



BeMETALS CORP.

Condensed interim consolidated financial statements of

BeMetals Corp.

Three months ended March 31, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim consolidated financial statements of BeMetals Corp. (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, 2019 | As at December 31, 2018 |
|--------------------------------------------------|----------------------------|-------------------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 279,575 | \$ 342,849 |
| Term deposits | 28,750 | 28,750 |
| Amounts receivable | 6,584 | 6,316 |
| Prepaid expenses | 9,888 | 6,433 |
| | 324,797 | 384,348 |
| Deferred transaction costs (Note 4) | 313,226 | - |
| Exploration and evaluation assets (Note 4) | 3,628,052 | 3,456,132 |
| Total assets | \$ 4,266,075 | \$ 3,840,480 |
| Liabilities and equity | | |
| Current liabilities | | |
| Trade and other payables | \$ 347,601 | \$ 74,237 |
| Commitment for exploration expenditures (Note 5) | 2,349,058 | 2,434,141 |
| | 2,696,659 | 2,508,378 |
| Shareholders' equity | | |
| Share capital (Note 6) | 4,893,332 | 4,508,704 |
| Equity reserve (Note 6) | 640,186 | 621,300 |
| Deficit | (3,964,102) | (3,797,902) |
| Total equity | 1,569,416 | 1,332,102 |
| Total liabilities and equity | \$ 4,266,075 | \$ 3,840,480 |

Nature of operations and going concern (Note 1)

Subsequent event (Note 1 and 11)

Approved by the Board of Directors and authorized for issue on May 30, 2019:

"Clive T. Johnson" Director

"John Wilton" Director

BeMetals Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

| | Three months ended March 31, | |
|-----------------------------------------------------------------------------|------------------------------|---------------------|
| | 2019 | 2018 |
| Expenses | | |
| Consulting | \$ 30,000 | \$ 30,000 |
| Foreign exchange loss (gain) (Note 5) | (53,061) | 1,508 |
| Management fees and wages (Note 7) | 92,156 | 38,063 |
| Marketing | 5,415 | - |
| Office and administration | 18,805 | 3,186 |
| Professional fees | 3,469 | 35,847 |
| Regulatory and transfer agent | 6,165 | 4,635 |
| Share-based compensation (Note 6) | 52,174 | 62,144 |
| Travel | 12,547 | - |
| | (167,670) | (175,383) |
| Finance income | 1,470 | 299 |
| | 1,470 | 299 |
| Loss and comprehensive loss | \$ (166,200) | \$ (175,084) |
| Basic and diluted loss per share | \$ (0.00) | \$ (0.00) |
| Weighted average number of common shares outstanding - basic and diluted | 68,793,521 | 56,798,577 |

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 | | Share subscriptions received in advance | Equity reserve | Deficit | Total equity (deficiency) |
|------------------------------------------------------------------|---------------|--------------|-----------------------------------------|----------------|----------------|---------------------------|
| | Shares issued | Amount | | | | |
| At December 31, 2017 | 56,798,577 | \$ 2,345,095 | \$ - | \$ 324,218 | \$ (2,788,098) | \$ (118,785) |
| Share-based compensation | - | - | - | 62,144 | - | 62,144 |
| Loss and comprehensive loss | - | - | - | - | (175,084) | (175,084) |
| At March 31, 2018 | 56,798,577 | 2,345,095 | - | 386,362 | (2,963,182) | (231,725) |
| Private placement | 11,200,000 | 2,240,000 | - | - | - | 2,240,000 |
| Share issue costs | - | (96,391) | - | - | - | (96,391) |
| Shares issued for the acquisition of exploration assets (Note 4) | 100,000 | 20,000 | - | - | - | 20,000 |
| Share-based compensation | - | - | - | 234,938 | - | 234,938 |
| Loss and comprehensive loss | - | - | - | - | (834,720) | (834,720) |
| At December 31, 2018 | 68,098,577 | 4,508,704 | - | 621,300 | (3,797,902) | 1,332,102 |
| Share subscriptions received in advance | - | - | 266,340 | - | - | 266,340 |
| Shares issued for the acquisition of exploration assets (Note 4) | 200,000 | 40,000 | - | - | - | 40,000 |
| Exercise of share options | 750,000 | 78,288 | - | (33,288) | - | 45,000 |
| Share-based compensation | - | - | - | 52,174 | - | 52,174 |
| Loss and comprehensive loss | - | - | - | - | (166,200) | (166,200) |
| At March 31, 2019 | 69,048,577 | \$ 4,626,992 | \$ 266,340 | \$ 640,186 | \$ (3,964,102) | \$ 1,569,416 |

