



Consolidated financial statements of

BeMetals Corp.

Years ended December 31, 2020 and 2019
(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, 2020 and 2019, 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, 2020 and 2019;
- 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 significant accounting policies and other explanatory information.

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.

Other information

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

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806



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.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2021

BeMetals Corp.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	As at December 31, 2020	As at December 31, 2019
Assets		
Current assets		
Cash	\$ 3,206,767	\$ 1,212,885
Term deposits	28,750	28,750
Amounts receivable	11,038	3,185
Prepays and deposits	31,569	46,584
	3,278,124	1,291,404
Investments (Note 7)	509,280	253,266
Exploration and evaluation assets (Note 5)	9,158,088	6,293,258
Option - South Mountain (Note 4)	3,389,265	3,056,240
Total assets	\$ 16,334,757	\$ 10,894,168
Liabilities and equity		
Current liabilities		
Trade and other payables	\$ 81,528	\$ 62,334
Commitment for exploration expenditures (Note 6)	-	1,329,848
	81,528	1,392,182
Shareholders' equity		
Share capital (Note 8)	20,350,580	13,444,992
Equity reserves (Note 8)	1,843,370	670,863
Deficit	(5,940,721)	(4,613,869)
Total equity	16,253,229	9,501,986
Total liabilities and equity	\$ 16,334,757	\$ 10,894,168

Subsequent events (Notes 1,5,8(d),15)

Approved by the Board of Directors and authorized for issue on April 28, 2021.

"Mark Connelly" 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,	
	2020	2019
Expenses		
Consulting	\$ 112,895	\$ 139,913
Foreign exchange (gain) loss (Note 6)	16,071	(76,031)
Marketing	83,261	62,262
Office and administration	94,365	67,041
Professional fees	56,424	43,336
Regulatory and transfer agent	43,960	72,718
Management fees and salaries (Note 9)	273,161	299,190
Share-based compensation (Note 8)	619,513	164,310
Travel	39,965	76,443
	(1,339,615)	(849,182)
Finance income	12,763	33,215
Loss	(1,326,852)	(815,967)
Other comprehensive gain (loss)		
Unrealized gain (loss) on marketable securities (Note 7)	256,014	(81,459)
Other comprehensive gain (loss)	256,014	(81,459)
Comprehensive loss	\$ (1,070,838)	\$ (897,426)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	112,614,053	91,497,995

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

BeMetals Corp.

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)

	Shares issued	Amount	Share-based payments	Marketable securities	Deficit	Total equity
At December 31, 2018	68,098,577	\$ 4,508,704	\$ 621,300	\$ -	\$ (3,797,902)	\$ 1,332,102
Private placement (Note 8)	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	-	-	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
Private placement (Note 8)	18,750,000	7,500,000	-	-	-	7,500,000
Share issuance costs	-	(754,805)	175,910	-	-	(578,895)
Shares issued for the acquisition of exploration assets (Note 5)	480,500	111,760	-	-	-	111,760
Exercise of warrants	138,950	48,633	-	-	-	48,633
Share-based compensation	-	-	740,583	-	-	740,583
Loss and comprehensive loss	-	-	-	256,014	(1,326,852)	(1,070,838)
At December 31, 2020	124,296,890	\$ 20,350,580	\$ 1,668,815	\$ 174,555	\$ (5,940,721)	\$ 16,253,229

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,	
	2020	2019
Operating activities		
Loss	\$ (1,326,852)	\$ (815,967)
Adjusted for:		
Share-based compensation	619,513	164,310
Unrealized foreign exchange	56,209	(94,928)
Changes in non-cash working capital items:		
Amounts receivable	(7,853)	3,131
Prepaid expenses	15,015	(40,151)
Trade and other payables	(14,139)	(21,979)
	(658,107)	(805,584)
Investing activities		
Cash payments for Option - South Mountain	(333,025)	(456,240)
Cash acquisition costs for Pangei Copper Project	(132,780)	(131,920)
Payments for exploration and evaluation expenditures	(2,460,645)	(2,435,414)
Payments for commitment for exploration and evaluation expenditures	(1,391,299)	(1,009,365)
Purchase of marketable securities	-	(334,725)
	(4,317,749)	(4,367,664)
Financing activities		
Private placement, net of share issuance costs (Note 8)	6,921,105	5,998,284
Proceeds on exercise of share options	-	45,000
Proceeds on exercise of warrants	48,633	-
	6,969,738	6,043,284
Change in cash	1,993,882	870,036
Cash, beginning of year	1,212,885	342,849
Cash, end of year	\$ 3,206,767	\$ 1,212,885
Non-cash investing and financing activities		
Non-cash acquisition costs for South Mountain Project	\$ -	\$ 2,819,716
Non-cash acquisition costs for Pangei Copper Project (Note 5)	\$ 111,760	\$ 40,000
Share-based compensation capitalized for exploration and evaluation expenditures (Note 5)	\$ 121,071	\$ -
Share issuance costs (Note 8)	\$ 175,910	\$ -
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, 2020 and 2019.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

