Note 5)	(131,920)	(122,382)
Payments for exploration and evaluation expenditures	(2,435,414)	-
Payments for commitment for exploration and evaluation expenditures	(1,009,365)	(933,870)
Purchase of marketable securities (Note 7)	(334,725)	-
Purchase of term deposit	-	(28,750)
	(4,367,664)	(1,085,002)
Financing activities		
Private placement, net of share issue costs	5,998,284	2,143,609
Proceeds on exercise of share options	45,000	-
	6,043,284	2,143,609
Change in cash	870,036	236,980
Cash, beginning	342,849	105,869
Cash, end	\$ 1,212,885	\$ 342,849
Non-cash investing and financing activities		
Non-cash payments for Option - South Mountain (Note 4)	\$ 2,600,000	\$ -
Non-cash transaction costs for South Mountain Project (Note 5)	\$ 219,716	\$ -
Non-cash acquisition costs for Pangei Copper Project (Note 5)	\$ 40,000	\$ 20,000
Exploration costs included in trade and other payables	\$ 10,076	\$ -

No cash was paid for interest or income taxes during the years ended December 31, 2019 and 2018.

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

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

BeMetals Corp. (“BeMetals” or the “Company”) is a base metals exploration and development company listed on the TSX-V under the symbol ‘BMET’ and also trades on the OTCQB in the US under the symbol ‘BMTLF’ and on the Frankfurt Stock Exchange in Germany under the symbol ‘1OIF’, with option agreements to acquire interest in mineral projects in Idaho and Zambia. Pursuant to the option agreements, the Company has rights to acquire up to a 100% interest in the high grade polymetallic (zinc-silver-gold-copper) South Mountain development project (the “South Mountain Project”) in southwest Idaho, USA (Notes 4,5) and rights to acquire up to a 72% interest in the Pangeni copper exploration project (the “Pangeni Copper Project”) on the western extension of the Zambian Copperbelt (Note 5).

The Company’s head office address is 3123 – 595 Burrard Street, Vancouver, BC, V7X 1J1. The registered and records office address is 2500 – 700 W. Georgia Street, Vancouver BC, V7Y 1B3.

These consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2019, the Company had a working capital deficit of \$100,778 (December 31, 2018: working capital of \$310,111). The Company has incurred negative cash flows from operations of \$805,584 and recorded a loss of \$815,967 for the year ended December 31, 2019 (December 31, 2018: negative cash flows from operations of \$821,627, and loss of \$1,009,804, respectively), and has an accumulated deficit of \$4,613,869 as at December 31, 2019 (December 31, 2018: \$3,797,902). The Company will need to raise additional funds within the next twelve months to meet its commitments and growth strategy. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company (see also Note 14). The material uncertainty relating to the Company’s success in raising additional capital funding casts significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

2. BASIS OF PRESENTATION

(a) *Statement of compliance*

These consolidated financial statements as at and for the year ended December 31, 2019, including comparatives, are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on April 28, 2020.

(b) *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) *Significant accounting judgments and estimates*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

(c) *Significant accounting judgments and estimates (continued)*

Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Key Sources of Estimation Uncertainty

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Option – South Mountain

The Company has applied significant judgment in determining the fair value of the South Mountain Option (Note 4).

Share-based payments

Share-based compensation expense is measured by reference to the fair value of the share options at the date at which they are granted. Estimating fair value for granted share options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, risk-free interest rate, and making assumptions about them.

The fair value of the share-based compensation expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 8.

(d) *Principles of consolidation*

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All intercompany balances and transactions are eliminated upon consolidation.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

(d) *Principles of consolidation (continued)*

The Company has two subsidiaries incorporated in British Columbia, Canada, and one subsidiary incorporated in Delaware, USA.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these consolidated financial statements are described below:

(a) *Cash*

Cash includes deposits held with banks that are available on demand.

(b) *Term deposits*

Term deposits are short-term investments that have maturity dates of no more than one year from the date of purchase, or are redeemable prior to maturity without significant costs or penalties.

(c) *Exploration and evaluation assets*

The Company defers the cost of acquiring the rights to explore, maintaining its interest in, exploring and developing mineral properties as exploration and evaluation until the properties are placed in production, abandoned, sold or considered to be impaired in value. Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, exploration and evaluation expenditures are first tested for impairment and then reclassified to "mineral properties and mine development costs". If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value. Exploration costs that do not relate to any specific property are expensed as incurred.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as but not limited to:

- The extent to which mineral reserves or mineral resources have been identified through a feasibility study or similar level document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

In addition, commercial viability is deemed to be achieved when the Company determines that the project will provide a satisfactory return relative to its perceived risks. Ore reserves and resources may be declared for an undeveloped mining project before its commercial viability has been fully determined. Evaluation costs may continue to be capitalized during the period between declaration of reserves and approval to mine as further work is undertaken in order to refine the development case to maximize the project's returns.

