



**BeMETALS** CORP.

Condensed interim consolidated financial statements of

**BeMetals Corp.**

Three and nine months ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)  
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim consolidated financial statements of BeMetals Corp. ("BeMetals" or the "Company") have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these condensed interim consolidated financial statements.

# BeMetals Corp.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	As at September 30, 2019	As at December 31, 2018
<b>Assets</b>		
Current assets		
Cash	\$ 2,676,948	\$ 342,849
Term deposits	28,750	28,750
Amounts receivable	4,162	6,316
Prepaid expenses	35,626	6,433
	<b>2,745,486</b>	<b>384,348</b>
Investments (Note 6)	314,521	-
Exploration and evaluation assets (Note 4)	8,092,525	3,456,132
<b>Total assets</b>	<b>\$ 11,152,532</b>	<b>\$ 3,840,480</b>
<b>Liabilities and equity</b>		
Current liabilities		
Trade and other payables	\$ 49,595	\$ 74,237
Commitment for exploration expenditures (Note 5)	1,373,044	2,434,141
	<b>1,422,639</b>	<b>2,508,378</b>
Shareholders' equity		
Share capital (Note 7)	13,444,992	4,508,704
Equity reserves (Note 7)	701,288	621,300
Deficit	(4,416,387)	(3,797,902)
Total equity	9,729,893	1,332,102
<b>Total liabilities and equity</b>	<b>\$ 11,152,532</b>	<b>\$ 3,840,480</b>

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issue on November 27, 2019:

\_\_\_\_\_  
"Clive T. Johnson" Director

\_\_\_\_\_  
"John Wilton" Director

# BeMetals Corp.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Expenses</b>				
Consulting	\$ 49,913	\$ 30,000	\$ 109,913	\$ 90,000
Foreign exchange gain (Note 5)	(6,722)	(75,876)	(56,263)	(72,848)
Marketing	28,473	-	36,488	-
Office and administration	14,694	14,140	48,909	26,359
Professional fees	18,290	(3,812)	31,313	177,439
Regulatory and transfer agent	35,334	6,365	50,578	17,403
Salaries and benefits (Note 8)	52,061	55,274	230,273	146,944
Share-based compensation (Note 7)	40,876	60,527	133,480	182,540
Travel	15,666	19,010	57,842	31,300
	<b>(248,585)</b>	<b>(105,628)</b>	<b>(642,533)</b>	<b>(599,137)</b>
Finance income	16,581	5,827	24,048	6,367
<b>Loss</b>	<b>(232,004)</b>	<b>(99,801)</b>	<b>(618,485)</b>	<b>(592,770)</b>
<b>Other comprehensive income (loss)</b>				
Unrealized gain (loss) on available-for-sale investments	118,216	-	(20,204)	-
Other comprehensive income (loss)	118,216	-	(20,204)	-
<b>Loss and comprehensive loss</b>	<b>\$ (113,788)</b>	<b>\$ (99,801)</b>	<b>\$ (638,689)</b>	<b>\$ (592,770)</b>
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	104,927,440	65,859,017	86,955,682	59,829,827

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

# BeMetals Corp.

## Condensed Interim Consolidated Statements of Equity

(Expressed in Canadian dollars)

(Unaudited)

	SHARE CAPITAL		RESERVES			Total equity (deficiency)
	Shares issued	Amount	Share-based payments	Available- for-sale financial assets	Deficit	
<b>At December 31, 2017</b>	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	-	-	182,540	-	-	182,540
Loss and comprehensive loss	-	-	-	-	(592,770)	(592,770)
<b>At September 30, 2018</b>	68,098,577	4,508,704	506,758	-	(3,380,868)	1,634,594
Share-based compensation	-	-	114,542	-	-	114,542
Loss and comprehensive loss	-	-	-	-	(417,034)	(417,034)
<b>At December 31, 2018</b>	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 4)	11,078,863	2,859,716	-	-	-	2,859,716
Exercise of share options	750,000	78,288	(33,288)	-	-	45,000
Share-based compensation	-	-	133,480	-	-	133,480
Loss and comprehensive loss	-	-	-	(20,204)	(618,485)	(638,689)
<b>At September 30, 2019</b>	104,927,440	\$ 13,444,992	\$ 721,492	\$ (20,204)	\$ (4,416,387)	\$ 9,729,893