BeMetals Corp. (“BeMetals” or the “Company”) is a base and precious 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 ‘1OI.F’, 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 a majority interest in the Pangei copper exploration project (the “Pangei Copper Project”) on the western extension of the Zambian Copperbelt (Note 5). On April 23, 2021, the Company completed the acquisition of five gold-focused exploration projects in Japan (Note 15). The Company will continue to evaluate other potential precious and base metals acquisition opportunities.

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.

As at December 31, 2020, the Company had working capital of \$3,196,596 (December 31, 2019: working capital deficit of \$100,778). The Company has incurred negative cash flows from operations of \$658,107 and recorded a loss of \$1,326,852 for the year ended December 31, 2020 (December 31, 2019: negative cash flows from operations of \$805,584 and loss of \$815,967, respectively), and has an accumulated deficit of \$5,940,721 as at December 31, 2020 (December 31, 2019: \$4,613,869). The Company does not currently have a source of revenue. On April 23, 2021, the Company closed a non-brokered private placement of \$7,500,000 (Note 15). 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. While the Company anticipates it has sufficient capital to meet its current obligations and planned activities for at least twelve months from December 31, 2020, the Company expects it will need to raise additional capital to carry out its long-term objectives. While 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).

2. BASIS OF PRESENTATION

(a) *Statement of compliance*

These consolidated financial statements as at and for the year ended December 31, 2020, 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, 2021.

(b) *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured 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.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at year end that could result in a material adjustment to the carrying amounts of assets and liabilities within the next year, in the event that actual results differ from assumptions made, relate to the following:

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).

(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.

As at December 31, 2020, the Company had three wholly owned subsidiaries: BQ AcquisitionCo Corp. and BQ FinanceCo Corp., incorporated in British Columbia, Canada, and BeMetals USA Corp., incorporated in Delaware, USA.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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, 2020, are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(f) *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.

(g) *Financial instruments*

The Company classifies its financial assets and liabilities 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 the 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, Deposits	Amortized cost
Amounts receivable	Amortized cost
Marketable securities	FVOCI
Option – South Mountain	FVTPL
Trade and other payables	Amortized cost

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Financial instruments (continued)*

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.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement. The levels of the fair value hierarchy are:

- | | |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities; |
| Level 2 | Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and |
| Level 3 | Inputs that are not based on observable market data |

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.

4. OPTION – SOUTH MOUNTAIN

In February 2019, the Company entered into an option agreement for the rights to the South Mountain Project (the "South Mountain Agreement"). This agreement and the transactions pursuant thereto (the "South Mountain Transaction") was approved by the TSX-V in September 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.

Pursuant to the South Mountain Agreement, the Company can acquire SMMI by:

- making cash option payments of US\$1,100,000 (US\$600,000 completed at December 31, 2020, and US\$850,000 completed to date);
- issuing 10,000,000 common shares of the Company to Thunder Mountain (completed);
- purchasing 2,500,000 shares of common stock of Thunder Mountain at US\$0.10 per share by way of private placement (completed);
- completing a Preliminary Economic Assessment ("PEA") for the South Mountain Project; and
- making a final payment to Thunder Mountain consisting of cash, common shares of the Company, or a combination of both at the discretion of the Company. 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 PEA 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.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

4. OPTION – SOUTH MOUNTAIN (continued)

In June 2020, certain milestones under the South Mountain Agreement were agreed to be extended by three months, including the remaining cash option payments (two of which were made in September 2020 and March 2021, respectively, and the final cash option payment is now due in September 2021), as well as the final acquisition value payment. Following these amendments, the Company has until September 2021 to complete the SMMI Acquisition (subject to extension in certain limited circumstances).