The Company's assets are reviewed for indication of impairment at each annual balance sheet date. If any such indication exists, an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). If the asset's carrying amount exceeds its recoverable amount then an impairment loss is recognized in the consolidated statement of loss and comprehensive loss. FVLCD 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.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Exploration and evaluation assets (continued)*

Fair value of mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects. VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal. Impairment is normally assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

(d) *Loss per share*

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period. For this purpose, it is assumed that proceeds upon the exercise of share options and warrants are used to purchase common shares at the average market price during the period. Share options and warrants outstanding as at December 31, 2019, are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

(e) *Share-based payments*

The Company's share option plan allows employees, directors, officers, consultants and charitable organizations to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. 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. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

(e) *Income taxes*

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instruments*

The Company classifies its financial assets – Debt instruments in the following measurement categories:

- i) Those to be subsequently measured at amortized cost; or
- ii) Those to be subsequently measured at fair value (either through other comprehensive income (“FVOCI”), or through profit or loss (“FVTPL”))

The classification is driven by business model for managing the financial asset and their contractual cash flow characteristics.

The Company classifies its financial instruments as follows:

Financial instrument	Classification under IFRS 9 (Effective January 1, 2018)
Cash and cash equivalents, Deposits	Amortized cost
Amounts receivable	Amortized cost
Marketable securities	FVOCI
Option – South Mountain	FVTPL
Trade and other accounts payable	Amortized cost

At initial recognition financial assets and financial liabilities are measured at fair value less transaction costs except for financial assets classified as FVTPL, where transaction costs are expensed directly to profit or loss.

The Company has elected to classify and measure its marketable securities at FVOCI.

For financial instruments carried at fair value, the Company uses Level 1 inputs to value its marketable securities and Level 3 inputs to value the South Mountain Option.

(g) *Leases*

Effective January 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”). IFRS 16 replaces IAS 17 – Leases. The new standard eliminates the classification of leases as either operating or finance leases for a lessee. Instead, all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The Company does not have any lease arrangements.

4. OPTION – SOUTH MOUNTAIN

In February 2019, the Company entered into the South Mountain Agreement. This agreement and the transactions pursuant thereto (the “South Mountain Transaction”) was approved by the TSX-V in June 2019. Under the terms of the South Mountain Agreement, the Company, through its wholly owned subsidiary, has the right to acquire from Thunder Mountain Gold, Inc. (“Thunder Mountain”) and its subsidiaries all of its interest in the South Mountain Project over a two year period by way of acquiring 100% of the outstanding shares of South Mountain Mines Inc. (“SMMI”), a wholly owned subsidiary of Thunder Mountain (the “SMMI Acquisition”). SMMI currently holds a 75% interest in the South Mountain Project and has the right to acquire the remaining 25% upon satisfying a 5% Net Returns Royalty capped at US\$5,000,000 which is due on or before November 3, 2026.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars)

4. OPTION – SOUTH MOUNTAIN (continued)

Pursuant to the South Mountain Agreement, the Company has the option to acquire SMMI by issuing 10,000,000 common shares of the Company to Thunder Mountain, purchasing 2,500,000 shares of common stock of Thunder Mountain at US\$0.10 per share by way of private placement, incurring cash payments of US\$1,100,000, with an additional final payment consisting of either cash, common shares, or a combination of both. The final payment can be the greater of either US\$10,000,000 or 20% of the after-tax net present value of the South Mountain Project as calculated in a Preliminary Economic Assessment study completed by an agreed independent author. The final payment would be reduced by US\$850,000 to account for certain cash payments previously made and the value of the 10,000,000 common shares issued by the Company, as described above, as well as certain liabilities of SMMI to be assumed upon the SMMI Acquisition. The final payment is also capped at a maximum of 50% of the market capitalization of the Company as of the completion date of the SMMI Acquisition if applicable.

As at December 31, 2019, in accordance with the terms of the South Mountain Agreement, the Company had made cash option payments of \$456,240 (US\$350,000), issued 10,000,000 common shares valued at \$2,600,000 (Note 8), and purchased 2,500,000 common shares of Thunder Mountain (Note 7). The total carrying value of the South Mountain Option as at December 31, 2019 is \$3,056,240.

