



BeMETALS CORP.

Condensed interim consolidated financial statements of

BeMetals Corp.

Three and nine months ended September 30, 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 September 30, 2021	As at December 31, 2020
Assets		
Current assets		
Cash	\$ 8,253,718	\$ 3,206,767
Term deposits	28,750	28,750
Amounts receivable	77,139	11,038
Prepays and deposits	228,072	31,569
	8,587,679	3,278,124
Prepays and deposits	155,197	-
Investments (Note 8)	410,899	509,280
Exploration and evaluation assets (Notes 5,6)	23,111,426	9,158,088
Option - South Mountain (Note 4)	4,020,765	3,389,265
Total assets	\$ 36,285,966	\$ 16,334,757
Liabilities and equity		
Current liabilities		
Trade and other payables	\$ 115,887	\$ 81,528
	115,887	81,528
Shareholders' equity		
Share capital (Note 9)	40,904,237	20,350,580
Equity reserves	2,975,339	1,843,370
Deficit	(7,709,497)	(5,940,721)
Total equity	36,170,079	16,253,229
Total liabilities and equity	\$ 36,285,966	\$ 16,334,757

Nature of operations and liquidity risk (Note 1)

Subsequent events (Note 9(e))

Approved by the Board of Directors on November 24, 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Expenses				
Consulting	\$ 15,000	\$ 30,000	\$ 48,534	\$ 90,000
Fees and salaries (Note 10)	187,418	57,675	419,002	194,794
Foreign exchange gain	(95,588)	(44,320)	(119,588)	(12,680)
Marketing	86,260	31,281	137,000	62,555
Office and administration	57,472	21,394	134,526	61,884
Professional fees	39,421	17,377	92,685	34,508
Regulatory and transfer agent	17,738	17,188	42,100	34,020
Share-based compensation (Note 9)	332,160	176,940	991,028	524,593
Travel	35,246	8,471	46,056	30,010
	(675,127)	(316,006)	(1,791,343)	(1,019,684)
Finance income	8,629	4,235	22,567	8,182
Loss	(666,498)	(311,771)	(1,768,776)	(1,011,502)
Other comprehensive gain (loss)				
Unrealized gain (loss) on marketable securities (Note 8)	20,487	386,724	(98,381)	413,684
Other comprehensive gain (loss)	20,487	386,724	(98,381)	413,684
Comprehensive gain (loss)	\$ (646,011)	\$ 74,953	\$ (1,867,157)	\$ (597,818)
Basic and diluted income (loss) per share	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding				
Basic	177,352,545	115,399,868	155,630,239	108,676,980
Diluted	177,352,545	120,984,640	155,630,239	108,676,980

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)

	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
Private placement	18,750,000	7,500,000	-	-	-	7,500,000
Share issuance costs	-	(756,660)	175,910	-	-	(580,750)
Shares issued for the acquisition of exploration assets	480,500	111,760	-	-	-	111,760
Exercise of warrants	138,950	48,633	-	-	-	48,633
Share-based compensation	-	-	619,319	-	-	619,319
Loss and comprehensive loss	-	-	-	413,684	(1,011,502)	(597,818)
At September 30, 2020	124,296,890	20,348,725	1,547,551	332,225	(5,625,371)	16,603,130
Share issuance costs	-	1,855	-	-	-	1,855
Share-based compensation	-	-	121,264	-	-	121,264
Loss and comprehensive loss	-	-	-	(157,670)	(315,350)	(473,020)
At December 31, 2020	124,296,890	20,350,580	1,668,815	174,555	(5,940,721)	16,253,229
Private placement	17,045,455	7,500,000	-	-	-	7,500,000
Share issuance costs	-	(39,750)	-	-	-	(39,750)
Exercise of warrants	3,380,244	1,183,473	-	-	-	1,183,473
Shares issued for the acquisition of exploration assets (Note 5)	32,629,956	11,909,934	-	-	-	11,909,934
Share-based compensation	-	-	1,230,350	-	-	1,230,350
Loss and comprehensive loss	-	-	-	(98,381)	(1,768,776)	(1,867,157)
At September 30, 2021	177,352,545	\$ 40,904,237	\$ 2,899,165	\$ 76,174	\$ (7,709,497)	\$ 36,170,079

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)