As at December 31, 2020, in accordance with the terms of the South Mountain Agreement and the June 2020 amendments, the Company had made cumulative cash option payments of \$789,265 (US\$600,000), issued 10,000,000 common shares valued at \$2,600,000, 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, 2020, is \$3,389,265. Subsequent to year end, the Company made an additional cash payment of \$315,650 (US\$250,000) in March 2021.

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, during the year ended December 31, 2019, 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.

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 (the "January 2020 amendments").

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 by February 2020 (completed);
- (b) spending US\$2,500,000 in exploration work by December 31, 2020 (completed); 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, 2020 and 2019

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

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).

In February 2020, the Company made a cash consideration payment of US\$100,000, and issued 480,500 common shares valued at \$111,760 to the Pangeni Vendor (Note 8). As at December 31, 2020, the Company had made cumulative cash consideration payments of \$327,235 (US\$250,000) and issued 780,500 common shares valued at \$171,760 towards the Pangeni Agreement. In addition, as at December 31, 2020, the Company had made cumulative advances of \$3,313,750 (US\$2,500,000) towards its commitment for exploration expenditures and therefore has completed the obligation to spend US\$2,500,000 on exploration work (Note 6). During the year ended December 31, 2020, the Company made further exploration expenditures (see 'Capitalized Costs' below).

At the commencement of the mine development phase, and following a Feasibility Study, a one-off milestone payment is 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 ("Pangeni Mineral") 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).

In March 2021, the Company entered into an agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") for an initial investment of US\$1,500,000 from JOGMEC for money-in-the-ground exploration at the Pangeni Copper Project and additional ongoing pro-rata contributions (see Note 15). Following the initial investment and continued pro-rata exploration funding by JOGMEC and assuming the full exercise of all applicable underlying parties and optionees, the investment will provide JOGMEC with rights to an approximately 20% stake in the Pangeni Copper Project and BeMetals will retain rights to approximately 52%.

Capitalized Costs

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation assets as at December 31, 2020:

	South Mountain Project	Pangeni Copper Project	Total
Balance December 31, 2019	\$ 2,665,206	\$ 3,628,052	\$ 6,293,258
Cash consideration paid	-	132,780	132,780
Share consideration issued	-	111,760	111,760
Share-based compensation	88,022	33,048	121,070
Advances	(61,513)	-	(61,513)
Professional fees	-	41,399	41,399
Consulting & wages	920,571	- (1)	920,571
Drilling	571,670	- (1)	571,670
Land fees/Lease payments	35,077	- (1)	35,077
Site logistics	417,544	- (1)	417,544
Underground infrastructure	535,185	- (1)	535,185
Balance December 31, 2020	5,171,762	3,947,039	9,118,801
Advances unspent at December 31, 2020	18,500	20,787	39,287
Balance December 31, 2020	\$ 5,190,262	\$ 3,967,826	\$ 9,158,088

(1) Additional exploration costs were applied as a reduction of the Commitment for Exploration Expenditures (see Notes 5, 6)

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

6. COMMITMENT FOR EXPLORATION EXPENDITURES

During the year ended December 31, 2020, the Company incurred \$1,391,299 (US\$1,023,905) of advances and contributions towards its US\$2,500,000 obligation for exploration expenditures on the Pangeni Copper Project due by December 31, 2020. The Company completed this obligation during the year and further exploration expenditures will be included in exploration and evaluation assets (Note 5).

The following tables summarize the capitalized costs and commitment associated with the Pangeni Copper Project as at December 31, 2020:

Total commitment for exploration expenditures (Pangeni Copper Project)	CAD	USD
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
Advances & expenditures	(1,391,299)	(1,023,905)
Foreign exchange movement	61,451	-
Balance December 31, 2020	\$ -	\$ -

7. INVESTMENTS

	As at December 31, 2020			As at December 31, 2019		
	Shares	Fair Value	Cost	Shares	Fair Value	Cost
Thunder Mountain shares	2,500,000	\$ 509,280	\$ 334,725	2,500,000	\$ 253,266	\$ 334,725

In September 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, 2020

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

In July 2020, the Company issued 138,950 common shares pursuant to the exercise of warrants (Note 8(d)).