The South Mountain Option is considered to be a derivative rather than a non-monetary asset due to the fact that the Option is for the acquisition of shares of SMMI, and as such is classified as FVTPL. Cash and share option payments made to date are treated as option premiums and are included as part of the fair value of the South Mountain Option.

5. EXPLORATION AND EVALUATION ASSETS

South Mountain Project

As part of the South Mountain Agreement, the Company has acquired the right to explore at the South Mountain Project and is therefore capitalizing the exploration programs it is funding at the project (see 'Capitalized Costs' below).

As part of the costs of acquisition of the right to explore the South Mountain Project, the Company incurred cash transaction costs of \$524,907, and issued 878,863 common shares with a value of \$219,716 pursuant to an advisory agreement (Note 8).

Pangeni Copper Project

In February 2018, further to a November 2017 letter agreement, the Company confirmed the agreement (the "Pangeni Agreement") with Copper Cross Zambia Limited (the "Pangeni Vendor") for the right to acquire up to a 72% interest in the Pangeni Copper Project. This agreement and the transactions pursuant thereto (the "Pangeni Transaction") was approved by the TSX-V in July 2018 in connection with the Company's completion of its Qualifying Transaction. In January 2020, certain amendments were made to the Pangeni Agreement.

Pursuant to the Pangeni Agreement, and including the January 2020 amendments, the Company can acquire an initial 67.5% interest in the Pangeni Copper Project by:

- (a) making cash payments of US\$250,000 and issuing a total of 780,500 common shares prior to February 2020;
- (b) spending US\$2,500,000 in exploration work by December 31, 2020; and
- (c) completing a Preliminary Economic Assessment, making a further cash payment of US\$450,000 (a portion of which may be paid in common shares at the option of the Company), and making a payment of US\$700,000 as an advanced royalty reduction payment, by February 2023.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

The US\$2,500,000 to be spent on exploration work is a firm obligation under the Pangeni Agreement and is required to be satisfied by either expenditures on exploration activities or by cash payments to the Pangeni Vendor by December 31, 2020. Pursuant to the January 2020 amendments, it was agreed that any shortfall as at December 31, 2020, will be satisfied through the issuance of common shares of BeMetals (Note 6). The Company incurred cash transaction costs of \$59,847 in connection with the Pangeni Transaction.

As at December 31, 2019, the Company had made cash consideration payments of \$194,455 (US\$150,000) and issued 300,000 common shares valued at \$60,000 towards the Pangeni Agreement. In addition, the Company has made advances of \$1,943,235 (US\$1,476,095) towards its commitment for exploration expenditures (Note 6).

In February 2020, the Company made a cash consideration payment of US\$100,000, and issued 480,500 common shares to the Pangeni Vendor (Note 8), thereby completing the obligations listed under point (a) above.

Following acquisition of the initial 67.5% interest the Company can acquire an additional 4.5% interest by completing a Feasibility Study and making a further cash payment of US \$750,000 (a portion of which may be paid in common shares of BeMetals at the option of the Company).

At the commencement of the mine development phase, and following a Feasibility Study, a one-off milestone payment would be payable, based upon total proven and probable mineral reserves, as follows: US\$2,000,000 if less than 500 kilotonnes ("kt") contained copper, US\$3,000,000 if the contained copper is between 500 kt and 1,000kt, and US\$6,000,000 if greater than 1,000kt contained copper. Upon commencement of production, Pangeni Mineral Resources Limited is entitled to a 3% Net Smelter Royalty (which may be reduced to 2.5% following the US\$700,000 royalty reduction payment above and further reduced to 1% following an additional royalty reduction payment by the Company, determined by an internationally recognised valuator, which is not to exceed US\$3,300,000).

Capitalized Costs

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation assets as at December 31, 2019:

	South Mountain Project	Pangeni Copper Project	Total
Balance December 31, 2018	\$ -	\$ 3,456,132	\$ 3,456,132
Cash consideration paid	-	131,920	131,920
Share consideration issued	-	40,000	40,000
Transaction costs - cash	524,907	-	524,907
Transaction costs - shares	219,716	-	219,716
Consulting & wages	648,493	- (1)	648,493
Drilling	630,488	- (1)	630,488
Land fees/Lease payments	36,615	- (1)	36,615
Site logistics	280,525	- (1)	280,525
Underground infrastructure	262,949	- (1)	262,949
Advances unspent at December 31, 2019	61,513	-	61,513
Total Costs:			
Balance December 31, 2019	\$ 2,665,206	\$ 3,628,052	\$ 6,293,258