	Nine months ended September 30,	
	2021	2020
Operating activities		
Loss	\$ (1,768,776)	\$ (1,011,502)
Adjusted for:		
Share-based compensation	991,028	524,593
Unrealized foreign exchange	678	40,217
Changes in non-cash working capital items:		
Amounts receivable	(66,101)	(13,542)
Prepaid expenses	(351,701)	1,377
Trade and other payables	(10,066)	51,625
	(1,204,938)	(407,232)
Investing activities		
Proceeds from JOGMEC (Note 6)	1,982,688	-
Cash payments for Option - South Mountain (Note 4)	(631,500)	(333,025)
Cash acquisition costs for Pangei Copper Project	-	(132,780)
Cash acquisition costs for Kazan Gold Project (Note 5)	(894,712)	-
Cash acquired from acquisition of Kronk Resources Inc.(Note 5)	152,776	-
Payments for exploration and evaluation expenditures	(3,001,086)	(991,748)
Payments for commitment for exploration and evaluation expenditures	-	(40,028)
	(2,391,834)	(1,497,581)
Financing activities		
Private placement, net of share issuance costs (Note 9)	7,460,250	6,919,250
Proceeds on exercise of warrants	1,183,473	48,633
	8,643,723	6,967,883
Change in cash	5,046,951	5,063,070
Cash, beginning of period	3,206,767	1,212,885
Cash, end of period	\$ 8,253,718	\$ 6,275,955
Non-cash investing and financing activities		
Non-cash acquisition costs for Pangei Copper Project	\$ -	\$ 111,760
Non-cash acquisition costs for Kazan Gold Project (Note 5)	\$ 11,909,934	\$ -
Share-based compensation capitalized for exploration and evaluation expenditures (Note 6)	\$ 239,322	\$ 94,727
Exploration costs included in trade and other payables	\$ 44,427	\$ -
Share issuance costs	\$ -	\$ 175,910

No cash was paid for interest or income taxes during the nine months ended September 30, 2021 and 2020.

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

September 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

BeMetals is a base and precious metals exploration and development company listed on the TSX Venture Exchange ("TSX-V") under the symbol 'BMET' and also trades on the OTCQB in the US under the symbol 'BMTLF' and on the Frankfurt Stock Exchange in Germany under the symbol '1OIF'. On April 23, 2021, the Company completed the acquisition of five gold-focused exploration projects in Japan (Note 5). The Company also holds 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 polymetallic (zinc-silver-gold-copper) South Mountain development project (the "South Mountain Project") in southwest Idaho, USA (Notes 4,6) 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 6). 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 September 30, 2021, the Company had working capital of \$8,471,792 (December 31, 2020: working capital of \$3,196,596). The Company has incurred negative cash flows from operations of \$1,204,938 and recorded a loss of \$1,768,776 for the nine months ended September 30, 2021 (September 30, 2020: negative cash flows from operations of \$407,232 and loss of \$1,011,502, respectively), and has an accumulated deficit of \$7,709,497 as at September 30, 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 9). 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 September 30, 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 14).

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 and nine months ended September 30, 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 November 24, 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.

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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:

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).

Functional Currency

The determination of the functional currency of the Company and of its subsidiaries requires significant judgment of the primary economic environment in which the Company and its subsidiaries operates, which may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

(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 September 30, 2021, the Company had five wholly owned subsidiaries: BQ AcquisitionCo Corp. and BQ FinanceCo Corp., incorporated in British Columbia, Canada, Kronk Resources Inc., incorporated in Ontario, Canada, BeMetals USA Corp., incorporated in Delaware, USA, and Kazan Resources KK, incorporated in Tokyo, Japan.

BeMetals Corp.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

(b) 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
Investments	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 investments 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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Financial instruments (continued)*

For financial instruments carried at fair value, the Company uses Level 1 inputs to value its investments 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, and as amended in June 2020, the Company can acquire SMMI by:

- (a) making cash option payments of US\$1,100,000 (completed);
- (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 (the “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 September 2021, certain terms under the South Mountain Agreement were further amended including:

- (a) an extension of the option period, thereby extending the date on which the final payment is due to December 31, 2022; and
- (b) a commitment by the Company to complete a surface drilling exploration program of a minimum of 7,000 feet.

As at September 30, 2021, in accordance with the terms of the South Mountain Agreement and the June 2020 and September 2021 amendments, the Company had made cumulative cash option payments of \$1,420,750 (US\$1,100,000), issued 10,000,000 common shares valued at \$2,600,000, and purchased 2,500,000 common shares of Thunder Mountain (Note 8). The total carrying value of the South Mountain Option as at September 30, 2021, is \$4,020,765.

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.

BeMetals Corp.

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5. ACQUISITION OF KRONK RESOURCES INC.

On April 23, 2021, the Company completed the acquisition of privately owned Kronk Resources Inc. ("Kronk") and its wholly owned subsidiary Kazan Resources KK ("Kazan") which holds the rights to a portfolio of gold exploration projects in Japan (the "Kazan Gold Transaction"). Pursuant to the Kazan Gold Transaction, the Company issued a total of 32,629,956 common shares to shareholders of Kronk.