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

# BeMetals Corp.

## Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

	Nine months ended September 30,	
	2019	2018
<b>Operating activities</b>		
Loss	\$ (618,485)	\$ (592,770)
Adjusted for:		
Share-based compensation	133,480	182,540
Unrealized foreign exchange	(68,745)	(76,431)
Changes in non-cash working capital items:		
Amounts receivable	2,154	33,002
Prepaid expenses	(29,193)	(8,846)
Trade and other payables	(24,642)	(105,150)
	<b>(605,431)</b>	<b>(567,655)</b>
<b>Investing activities</b>		
Purchase of available-for-sale investments (Note 6)	(334,725)	-
Cash acquisition costs for South Mountain Project (Note 4)	(133,630)	-
Cash acquisition costs for Pangeni Copper Project (Note 4)	(131,920)	(102,382)
Payments for exploration and evaluation expenditures	(1,511,127)	-
Payments for commitment for exploration and evaluation expenditures	(992,352)	(254,692)
	<b>(3,103,754)</b>	<b>(357,074)</b>
<b>Financing activities</b>		
Private placement, net of share issue costs	5,998,284	2,157,472
Proceeds on exercise of share options	45,000	-
	<b>6,043,284</b>	<b>2,157,472</b>
Change in cash during the period	<b>2,334,099</b>	1,232,743
Cash, beginning of period	<b>342,849</b>	105,869
<b>Cash, end of period</b>	<b>\$ 2,676,948</b>	<b>\$ 1,338,612</b>
<b>Non-cash investing and financing activities during the period</b>		
Non-cash acquisition costs for South Mountain Project (Note 4)	\$ 2,819,716	\$ -
Non-cash acquisition costs for Pangeni Copper Project (Note 4)	\$ 40,000	\$ 20,000
Accrued share issue costs included in trade and other payables	\$ -	\$ 13,863

No cash was paid for interest or income taxes during the nine months ended September 30, 2019 and 2018.

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements*

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

BeMetals is a base metals exploration and development company listed on the TSX Venture Exchange ("TSX-V") under the symbol 'BMET' and also trades on the OTCQB in the US under the symbol 'BMTLF', 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 zinc-silver focused polymetallic South Mountain development project (the "South Mountain Project") in southwest Idaho, USA (Note 4) and rights to acquire up to a 72% interest in the Pangei copper exploration project (the "Pangei Copper Project") on the western extension of the Zambian Copperbelt (Note 4).

The Company continues to identify and evaluate other potential opportunities as part of its growth strategy with the goal of becoming a significant base metals producer through the acquisition of quality exploration, development and production stage base metal projects.

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 unaudited condensed interim 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 September 30, 2019, the Company had working capital of \$1,322,847 (December 31, 2018: working capital of \$310,111). The Company has incurred negative cash flows from operations of \$605,431 and recorded a loss of \$618,485 for the nine months ended September 30, 2019 (September 30, 2018: negative cash flows of \$567,655, and loss of \$592,770, respectively), and has an accumulated deficit of \$4,416,387 as at September 30, 2019 (December 31, 2018: \$3,797,902). The Company expects it will need to raise additional funds within the next twelve months to meet its long-term 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. The uncertainty of the Company's success in raising additional capital funding casts significant doubt on the Company's ability to continue as a going concern. These unaudited condensed interim 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting on a basis consistent with the accounting policies disclosed in the audited financial statements for the year ended December 31, 2018, except for newly adopted accounting policies as noted below (Note 3).

These unaudited condensed interim consolidated financial statements should be read in conjunction with the most recently issued annual financial statements of the Company, which include information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies were presented as Note 3 to the financial statements for the year

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 2. BASIS OF PRESENTATION (continued)

#### (a) *Statement of compliance (continued)*

ended December 31, 2018, and have been consistently applied in the preparation of these unaudited condensed interim consolidated financial statements.

#### (b) *Basis of measurement*

These unaudited condensed interim 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 unaudited condensed interim 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.

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.

##### *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.



# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 2. BASIS OF PRESENTATION (continued)

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

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 7.

#### (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.

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

#### (e) *Financial Instruments*

The Company has acquired available-for-sale investments in the period and has elected to classify and measure its equity instruments at fair value through other comprehensive income.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Recently adopted accounting policies

The following standard has been adopted by the Company, effective January 1, 2019:

#### *Leases*

IFRS 16 is a new standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. Adoption of this standard did not have a significant measurement or disclosure impact on the Company's unaudited condensed interim consolidated financial statements.

### 4. EXPLORATION AND EVALUATION ASSETS

#### South Mountain Project

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 Condensed Interim Consolidated Financial Statements

For The Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 4. EXPLORATION AND EVALUATION ASSETS (continued)

Pursuant to the South Mountain Agreement, the Company can 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 can be decreased 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. The Company incurred cash transaction costs of \$535,675 in connection with the South Mountain Transaction, and also issued 878,863 common shares with a value of \$219,716 pursuant to an advisory agreement (Note 7).

As at September 30, 2019, the Company had made cash consideration payments of \$133,630 (US\$100,000), issued 10,000,000 common shares valued at \$2,600,000 (Note 7), and purchased 2,500,000 common shares of Thunder Mountain (Note 6).

#### **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.

Pursuant to the Pangeni Agreement, the Company can acquire an initial 67.5% interest in the Pangeni Copper Project by making cash payments of US\$300,000, issuing a total of 500,000 common shares, and spending US\$2,500,000 in exploration work, all prior to the second anniversary, and then 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, all prior to the fifth anniversary. 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 February 2020 (Note 5). The Company incurred cash transaction costs of \$59,847 in connection with the Pangeni Transaction.

As at September 30, 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 \$1,926,222 (US\$1,463,193) towards its commitment for exploration expenditures (Note 5).