(1) Pangeni exploration costs are applied as a reduction of the Commitment for Exploration Expenditures (see Notes 5 and 6)

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6. COMMITMENT FOR EXPLORATION EXPENDITURES

During the year ended December 31, 2019, the Company incurred \$1,009,365 (US\$760,395) of advances and contributions towards its US\$2,500,000 obligation for exploration expenditures on the Pangeni Copper Project due by December 31, 2020. As at December 31, 2019, \$58,447 (US\$45,001) of the advances were unspent and will be applied to future expenditures.

The following tables summarize the capitalized costs and commitment associated with the Pangeni Copper Project as at December 31, 2019:

Total commitment for exploration expenditures (Pangeni Copper Project)	CAD	USD
Balance, December 31, 2017	\$ -	\$ -
Obligation for exploration expenditures	3,313,750	2,500,000
Advances & expenditures	(933,870)	(715,700)
Foreign exchange movement	54,261	-
Balance, December 31, 2018	2,434,141	1,784,300
Advances & expenditures	(1,009,365)	(760,395)
Foreign exchange movement	(94,928)	-
Balance December 31, 2019	\$ 1,329,848	\$ 1,023,905

7. INVESTMENTS

	As of December 31, 2019			As of December 31, 2018		
	Shares	Fair Value	Cost	Shares	Fair Value	Cost
Thunder Mountain shares	2,500,000	\$ 253,266	\$ 334,725	-	\$ -	\$ -

In June 2019, the Company acquired 2,500,000 common shares of Thunder Mountain in a private placement, pursuant to the South Mountain Agreement, at US\$0.10 per share for a total cost of \$334,725 (US\$250,000) (Note 4). Thunder Mountain trades on the OTCQB under the symbol 'THMG'.

8. EQUITY

(a) Authorized

Unlimited common shares with no par value
Unlimited preferred shares with no par value

(b) Issued and fully paid common shares

Year ended December 31, 2019

In January 2019, the Company issued 750,000 common shares pursuant to the exercise of share options.

In February 2019, the Company issued 200,000 common shares pursuant to the Pangeni Agreement (Note 5).

In May 2019, the Company closed a private placement of 25,000,000 subscription receipts at a price of \$0.25 per subscription receipt for gross proceeds of \$6,250,000. Each subscription receipt was automatically converted to a unit upon completion of the South Mountain Transaction in June 2019. Each unit consists of one common share in the capital of the Company and one-quarter warrant (Note 8(d)).

In June 2019, in connection with the South Mountain Transaction, the Company issued 10,878,863 common shares with a value of \$2,819,716 (Note 4).

In February 2020, the Company issued 480,500 common shares to the Pangeni Vendor (Note 5).

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8. EQUITY (continued)

(b) Issued and fully paid common shares (continued)

Year ended December 31, 2018

In July 2018, the Company closed a non-brokered private placement of 11,200,000 common shares at a price of \$0.20 for gross proceeds of \$2,240,000. Cash share issue costs of \$96,391 were incurred in relation to his non-brokered private placement.

In July 2018, the Company issued 100,000 common shares to the Pangeni Vendor (Note 5).

(c) Escrow shares

Certain shares are held in escrow pursuant to a December 2009 escrow agreement, as supplemented in July 2018. As at December 31, 2019, 9,323,140 common shares remained in escrow and will be released in semi-annual tranches until July 2021 (December 31, 2018: 13,984,716).

(d) Warrants

In May 2019, the Company issued 6,249,993 warrants in a private placement (Note 8(b)). Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of \$0.35 per common share until May 6, 2021. If the closing price of the common shares of the Company quoted on the TSX-V is greater than \$0.70 for 15 consecutive trading days (the "Trading Period"), the Company may accelerate the expiry date of the warrants to the 30th day after the date on which the Company provides notice to the warrant holders of such acceleration, via a news release issued within 10 business days of the last day of the Trading Period. Warrants are valued using the residual value method and accordingly warrants issued as part of a private placement are valued at nil.