On closing of the Kazan Gold Transaction, Kronk's assets consisted primarily of mineral properties. As Kronk did not have processes capable of generating outputs, Kronk did not meet the definition of a business in accordance with IFRS 3 Business Combinations, and as a result the Kazan Gold Transaction has been accounted for as an asset acquisition. The value of the consideration paid after allocation to the other net assets acquired, was allocated to Kazan's Kato Gold Project and Other Japan Projects, all of which are located in Japan, based on their fair values on April 23, 2021.

The purchase price has been determined and allocated as follows:

		April 23, 2021
		\$
Purchase Price	Common Shares of BeMetals issued	11,909,934
	Transaction costs	420,823
		<u>12,330,757</u>
Assets Acquired	Cash	152,776
	Tax receivables, prepaid expenses and other assets	113,873
	Exploration and evaluation assets - Kato	12,100,579
	Exploration and evaluation assets - Japan other	636,873
Liabilities Assumed	Trade payables	(552,242)
	Loan from BeMetals	<u>(121,102)</u>
		<u>12,330,757</u>

Upon completion of the Kazan Gold Transaction, the loan owed by Kronk to BeMetals became an intercompany loan and was eliminated on consolidation.

The fair value of the common shares issued amounted to \$11,909,934 based on the closing price of the Company's shares on the date of closing of the Kazan Gold Transaction (\$0.365).

Concurrently with the Kazan Gold 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") (Note 9). 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.

6. EXPLORATION AND EVALUATION ASSETS

Kato Gold Project and Other Japan Projects

On April 23, 2021, the Company completed the Kazan Gold Transaction (Note 5) which included the acquisition of Kazan which holds the rights to explore five project areas in Japan including the Kato Gold Project, the Todoroki and Konomai projects on Hokkaido, and the Tashiro and Hokusatu projects on Kyushu (collectively the "Kazan Gold Project").

BeMetals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (continued)

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").

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 9). As at September 30, 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 7). During the nine months ended September 30, 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.

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6. EXPLORATION AND EVALUATION ASSETS (continued)

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 (completed),

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 Pangen 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 Pangen 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 Pangen Copper Project.

Capitalized Costs

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation assets as at September 30, 2021:

	South Mountain Project	Pangen Copper Project	Kazan Gold Project	Total
Balance December 31, 2020	\$ 5,190,262	\$ 3,967,826	\$ -	\$ 9,158,088
Acquisitions (Note 5)	-	-	12,737,452	12,737,452
Share-based compensation	144,314	48,032	46,976	239,322
Advances	(18,500)	(20,787)	-	(39,287)
Proceeds from JOGMEC	-	(1,982,688)	-	(1,982,688)
Professional fees	-	50,704	5,030	55,734
Consulting & wages	879,938	79,351 (1)	306,118	1,265,407
Drilling	330,627	596,661 (1)	-	927,288
Equipment	-	- (1)	72,950	72,950
Land fees/Lease payments	22,499	- (1)	54,913	77,412
Site logistics	187,900	188,041 (1)	66,293	442,234
Balance September 30, 2021	6,737,040	2,927,140	13,289,732	22,953,912
Advances unspent at September 30, 2021	-	157,514	-	157,514
Balance September 30, 2021	\$ 6,737,040	\$ 3,084,654	\$ 13,289,732	\$ 23,111,426

(1) Prior to January 1, 2021, Pangen exploration costs were applied as a reduction of the Commitment for Exploration Expenditures (see Notes 6, 7)

7. COMMITMENT FOR EXPLORATION EXPENDITURES

As at December 31, 2020, the Company had fulfilled its US\$2,500,000 obligation for exploration expenditures on the Pangen Copper Project due by December 31, 2020. Further exploration expenditures will be included in exploration and evaluation assets (Note 6).

The following tables summarize the capitalized costs and commitment associated with the Pangen Copper Project:

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7. COMMITMENT FOR EXPLORATION EXPENDITURES (continued)

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 September 30, 2021	\$ -	\$ -

8. INVESTMENTS

	As at September 30, 2021			As at December 31, 2020		
	Shares	Fair Value	Cost	Shares	Fair Value	Cost
Thunder Mountain shares	2,500,000	\$ 410,899	\$ 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'.

9. EQUITY

(a) Authorized

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

(b) Issued and fully paid common shares

Nine months ended September 30, 2021

During the nine months ended September 30, 2021, the Company issued a total of 32,629,956 common shares to the shareholders of Kronk at a value of \$0.365 per share, pursuant to the Kazan Gold Transaction (Note 5)

During the nine months ended September 30, 2021, the Company closed a private placement of \$7,500,000 through the issuance of 17,045,455 common shares to B2Gold (Note 5).

