Condensed interim consolidated financial statements of

BeMetals Corp.

Three month ended March 31, 2021 and 2020
(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 March 31, 2021	As at December 31, 2020
Assets		
Current assets		
Cash	**$ 3,755,373**	$ 3,206,767
Term deposits	**28,750**	28,750
Amounts receivable	**26,982**	11,038
Prepaids and deposits	**26,931**	31,569
	3,838,036	3,278,124
Investments (Note 7)	**471,563**	509,280
Deferred transaction costs (Note 14)	**154,483**	-
Exploration and evaluation assets (Note 5)	**8,319,161**	9,158,088
Option - South Mountain (Note 4)	**3,705,765**	3,389,265
Total assets	**$ 16,489,008**	$ 16,334,757
Liabilities and equity		
Current liabilities		
Trade and other payables	**$ 141,188**	$ 81,528
	141,188	81,528
Shareholders' equity		
Share capital (Note 8)	**20,676,868**	20,350,580
Equity reserves	**1,867,085**	1,843,370
Deficit	**(6,196,133)**	(5,940,721)
Total equity	**16,347,820**	16,253,229
Total liabilities and equity	**$ 16,489,008**	$ 16,334,757

Subsequent events (Notes 1,8(d),14)

Approved by the Board of Directors on May 28, 2021:

"Mark Connelly" Director

"John Wilton" Director

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

BeMetals Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)
(Unaudited)

	Three months ended March 31, 2021	2020
Expenses		
Consulting	**$ 18,534**	$ 30,000
Foreign exchange loss (Note 6)	**10,795**	73,665
Marketing	**24,605**	22,101
Office and administration	**24,683**	22,365
Professional fees	**24,877**	7,236
Regulatory and transfer agent	**12,683**	9,688
Management fees and salaries (Note 9)	**98,297**	70,769
Share-based compensation (Note 8)	**42,086**	328,184
Travel	**1,679**	21,539
	(258,239)	(585,547)
Finance income	**2,827**	3,607
Loss	**(255,412)**	(581,940)
Other comprehensive gain (loss)		
Unrealized gain (loss) on marketable securities (Note 7)	**(37,717)**	83,675
Other comprehensive gain (loss)	**(37,717)**	83,675
Comprehensive loss	**$ (293,129)**	$ (498,265)
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	**124,688,109**	105,221,079

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

BeMetals Corp.

Condensed Interim Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)
(Unaudited)

	SHARE CAPITAL		EQUITY RESERVES			
	Shares issued	Amount	Share-based payments	Marketable securities	Deficit	Total equity
At December 31, 2019	104,927,440	$ 13,444,992	$ 752,322	$ (81,459)	$ (4,613,869)	$ 9,501,986
Shares issued for the acquisition of exploration assets	480,500	111,760	-	-	-	111,760
Share-based compensation	-	-	328,184	-	-	328,184
Loss and comprehensive loss	-	-	-	83,675	(581,940)	(498,265)
At March 31, 2020	105,407,940	13,556,752	1,080,506	2,216	(5,195,809)	9,443,665
Private placement	18,750,000	7,500,000	-	-	-	7,500,000
Share issuance costs	-	(754,805)	175,910	-	-	(578,895)
Exercise of warrants	138,950	48,633	-	-	-	48,633
Share-based compensation	-	-	412,399	-	-	412,399
Loss and comprehensive loss	-	-	-	172,339	(744,912)	(572,573)
At December 31, 2020	124,296,890	20,350,580	1,668,815	174,555	(5,940,721)	16,253,229
Exercise of warrants	932,250	326,288	-	-	-	326,288
Share-based compensation	-	-	61,432	-	-	61,432
Loss and comprehensive loss	-	-	-	(37,717)	(255,412)	(293,129)
At March 31, 2021	125,229,140	$ 20,676,868	$ 1,730,247	$ 136,838	$ (6,196,133)	$ 16,347,820

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)

