



**BeMETALS** CORP.

Condensed interim consolidated financial statements of

**BeMetals Corp.**

Six months ended June 30, 2020 and 2019  
(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 June 30, 2020	As at December 31, 2019
<b>Assets</b>		
Current assets		
Cash	\$ 427,384	\$ 1,212,885
Term deposits	28,750	28,750
Amounts receivable	3,360	3,185
Prepays and deposits	10,108	46,584
	<b>469,602</b>	1,291,404
Investments (Note 7)	280,226	253,266
Exploration and evaluation assets (Note 5)	6,958,685	6,293,258
Option - South Mountain (Note 4)	3,056,240	3,056,240
<b>Total assets</b>	<b>\$ 10,764,753</b>	<b>\$ 10,894,168</b>
<b>Liabilities and equity</b>		
Current liabilities		
Trade and other payables	\$ 15,887	\$ 62,334
Commitment for exploration expenditures (Note 6)	1,380,898	1,329,848
	<b>1,396,785</b>	1,392,182
Shareholders' equity		
Share capital (Note 8)	13,556,752	13,444,992
Equity reserves (Note 8)	1,124,816	670,863
Deficit	(5,313,600)	(4,613,869)
Total equity	9,367,968	9,501,986
<b>Total liabilities and equity</b>	<b>\$ 10,764,753</b>	<b>\$ 10,894,168</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 14)

Approved by the Board of Directors and authorized for issue on August 27, 2020:

\_\_\_\_\_  
"Mark Connelly" Director

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

# BeMetals Corp.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Expenses</b>				
Consulting	\$ 30,000	\$ 30,000	\$ 60,000	\$ 60,000
Foreign exchange loss (gain) (Note 6)	(42,025)	3,520	31,640	(49,541)
Marketing	9,173	2,600	31,274	8,015
Office and administration	18,125	15,410	40,490	34,215
Professional fees	9,895	9,554	17,131	13,023
Regulatory and transfer agent	7,144	9,079	16,832	15,244
Salaries and benefits (Note 9)	66,350	86,056	137,119	178,212
Share-based compensation (Note 8)	19,469	40,430	347,653	92,604
Travel	-	29,629	21,539	42,176
	(118,131)	(226,278)	(703,678)	(393,948)
Finance income	340	5,997	3,947	7,467
<b>Loss</b>	<b>(117,791)</b>	<b>(220,281)</b>	<b>(699,731)</b>	<b>(386,481)</b>
<b>Other comprehensive gain (loss)</b>				
Unrealized gain (loss) on marketable securities (Note 7)	(56,715)	(138,420)	26,960	(138,420)
Other comprehensive gain (loss)	(56,715)	(138,420)	26,960	(138,420)
<b>Loss and comprehensive loss</b>	<b>\$ (174,506)</b>	<b>\$ (358,701)</b>	<b>\$ (672,771)</b>	<b>\$ (524,901)</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	105,407,940	86,743,880	105,315,026	77,770,117

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		EQUITY RESERVES			
	Shares issued	Amount	Share-based payments	Marketable securities	Deficit	Total equity
<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	-	-	92,604	-	-	92,604
Loss and comprehensive loss	-	-	-	(138,420)	(386,481)	(524,901)
<b>At June 30, 2019</b>	104,927,440	13,444,992	680,616	(138,420)	(4,184,383)	9,802,805
Share-based compensation	-	-	71,706	-	-	71,706
Loss and comprehensive loss	-	-	-	56,961	(429,486)	(372,525)
<b>At December 31, 2019</b>	104,927,440	13,444,992	752,322	(81,459)	(4,613,869)	9,501,986
Shares issued for the acquisition of exploration assets (Note 5)	480,500	111,760	-	-	-	111,760
Share-based compensation	-	-	426,993	-	-	426,993
Loss and comprehensive loss	-	-	-	26,960	(699,731)	(672,771)
<b>At June 30, 2020</b>	105,407,940	\$ 13,556,752	\$ 1,179,315	\$ (54,499)	\$ (5,313,600)	\$ 9,367,968

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

# BeMetals Corp.

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Six months ended June 30,	
	2020	2019
<b>Operating activities</b>		
Loss	\$ (699,731)	\$ (386,481)
Adjusted for:		
Share-based compensation	347,653	92,604
Unrealized foreign exchange	65,040	(47,259)
Changes in non-cash working capital items:		
Amounts receivable	(175)	(23,316)
Prepaid expenses	36,476	558
Trade and other payables	(46,447)	(65,683)
	<b>(297,184)</b>	<b>(429,577)</b>
<b>Investing activities</b>		
Cash payments for Option - South Mountain	-	(133,630)
Cash acquisition costs for Pangenji Copper Project	(132,780)	(131,920)
Payments for exploration and evaluation expenditures	(340,969)	(608,402)
Payments for commitment for exploration and evaluation expenditures	(14,568)	(977,193)
Purchase of marketable securities	-	(334,725)
	<b>(488,317)</b>	<b>(2,185,870)</b>
<b>Financing activities</b>		
Private placement, net of share issue costs	-	6,016,972
Proceeds on exercise of share options	-	45,000
	-	6,061,972
Change in cash	(785,501)	3,446,525
Cash, beginning of period	1,212,885	342,849
<b>Cash, end of period</b>	<b>\$ 427,384</b>	<b>\$ 3,789,374</b>
<b>Non-cash investing and financing activities</b>		
Non-cash acquisition costs for South Mountain Project	\$ -	\$ 2,819,716
Non-cash acquisition costs for Pangenji Copper Project (Note 5)	\$ 111,760	\$ 40,000
Share-based compensation capitalized for exploration and evaluation expenditures (Note 5)	\$ 79,340	\$ -