Following is a summary of changes in warrants outstanding:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017 and 2018	-	\$ -
Issued	6,249,993	0.35
Balance, December 31, 2019	6,249,993	\$ 0.35

The following table summarizes information about warrants outstanding at December 31, 2019:

Number of warrants	Exercise price	Expiry date
6,249,993	\$ 0.35	May 6, 2021

(e) Share options

The Company has adopted an incentive share option plan which provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with TSX-V requirements, grant non-transferable share options to purchase common shares, provided that the number of common shares reserved for issuance in any twelve month period will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant at a price not less than the closing price of the Company's shares on the last trading day before the grant of such options. Each option vesting period is determined on a grant by grant basis by the Board of Directors.

Following is a summary of changes in share options outstanding:

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8. EQUITY (continued)

(e) Share options (continued)

	Number of options	Weighted average exercise price
Balance, December 31, 2017	3,270,000	\$ 0.06
Granted	3,000,000	0.23
Balance, December 31, 2018	6,270,000	0.14
Exercise	(750,000)	0.06
Balance, December 31, 2019	5,520,000	\$ 0.15

The following table summarizes information about share options outstanding at December 31, 2019:

Outstanding	Exercisable	Exercise price	Expiry date
2,520,000	2,520,000	\$ 0.06	December 9, 2026
2,250,000	1,000,000	0.24	February 27, 2028
750,000	500,000	0.21	October 1, 2028
5,520,000	4,020,000		

In January 2020, the Company granted an aggregate of 3,600,000 share options to officers and consultants of the Company, exercisable at a price of \$0.235 per share until January 7, 2030, vesting over a period of two years.

In February 2020, the Company granted an aggregate of 150,000 share options to a consultant of the Company, exercisable at a price of \$0.235 per share until January 7, 2030, vesting over a period of two years.

9. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

During the year ended December 31, 2019, key management personnel compensation, including directors and officers, was comprised of \$463,500 (December 31, 2018: \$524,247), of which \$164,310 related to share-based compensation and \$299,190 related to salaries and benefits (December 31, 2018: \$297,082 and \$227,165, respectively).

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Risk Management

Cash and cash equivalents, deposits, amounts receivable, and trade and other accounts payable are held at amortized cost which approximates fair value due to the short-term nature of these instruments. Common shares of publicly traded companies included in investments are classified as FVOCI. The South Mountain Option is classified as FVTPL.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and amounts receivable. The Company reduces its credit risk by maintaining its bank accounts at a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of these financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. As at December 31, 2019, the Company had current liabilities of \$1,392,182 and a working capital deficit of \$100,778 (Note 1).

The Company also has commitments or option payments arising in 2020 and 2021 as outlined in the South Mountain and Pangei projects (Notes 4,5)

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company's reporting currency is the Canadian dollar and major purchases are transacted in Canadian and US dollars. A portion of the Company's exploration and evaluation expenditures are incurred in Zambia, but are predominantly transacted in US dollars. The Company maintains Canadian and US dollar bank accounts in Canada. The Company is subject to gains and losses from fluctuations in the US dollar against the Canadian dollar. The Company held a net monetary liability position of \$592,110 in US dollars as of December 31, 2019, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being \$59,211.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. Changes in short-term interest rates will not have a significant effect on the fair value of the Company's cash account.

Price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including copper, zinc, silver, gold, and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations. In addition, the Company's investments which are comprised of publicly traded equity securities are subject to price risk.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of the Company's business is in exploration.

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company is exposed to price risk with respect to its investment in THMG (Note 7).

11. CAPITAL MANAGEMENT

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in interest bearing Canadian chartered bank accounts.

The capital structure of the Company includes shareholders' equity. The Company is not subject to externally imposed capital requirements.

12. SEGMENTED INFORMATION

The Company operates in one segment, being exploration and evaluation, in the USA and Zambia. Geographic segmentation is as follows:

December 31, 2019	USA	Zambia	Total
Exploration and evaluation assets	\$ 2,665,206	\$ 3,628,052	\$ 6,293,258

December 31, 2018	USA	Zambia	Total
Exploration and evaluation assets	\$ -	\$ 3,456,132	\$ 3,456,132

13. INCOME TAX

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before income taxes due to the following:

	2019	2018
Loss for the year	\$ (815,967)	\$ (1,009,804)
Expected income tax recovery	\$ (220,000)	\$ (273,000)
Permanent Difference	25,000	88,000
Share issue costs	(20,000)	(6,000)
Income tax benefit not recognised	215,000	191,000
Total income tax recovery	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

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13. INCOME TAX (continued)

	2019	Expiry Date Range	2018	Expiry Date Range
Temporary Differences				
Non-capital losses	\$ 4,084,000	2029 to 2039	\$ 3,691,000	2029 to 2038

14. SUBSEQUENT EVENTS

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.