During the nine months ended September 30, 2021, the Company issued 3,380,244 common shares pursuant to the exercise of warrants (Note 9(d)).

Nine months ended September 30, 2020

In February 2020, the Company issued 480,500 common shares pursuant to the Pangeni Agreement (Note 6).

In July 2020, the Company issued 138,950 common shares pursuant to the exercise of warrants (Note 9(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"). 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 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, \$147,250 in cash share issuance costs were incurred in connection with the Offering.

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9. EQUITY (continued)

(c) Escrow shares

Certain shares were previously held in escrow pursuant to a December 2009 escrow agreement, as supplemented in July 2018. As at September 30, 2021, no common shares remained in escrow (December 31, 2020: 4,661,564).

(d) Warrants

Nine months ended September 30, 2021

During the nine months ended September 30, 2021, 3,380,244 warrants were exercised for proceeds of \$1,183,473.

Nine months ended September 30, 2020

During the nine months ended September 30, 2020, 138,950 warrants were exercised for 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 9(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, 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	(3,380,244)	0.35
Expired	(2,738,543)	0.35
Balance, September 30, 2021	1,076,006	\$ 0.40

The following table summarizes information about warrants outstanding at September 30, 2021:

Number of warrants	Exercise price	Expiry date
1,076,006	\$ 0.40	August 13, 2022

(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.

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9. EQUITY (continued)

(e) Share options (continued)

In June 2021, the Company granted an aggregate of 5,775,000 share options to officers, directors and consultants of the Company, exercisable at a price of \$0.425 per share until June 1, 2031, vesting over a period of two years. Using the Black-Scholes option pricing model, the fair value per option granted was \$0.33 per option.

In July 2021, the Company granted an aggregate of 750,000 share options to officers and consultants of the Company, exercisable at a price of \$0.425 per share until July 7, 2031, vesting over a period of two years. Using the Black-Scholes option pricing model, the fair value per option granted was \$0.33 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) an average risk free interest rate of 1.29%; iii) dividend yield of \$nil; and iv) expected life of 10 years.

Share-based compensation expense recognized for the vesting of options during the nine months ended September 30, 2021, was \$1,230,349 (September 30, 2020: \$619,320), of which \$239,321 (September 30, 2020: \$94,727) was capitalized to exploration and evaluation assets on the statement of financial position, and \$991,028 (September 30, 2020: \$524,593) 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	10,020,000	0.20
Granted	6,525,000	0.43
Balance, September 30, 2021	16,545,000	\$ 0.29

The following table summarizes information about share options outstanding at September 30, 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	500,000	0.365	July 15, 2030
5,775,000	1,924,991	0.425	June 1, 2031
750,000	229,166	0.425	July 7, 2031
16,545,000	10,674,153		

Subsequent to September 30, 2021, the Company granted an aggregate of 675,000 share options to employees and consultants of the Company, exercisable at a price of \$0.27 per share until November 19, 2031, vesting over a period of two years.

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10. RELATED PARTY TRANSACTIONS

Included within fees and salaries are amounts paid to key management personnel, which are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

During the nine months ended September 30, 2021, key management personnel compensation, including directors and officers, was comprised of \$907,714 (September 30, 2020: \$557,299), of which \$579,942 related to share-based compensation and \$327,772 related to fees and salaries (September 30, 2020: \$362,504 and \$194,795, respectively).

Pursuant to the Kazan Gold Transaction, certain shareholders of Kronk, who are also key management personnel, received 0.2585 Company shares for every common share of Kronk they held; which was less favorable than the 0.5169 Company shares for every common share of Kronk received by other non-related Kronk shareholders. As a result, key management personnel acquired 1,887,050 of the Company's shares as part of the Kazan Gold Transaction (see Note 5).

During the nine months ended September 30 2021 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") (Note 9). 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.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

Cash, term 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 September 30, 2021, the Company had current liabilities of \$115,887 and working capital of \$8,471,792 (Note 1).

The Company also has commitments or option payments arising in 2021 and 2022 related to the South Mountain Project (Note 4).

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11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 and the Japanese Yen. 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 dollar and US dollar bank accounts in Canada and Japanese Yen ("¥") bank accounts in Japan. The Company is subject to gains and losses from fluctuations in the US dollar and the Yen against the Canadian dollar. The Company held a net monetary asset position of \$2,582,018 in US dollars and \$183,728 in Japanese Yen as of September 30, 2021, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being \$276,675.

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 8).

12. 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.

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13. SEGMENTED INFORMATION

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

<i>September 30, 2021</i>	USA	Zambia	Japan	Total
Exploration and evaluation assets	\$ 6,737,040	\$ 3,084,654	\$ 13,289,732	\$ 23,111,426

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

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.