No cash was paid for interest or income taxes during the six months ended June 30, 2020 and 2019.

*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 Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

BeMetals 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 '1OIF', with option agreements to acquire interest in mineral projects in Idaho and Zambia. Pursuant to the option agreements, the Company has rights to acquire up to a 100% interest in the high grade polymetallic (zinc-silver-gold-copper) South Mountain development project (the "South Mountain Project") in southwest Idaho, USA (Notes 4,5) and rights to acquire up to a 72% interest in the Pangen copper exploration project (the "Pangen Copper Project") on the western extension of the Zambian Copperbelt (Note 5). The Company is also reviewing potential new project opportunities in precious metals with the intention of acquiring such additional 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 June 30, 2020, the Company had a working capital deficit of \$927,183 (December 31, 2019: \$100,778). The Company has incurred negative cash flows from operations of \$297,184 and recorded a loss of \$699,731 for the six months ended June 30, 2020 (June 30, 2019: negative cash flows from operations of \$429,577 and loss of \$386,481, respectively), and has an accumulated deficit of \$5,313,600 as at June 30, 2020 (December 31, 2019: \$4,613,869). In August 2020, the Company closed a brokered private placement offering for gross proceeds of \$7,500,000 (Note 14). The Company does not currently have a source of revenue. While the Company anticipates it has sufficient capital to meet its current obligations and planned activities, 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 13). This material uncertainty gives rise to significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to 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*

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretation Committee. These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

These unaudited condensed interim consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on August 27, 2020.

#### (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 measured at fair value. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 2. BASIS OF PRESENTATION (continued)

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

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.

##### *Option – South Mountain*

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

##### *Share-based payments*

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

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

#### (d) *Principles of consolidation*

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



# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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### 2. BASIS OF PRESENTATION (continued)

#### (d) Principles of consolidation (continued)

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) 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 business model for managing the financial asset and their contractual cash flow characteristics.

The Company classifies its financial instruments as follows:

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

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

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

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.

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 4. OPTION – SOUTH MOUNTAIN

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

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

- (a) making cash option payments of US\$1,100,000 (US\$350,000 completed at June 30, 2020);
- (b) issuing 10,000,000 common shares of the Company to Thunder Mountain (completed);
- (c) purchasing 2,500,000 shares of common stock of Thunder Mountain at US\$0.10 per share by way of private placement (completed);
- (d) completing a Preliminary Economic Assessment ("PEA") for the South Mountain Project; and
- (e) 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.

In June 2020, certain milestones under the South Mountain Agreement were agreed to be extended by three months, including the remaining tranches of cash option payments (now due September 2020, March 2021 and September 2021) as well as the final payment (the "June 2020 amendments"). Following these amendments, the Company has until September 2021 to complete the acquisition of SMMI.

As at June 30, 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 \$456,240 (US\$350,000), 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 June 30, 2020, is \$3,056,240.

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

### 5. EXPLORATION AND EVALUATION ASSETS

#### South Mountain Project

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

As part of the costs of acquisition of the right to explore the South Mountain Project, 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.

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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

#### 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 (US\$1,486,720 completed at June 30, 2020); and
- (c) completing a Preliminary Economic Assessment, making a further cash payment of US\$450,000 (a portion of which may be paid in common shares at the option of the Company), and making a payment of US\$700,000 as an advanced royalty reduction payment, by February 2023.

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 June 30, 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, the Company has made advances of \$1,957,803 (US\$1,486,720) towards its commitment for exploration expenditures (Note 6).

The US\$2,500,000 to be spent on exploration work is a firm obligation under the Pangeni Agreement and is required to be satisfied by either expenditures on exploration activities or by cash payments to the Pangeni Vendor by December 31, 2020. Pursuant to the January 2020 amendments, it was agreed that any shortfall as at December 31, 2020, will be satisfied through the issuance of common shares of BeMetals (Note 6). The Company incurred cash transaction costs of \$59,847 in connection with the Pangeni Transaction during the year ended December 31, 2018.