	Three months ended March 31, 2021	2020
Operating activities		
Loss	**$ (255,412)**	$ (581,940)
Adjusted for:		
Share-based compensation	**42,086**	328,184
Unrealized foreign exchange	**(69)**	121,374
Changes in non-cash working capital items:		
Amounts receivable	**(15,944)**	(1,862)
Prepaid expenses	**4,638**	5,171
Trade and other payables	**(43,088)**	(19,221)
	(267,789)	(148,294)
Investing activities		
Proceeds from JOGMEC (Note 5)	**1,259,265**	-
Deferred transaction costs (Note 14)	**(52,829)**	-
Cash payments for Option - South Mountain (Note 4)	**(316,500)**	-
Cash acquisition costs for Pangeni Copper Project	**-**	(132,780)
Payments for exploration and evaluation expenditures	**(399,829)**	(157,896)
Payments for commitment for exploration and evaluation expenditures	**-**	(5,787)
	490,107	(296,463)
Financing activities		
Proceeds on exercise of warrants	**326,288**	-
	326,288	-
Change in cash	**548,606**	(444,757)
Cash, beginning of period	**3,206,767**	1,212,885
Cash, end of period	**$ 3,755,373**	$ 768,128
Non-cash investing and financing activities		
Non-cash acquisition costs for Pangeni Copper Project	**$ -**	$ 111,760
Share-based compensation capitalized for exploration and evaluation expenditures (Note 5)	**$ 19,346**	$ -
Deferred transaction costs included in trade and other payables (Note 14)	**$ 101,654**	$ -
Exploration costs included in trade and other payables	**$ -**	$ 1,961

No cash was paid for interest or income taxes during the three months ended March 31, 2021 and 2020.

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

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 ‘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 Pangeni copper exploration project (the “Pangeni 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 14). 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 March 31, 2021, the Company had working capital of $3,696,848 (December 31, 2020: working capital of $3,196,596). The Company has incurred negative cash flows from operations of $267,789 and recorded a loss of $255,412 for the three months ended March 31, 2021 (March 31, 2020: negative cash flows from operations of $148,294 and loss of $581,940, respectively), and has an accumulated deficit of $6,196,133 as at March 31, 2021 (December 31, 2020: $5,940,721). 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 14). 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. While the Company anticipates it has sufficient capital to meet its current obligations and planned activities for at least twelve months from March 31, 2021, 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).

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 as at and for the three months ended March 31, 2021, including comparatives, are 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 May 28, 2021.

(b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain 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.

2. BASIS OF PRESENTATION (continued)

(c) Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates which, by their nature, are uncertain.

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:

<u>*Key Sources of Estimation Uncertainty*</u>

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 March 31, 2021, the Company had four wholly owned subsidiaries: BQ AcquisitionCo Corp. and BQ FinanceCo Corp., incorporated in British Columbia, Canada, 2815797 Ontario Inc., incorporated in Ontario, Canada, and BeMetals USA Corp., 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 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

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.

4. OPTION – SOUTH MOUNTAIN (continued)

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

(a) making cash option payments of US$1,100,000 (US$850,000 completed at March 31, 2021, and to date);
(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 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 March 31, 2021, in accordance with the terms of the South Mountain Agreement and the June 2020 amendments, the Company had made cumulative cash option payments of $1,105,765 (US$850,000), 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 March 31, 2021, is $3,705,765.

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).

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").

5. EXPLORATION AND EVALUATION ASSETS (continued)

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.

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 March 31, 2021, 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 fulfilled its commitment for exploration expenditures by making cumulative advances of $3,313,750 (US$2,500,000) (Note 6). During the three months ended March 31, 2021, 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).

Investment in the Pangeni Copper Project by JOGMEC

In March 2021, the Company entered into a joint exploration and option agreement (the “JOGMEC 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. This investment from JOGMEC is expected to significantly accelerate exploration at the property.

Under the terms of the JOGMEC Agreement:

(a) 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 (completed); and
(b) 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.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Capitalized Costs

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation assets as at March 31, 2021:

	South Mountain Project	Pangeni Copper Project	Total
Balance December 31, 2020	$ 5,190,262	$ 3,967,826	$ 9,158,088
Share-based compensation	11,578	7,768	19,346
Advances	(18,500)	(20,787)	(39,287)
Proceeds from JOGMEC	-	(1,259,265)	(1,259,265)
Professional fees	-	37,363	37,363
Consulting & wages	225,790	- (1)	225,790
Drilling	71,492	- (1)	71,492
Land fees/Lease payments	7,829	- (1)	7,829
Site logistics	63,205	- (1)	63,205
Balance March 31, 2021	5,551,656	2,732,905	8,284,561
Advances unspent at March 31, 2021	13,813	20,787	34,600
Balance March 31, 2021	$ 5,565,469	$ 2,753,692	$ 8,319,161

(1) Additional exploration costs of $93,435 (US$71,230) were funded by unspent advances made to the Pangeni Vendor prior to December 31, 2020, that had been applied as a reduction of the Commitment for Exploration Expenditures as at December 31, 2020 (see Notes 5, 6)