In August 2020, the Company closed a brokered private placement offering and issued a total of 18,750,000 common shares (the "Shares") at a price of \$0.40 per Share (the "Offering Price") for aggregate gross proceeds of \$7,500,000 (the "Offering"). In connection with the Offering, the Company has paid to the agents a cash commission of \$433,500. In addition, the Company issued to the agents an aggregate of 1,083,750 non-transferrable warrants, exercisable at a price of \$0.40 per share until August 13, 2022, with a fair value of \$175,910 (Note 8(d)). In addition to the cash commission above, \$145,395 in cash share issuance costs were incurred in connection with the Offering.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

8. EQUITY (continued)

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

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.

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 (Note 4). Each unit consists of one common share in the capital of the Company and one-quarter warrant.

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

(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, 2020, 4,661,564 common shares remained in escrow and will be released in semi-annual tranches until July 2021 (December 31, 2019: 9,323,140).

(d) Warrants

In July 2020, 138,950 warrants were exercised for gross proceeds of \$48,633.

In August 2020, the Company issued to the agents an aggregate of 1,083,750 non-transferrable warrants, exercisable at a price of \$0.40 per share until August 13, 2022, with a fair value of \$175,910 (Note 8(b)). The fair value of these warrants was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 75%, ii) risk free interest rate of 0.28%; iii) dividend yield of \$nil; and iv) expected life of 2 years.

Following is a summary of changes in warrants outstanding:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018	-	\$ -
Issued	6,249,993	0.35
Balance, December 31, 2019	6,249,993	0.35
Issued	1,083,750	0.40
Exercised	(138,950)	0.35
Balance, December 31, 2020	7,194,793	\$ 0.36

The following table summarizes information about warrants outstanding at December 31, 2020:

Number of warrants	Exercise price	Expiry date
6,111,043	\$ 0.35	May 6, 2021
1,083,750	0.40	August 13, 2022
7,194,793		

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

8. EQUITY (continued)

(d) Warrants (continued)

Subsequent to December 31, 2020, 1,221,000 warrants with an exercise price of \$0.35 were exercised for total proceeds of \$427,350.

(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.

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. Using the Black-Scholes valuation model, the fair value per option granted was \$0.18 per option.

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. Using the Black-Scholes valuation model, the fair value per option granted was \$0.18 per option.

In July 2020, the Company granted an aggregate of 750,000 share options to a director of the Company, exercisable at a price of \$0.365 per share until July 15, 2030, vesting over a period of two years. Using the Black-Scholes valuation model, the fair value per option granted was \$0.28 per option.

The fair value of these options was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 75%, ii) risk free interest rate of 0.44% - 1.59%; iii) dividend yield of \$nil; and iv) expected life of 10 years.

Share-based compensation expense recognized for the vesting of options during the year ended December 31, 2020, was \$740,583 (2019: \$164,310), of which \$121,070 (2019: \$nil) was capitalized to exploration and evaluation assets on the statement of financial position, and \$619,513 (2019: \$164,310) was expensed directly to the statements of loss and comprehensive loss.

Following is a summary of changes in share options outstanding:

	Number of options	Weighted average exercise price
Balance, December 31, 2018	6,270,000	\$ 0.14
Exercise	(750,000)	0.06
Balance, December 31, 2019	5,520,000	0.15
Granted	4,500,000	0.26
Balance, December 31, 2020	10,020,000	\$ 0.20

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

8. EQUITY (continued)

(e) *Share options (continued)*

The following table summarizes information about share options outstanding at December 31, 2020:

Outstanding	Exercisable	Exercise price	Expiry date
2,520,000	2,520,000	\$ 0.060	December 9, 2026
2,250,000	1,750,000	0.240	February 27, 2028
750,000	750,000	0.210	October 1, 2028
3,750,000	1,249,996	0.235	January 7, 2030
750,000	250,000	0.365	July 15, 2030
10,020,000	6,519,996		

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, 2020, key management personnel compensation, including directors and officers, was comprised of \$710,683 (December 31, 2019: \$463,500), of which \$437,522 related to share-based compensation and \$273,161 related to management fees and salaries (December 31, 2019: \$164,310 and \$299,190, respectively).