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 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).

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

### 4. EXPLORATION AND EVALUATION ASSETS (continued)

#### Capitalized Costs

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation assets as at September 30, 2019:

	South Mountain Project	Pangeni Copper Project	Total
<b>Acquisition costs:</b>			
Balance December 31, 2018	\$ -	\$ 3,456,132	\$ 3,456,132
Cash consideration paid	133,630	131,920	265,550
Share consideration issued	2,600,000	40,000	2,640,000
Transaction costs - cash	535,675	-	535,675
Transaction costs - shares	219,716	-	219,716
<b>Balance September 30, 2019</b>	<b>3,489,021</b>	<b>3,628,052</b>	<b>7,117,073</b>
<b>Exploration costs:</b>			
Balance December 31, 2018	-	- (1)	-
Consulting & wages	301,190	- (1)	301,190
Drilling	259,844	- (1)	259,844
Land fees/Lease payments	9,454	- (1)	9,454
Site logistics	143,637	- (1)	143,637
Underground infrastructure	248,877	- (1)	248,877
<b>Balance September 30, 2019</b>	<b>963,002</b>	<b>-</b>	<b>963,002</b>
Advances unspent at September 30, 2019	12,450	-	12,450
<b>Total Costs:</b>			
<b>Balance September 30, 2019</b>	<b>\$ 4,464,473</b>	<b>\$ 3,628,052</b>	<b>\$ 8,092,525</b>

(1) Pangeni exploration costs are applied as a reduction of the Commitment for Exploration Expenditures (see Notes 4 and 5)

### 5. COMMITMENT FOR EXPLORATION EXPENDITURES

During the nine months ended September 30, 2019, the Company incurred \$992,352 (US\$747,493) in advances and contributions towards its US\$2,500,000 obligation for exploration expenditures on the Pangeni Copper Project due by February 2020. As at September 30, 2019, \$104,159 (US\$78,652) 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 September 30, 2019:

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

### 5. COMMITMENT FOR EXPLORATION EXPENDITURES (continued)

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	(992,352)	(747,493)
Foreign exchange movement	(68,745)	-
Balance September 30, 2019	\$ 1,373,044	\$ 1,036,807

### 6. INVESTMENTS

	As of September 30, 2019			As of December 31, 2018		
	Shares	Fair Value	Cost	Shares	Fair Value	Cost
Thunder Mountain shares	2,500,000	\$ 314,521	\$ 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'.

### 7. EQUITY

#### (a) Authorized

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

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

*Nine months ended September 30, 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 4).

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 7(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).

*Nine months ended September 30, 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 4).

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

### 7. EQUITY (continued)

#### (c) Escrow shares

Certain shares are held in escrow pursuant to a December 2009 escrow agreement, as supplemented in July 2018. As at September 30, 2019, 9,323,140 (December 31, 2018: 13,984,716) common shares remained in escrow and will be released in semi-annual tranches until July 2021.

#### (d) Warrants

In May 2019, the Company issued 6,249,993 warrants in a private placement (Note 7(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.

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, September 30, 2019	6,249,993	\$ 0.35

The following table summarizes information about warrants outstanding at September 30, 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:

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

### 7. EQUITY (continued)

#### (e) Share options (continued)

	Number of options	Weighted average exercise price
Balance, December 31, 2017	3,270,000	\$ 0.06
Granted	2,250,000	0.24
Balance, June 30, 2018	5,520,000	0.13
Granted	750,000	0.21
Balance, December 31, 2018	6,270,000	0.14
Exercise	(750,000)	0.06
Balance, September 30, 2019	5,520,000	\$ 0.15

The following table summarizes information about share options outstanding at September 30, 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	250,000	0.21	October 1, 2028
5,520,000	3,770,000		

### 8. 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 nine months ended September 30, 2019, key management personnel compensation, including directors and officers, was comprised of \$363,753 (September 30, 2018: \$329,484), of which \$133,480 related to share-based payments and \$230,273 related to salaries and benefits (September 30, 2018: \$182,540 and \$146,944, respectively).

### 9. FINANCIAL INSTRUMENTS

#### *Financial Risk Management*

Cash, amounts receivable, and trade and other payables 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 available-for-sale.

#### *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:

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 9. FINANCIAL INSTRUMENTS (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 September 30, 2019, the Company had current liabilities of \$1,422,639 and working capital of \$1,322,847 (Note 1).

#### 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 \$1,323,755 in US dollars as of September 30, 2019, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being \$132,376.

#### 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 comprise publicly traded equity securities and warrants exercisable into common shares of a public company, 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.

# BeMetals Corp.

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(Expressed in Canadian dollars)

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### 9. FINANCIAL INSTRUMENTS (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 6).

### 10. 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 Company is not subject to externally imposed capital requirements.

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

### 11. SEGMENTED INFORMATION

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

<b>September 30, 2019</b>		USA		Zambia		Total
Exploration and evaluation assets	\$	4,464,473	\$	3,628,052	\$	8,092,525

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