6. COMMITMENT FOR EXPLORATION EXPENDITURES

As at December 31, 2020, the Company had fulfilled its US$2,500,000 obligation for exploration expenditures on the Pangeni Copper Project due by December 31, 2020. 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:

Total commitment for exploration expenditures (Pangeni Copper Project)	**CAD**	**USD**
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, and March 31, 2021	$ -	$ -

7. INVESTMENTS

	As at March 31, 2021			As at December 31, 2020		
	Shares	**Fair Value**	**Cost**	Shares	Fair Value	Cost
Thunder Mountain shares	**2,500,000**	**$ 471,563**	**$ 334,725**	2,500,000	$ 509,280	$ 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'.

(Expressed in Canadian dollars)

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

Three months ended March 31, 2021

During the three months ended March 31, 2021, the Company issued 932,250 common shares pursuant to the exercise of warrants (Note 8(d)).

Three months ended March 31, 2020

During the three months ended March 31, 2020, the Company issued 480,500 common shares pursuant to the Pangeni Agreement (Note 5).

(b) Escrow shares

Certain shares are held in escrow pursuant to a December 2009 escrow agreement, as supplemented in July 2018. As at March 31, 2021, 2,330,776 common shares remained in escrow and will be released in semi-annual tranches until July 2021 (December 31, 2020: 4,661,564).

(d) Warrants

During the three months ended March 31, 2021, 932,250 warrants were exercised for proceeds of $326,288.

Following is a summary of changes in warrants outstanding:

	Number of warrants		Weighted average exercise price
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
Exercised	(932,250)		0.35
Balance, March 31, 2021	6,262,543	$	0.36

The following table summarizes information about warrants outstanding at March 31, 2021:

Number of warrants		Exercise price	Expiry date
5,178,793	$	0.35	May 6, 2021
1,083,750		0.40	August 13, 2022
6,262,543			

(Expressed in Canadian dollars)

8. EQUITY (continued)

(d) Warrants (continued)

Subsequent to March 31, 2021, 2,440,250 warrants with an exercise price of $0.35 and 7,744 warrants with an exercise price of $0.40 were exercised for total proceeds of $857,185.

Subsequent to March 31, 2021, 2,738,543 warrants with an exercise price of $0.35 expired.

(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.

Share-based compensation expense recognized for the vesting of options during the three months ended March 31, 2021, was $61,432 (March 31, 2020: $328,184), of which $19,346 (March 31, 2020: $nil) was capitalized to exploration and evaluation assets on the statement of financial position, and $42,086 (March 31, 2020: $328,184) 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, 2019	5,520,000	$ 0.15
Granted	4,500,000	0.26
Balance, December 31, 2020, and March 31, 2021	10,020,000	$ 0.20

The following table summarizes information about share options outstanding at March 31, 2021:

Outstanding	Exercisable	Exercise price	Expiry date
2,520,000	2,520,000	$ 0.060	December 9, 2026
2,250,000	2,250,000	0.240	February 27, 2028
750,000	750,000	0.210	October 1, 2028
3,750,000	2,499,996	0.235	January 7, 2030
750,000	250,000	0.365	July 15, 2030
10,020,000	8,269,996		

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 three months ended March 31, 2021, key management personnel compensation, including directors and officers, was comprised of $142,290 (March 31, 2020: $110,511), of which $43,993 related to share-based compensation and $98,297 related to management fees and salaries (March 31, 2020: $39,742 and $70,769, 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 March 31, 2021, the Company had current liabilities of $141,188 and working capital of $3,696,848 (Note 1). On April 23, 2021, the Company closed a non-brokered private placement of $7,500,000 (Note 14).

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 $1,636,818 in US dollars as of March 31, 2021, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being $163,682.

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.

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 of mineral properties, in the USA and Zambia. Geographic segmentation is as follows:

March 31, 2021	USA	Zambia	Total
Exploration and evaluation assets	$ 5,565,468	$ 2,753,693	$ 8,319,161

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

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, 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.

14. 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 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”). B2Gold, Kronk and Kazan are related parties of BeMetals by virtue of common key managerial persons. Following the transaction and private placement, B2Gold owns approximately 19% of the Company’s outstanding shares.

As at March 31, 2021, $154,483 of expenditures relating to the Kronk Transaction have been recorded as deferred transaction costs on the statement of financial position (December 31, 2020: $nil)