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

Cash, deposits, 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 FVOCI. The South Mountain Option is classified as FVTPL.

Financial Risk Management

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:

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, 2020, the Company had current liabilities of \$81,528 and working

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

capital of \$3,196,596 (Note 1). On April 23, 2021, the Company closed a non-brokered private placement of \$7,500,000 (Note 15).

The Company also has commitments or option payments arising in 2021 related to the South Mountain Project (Note 4).

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 asset position of \$1,116,677 in US dollars as of December 31, 2020, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being \$111,668.

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.

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.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

12. SEGMENTED INFORMATION

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

<i>December 31, 2020</i>	USA	Zambia	Total
Exploration and evaluation assets	\$ 5,190,262	\$ 3,967,826	\$ 9,158,088

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

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:

	2020	2019
Loss for the year	\$ (1,326,852)	\$ (815,967)
Expected income tax recovery	\$ (358,000)	\$ (220,000)
Permanent Difference	176,000	25,000
Share issue costs	(20,000)	(20,000)
Income tax benefit not recognised	202,000	215,000
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:

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary Differences				
Non-capital losses	\$ 5,516,000	2029 to 2039	\$ 4,084,000	2029 to 2039

14. COVID-19 UNCERTAINTY

Since March 2020, the spread of COVID-19 has impacted many local economies around the globe. In many countries, including Canada, USA, Zambia, and Japan, some businesses have been 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. In the height of the pandemic, global stock markets experienced great volatility and significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. 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.

BeMetals Corp.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

15. SUBSEQUENT EVENTS

Acquisition of Kazan Gold Project in Japan and Concurrent Private Placement

On April 23, 2021, the Company completed the acquisition of privately owned Kronk Resources Inc. ("Kronk") and its wholly owned subsidiary Kazan Resources ("Kazan") which holds the rights to a portfolio of gold exploration projects in Japan (the "Kronk Transaction"). Pursuant to the Kronk Transaction, the Company issued a total of 32,629,956 common shares to shareholders of Kronk at a deemed price of \$0.3869 per share. Concurrently with the Kronk Transaction, the Company closed a non-brokered private placement of \$7,500,000 through the issuance of 17,045,455 common shares at \$0.44 per share to senior gold producer and new strategic investor, B2Gold Corp. ("B2Gold"). Following the transaction and private placement, B2Gold owns approximately 19% of the Company's outstanding shares.

Joint exploration and option agreement with Japan Oil, Gas and Metals National Corporation

In March 2021, the Company entered into a joint exploration and option agreement with JOGMEC (the "JOGMEC Agreement") that provides an initial investment of US\$1,500,000 from JOGMEC for money-in-the-ground exploration at the Pangeni Copper Project and additional ongoing pro-rata contributions. This investment from JOGMEC is expected to significantly accelerate exploration at the property.

Under the terms of the JOGMEC Agreement, by March 31, 2021, JOGMEC will fund US\$1,000,000 for exploration expenditures by way of payment to BeMetals for exploration activities completed in the 2020 field program. This payment was received in March 2021. During 2021, JOGMEC will also fund an additional US\$500,000 in exploration expenditures, after which JOGMEC will be deemed to have earned a 27.8% interest in BeMetals' option to acquire up to a 72% interest in the Pangeni Copper Project. Upon earning its interest in the BeMetals option, for the remainder of the agreed future exploration programs, JOGMEC will fund exploration expenditures pro-rata in accordance with its 27.8% interest. In total JOGMEC will therefore solely fund US\$1,500,000 of exploration expenditures, and thereafter fund exploration expenditures pro-rata in accordance with its proportionate interest in the BeMetals option for the property. The above investments will provide JOGMEC with rights to an approximately 20% stake in the Pangeni Copper Project assuming the full exercise of all applicable underlying parties and optionees and BeMetals will retain rights to approximately 52%. BeMetals retains overall management control through the project's technical committee and its majority option position in the Pangeni Copper Project.