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

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

#### Capitalized Costs

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation assets as at June 30, 2020:

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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

	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	60,274	19,066	79,340
Advances	(61,513)	-	(61,513)
Consulting & wages	295,345	- (1)	295,345
Drilling	19,315	- (1)	19,315
Land fees/Lease payments	-	- (1)	-
Site logistics	86,310	- (1)	86,310
Balance June 30, 2020	3,064,937	3,891,658	6,956,595
Advances unspent at June 30, 2020	2,090	-	2,090
Balance June 30, 2020	\$ 3,067,027	\$ 3,891,658	\$ 6,958,685

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

### 6. COMMITMENT FOR EXPLORATION EXPENDITURES

During the six months ended June 30, 2020, the Company incurred \$14,568 (US\$10,625) of advances and contributions towards its US\$2,500,000 obligation for exploration expenditures on the Pangeni Copper Project due by December 31, 2020. As at June 30, 2020, \$16,263 (US\$11,933) of the advances from previous periods 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 June 30, 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	(14,568)	(10,625)
Foreign exchange movement	65,618	-
Balance June 30, 2020	\$ 1,380,898	\$ 1,013,280

### 7. INVESTMENTS

	As at June 30, 2020			As at December 31, 2019		
	Shares	Fair Value	Cost	Shares	Fair Value	Cost
Thunder Mountain shares	2,500,000	\$ 280,226	\$ 334,725	2,500,000	\$ 253,266	\$ 334,725

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

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

### 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

##### Six months ended June 30, 2020

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

##### Six months ended June 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.

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 June 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 June 30, 2020, 6,992,352 common shares remained in escrow and will be released in semi-annual tranches until July 2021 (December 31, 2019: 9,323,140).

#### (d) Warrants

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, June 30 and December 31, 2019, and June 30, 2020	6,249,993	\$ 0.35

The following table summarizes information about warrants outstanding at June 30, 2020:

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

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

### 8. EQUITY (continued)

#### (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 option pricing 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 option pricing model, the fair value per option granted was \$0.18 per option.

The following weighted average assumptions were used for the valuation of the share options:

	2020
Risk-free interest rate	1.59%
Expected life (years)	10 years
Annualized volatility	75.00%
Dividend rate	0.00%

Share-based compensation expense recognized for the vesting of options during the six months ended June 30, 2020, was \$426,993, of which \$79,340 was capitalized to exploration and evaluation assets on the statement of financial position and \$347,653 was expensed directly to profit or 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	\$ 0.140
Exercise	(750,000)	0.060
Balance, June 30 and December 31, 2019	5,520,000	0.150
Granted	3,750,000	0.235
Balance, June 30, 2020	9,270,000	\$ 0.187

The following table summarizes information about share options outstanding at June 30, 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	500,000	0.210	October 1, 2028
3,750,000	1,250,000	0.235	January 7, 2030
9,270,000	6,020,000		

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 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 six months ended June 30, 2020, key management personnel compensation, including directors and officers, was comprised of \$353,544 (June 30, 2019: \$270,816), of which \$216,425 related to share-based compensation and \$137,119 related to salaries and benefits (June 30, 2019: \$92,604 and \$178,212, respectively).

### 10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### *Financial Risk Management*

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 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:

#### **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 June 30, 2020, the Company had current liabilities of \$1,396,785 and a working capital deficit of \$927,183 (Note 1).

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

#### **Foreign currency risk**

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company's reporting currency is the Canadian dollar and major purchases are transacted in Canadian and US dollars. A portion of the Company's exploration and evaluation expenditures are incurred in Zambia, but are predominantly transacted in US dollars. The Company maintains Canadian and US dollar bank accounts in Canada. The Company is subject to gains and losses from fluctuations in the US dollar against the Canadian dollar. The Company held a net monetary liability position of \$1,152,714 in US dollars as of June 30, 2020, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being \$115,271.

# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

### 10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

#### 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.

### 12. SEGMENTED INFORMATION

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

<b>June 30, 2020</b>	USA	Zambia	Total
Exploration and evaluation assets	\$ 3,067,027	\$ 3,891,658	\$ 6,958,685
<b>December 31, 2019</b>	USA	Zambia	Total
Exploration and evaluation assets	\$ 2,665,206	\$ 3,628,052	\$ 6,293,258



# BeMetals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For The Six Months Ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 13. COVID-19 UNCERTAINTY

Since March 2020, the spread of COVID-19 has impacted many local economies around the globe. In many countries, including Canada, 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.

### 14. SUBSEQUENT EVENTS

#### Private placement

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")(Note 1). The common shares issued under the Offering will be subject to a statutory hold period expiring on December 14, 2020. Haywood Securities Inc. acted as lead agent on behalf of a syndicate of agents that included Canaccord Genuity Corp. and Raymond James Ltd. (the "Agents"). 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 compensation options, exercisable for a period of 24 months following the closing of the Offering at an exercise price of C\$0.40. The securities issued to the Agents are subject to a hold period expiring December 14, 2020.

The Company plans to use the net proceeds from the Offering to continue review of potential precious metal project acquisitions, for the exploration and advancement of the Company's projects in Idaho and Zambia (Notes 4,5), and for general corporate purposes.

#### Warrant exercise

In July 2020, 138,950 warrants with an exercise price of \$0.35 were exercised for total proceeds of \$48,633.

#### Share option grant

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.