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

BeMetals Corp.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

| | Three months ended March 31, | |
|-------------------------------------------------------------------------|------------------------------|------------------|
| | 2019 | 2018 |
| Operating activities | | |
| Loss | \$ (166,200) | \$ (175,084) |
| Adjusted for: | | |
| Share-based compensation | 52,174 | 62,144 |
| Unrealized foreign exchange | (50,135) | - |
| Changes in non-cash working capital items: | | |
| Amounts receivable | (268) | - |
| Prepaid expenses | (3,455) | (1,250) |
| Trade and other payables | 93,768 | 92,525 |
| | (74,117) | (21,665) |
| Investing activities | | |
| Deferred transaction costs (Note 4) | (133,630) | - |
| Cash acquisition costs for Pangeni Copper Project (Note 4) | (131,920) | - |
| Payments for commitment for exploration expenditures | (34,948) | - |
| Exploration and evaluation expenditures | - | (62,535) |
| | (300,498) | (62,535) |
| Financing activities | | |
| Share subscriptions received in advance | 266,340 | - |
| Proceeds on exercise of share options | 45,000 | - |
| | 311,340 | - |
| Change in cash during the period | (63,274) | (84,200) |
| Cash, beginning of period | 342,849 | 105,869 |
| Cash, end of period | \$ 279,575 | \$ 21,669 |
| Non-cash investing and financing activities during the period | | |
| Non-cash acquisition costs for Pangeni Copper Project (Note 4) | \$ 40,000 | \$ - |
| Accrued deferred transaction costs included in trade and other payables | \$ 179,596 | \$ - |

No cash was paid for interest or income taxes during the three months ended March 31, 2019 and 2018.

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

BeMetals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For The Three Months Ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

BeMetals Corp. (the "Company") is a base metals exploration company listed on the TSX Venture Exchange ("TSX-V") under the symbol 'BMET'. The Company has rights to acquire up to a 72% interest in the Pangen copper project (the "Pangen Copper Project") on the western extension of the Zambian Copperbelt (Note 4).

In February 2019, the Company entered into an option agreement (the "South Mountain Agreement") with Thunder Mountain Gold, Inc. ("Thunder Mountain") and certain of its wholly-owned subsidiaries, to acquire up to a 100% interest in the South Mountain project (the "South Mountain Project") in southwest Idaho (Note 4). The South Mountain Project is a zinc-silver focused polymetallic development project located primarily on private property. This agreement and the transactions pursuant thereto (the "South Mountain Transaction") remains subject to approval by the TSX-V. In connection with the South Mountain Transaction and subsequent to March 31, 2019, the Company raised gross proceeds of \$6,250,000 through the issuance of 25,000,000 subscription receipts in a non-brokered private placement that closed in May 2019 (the "2019 Financing") (see Note 11). The gross proceeds will be held in escrow until the completion of the South Mountain Transaction.

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

The Company's head office address is 3123 – 595 Burrard Street, Vancouver, BC, V7X 1J1. The registered and records office address is 2500 – 700 W. Georgia Street, Vancouver BC, V7Y 1B3.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2019, the Company had a working capital deficit of \$2,371,862 (December 31, 2018: working capital of \$310,111). The Company has incurred negative cash flows from operations of \$74,117 and recorded a loss of \$166,200 for the three months ended March 31, 2019 (March 31, 2018: negative cash flows of \$21,665, and loss of \$175,084, respectively), and has an accumulated deficit of \$3,964,102 as at March 31, 2019 (December 31, 2018: \$3,797,902). In May 2019, the Company closed the 2019 Financing and the funds raised pursuant thereto will be available to the Company upon completion of the South Mountain Transaction. While the Company anticipates that the net proceeds of the 2019 Financing will be sufficient to fund current obligations and planned exploration programs, the Company expects it will need to raise additional funds within the next twelve months to meet its long-term commitments and growth strategy. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. The uncertainty of the Company's success in raising additional capital funding casts significant doubt on the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

2. BASIS OF PRESENTATION

(a) *Statement of compliance*

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting on a basis consistent with the accounting policies disclosed in the audited financial statements for the year ended December 31, 2018, except for newly adopted accounting policies as noted below (Note 3).

BeMetals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For The Three Months Ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

2. BASIS OF PRESENTATION (continued)

(a) *Statement of compliance (continued)*

These unaudited condensed interim consolidated financial statements should be read in conjunction with the most recently issued annual financial statements of the Company, which include information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies were presented as Note 3 to the financial statements for the year ended December 31, 2018, and have been consistently applied in the preparation of these unaudited condensed interim consolidated financial statements.

(b) *Basis of measurement*

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) *Significant accounting judgments and estimates*

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

Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Key Sources of Estimation Uncertainty

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Share-based payments

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

BeMetals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For The Three Months Ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

2. BASIS OF PRESENTATION (continued)

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

The fair value of the share-based compensation expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 6.

(d) *Principles of consolidation*

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently adopted accounting policies

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

Leases

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

4. EXPLORATION AND EVALUATION ASSETS

South Mountain Project

In February 2019, the Company entered into the South Mountain Agreement. Under the terms of the South Mountain Agreement, the Company, through its wholly owned subsidiary, has the right to acquire from 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% subject to a 5% Net Returns Royalty capped at US\$5 million on or before November 3, 2026.

The Company can acquire SMMI by issuing 10 million common shares of the Company to Thunder Mountain, purchasing 2.5 million shares of common stock of Thunder Mountain at US\$0.10 per share by way of private placement, incurring cash payments of US\$1.1 million, with an additional final payment consisting of either cash, common shares, or a combination of both. The final payment can be the greater of either US\$10 million or 20% of the after-tax net present value of the South Mountain Project as calculated in a Preliminary Economic Assessment study completed by an agreed independent author. The final payment can be decreased by US\$850,000 to account for certain cash payments previously made and the of the 10 million common shares issued by the Company, as described above, as well as certain liabilities of SMMI to be assumed upon the SMMI Acquisition. The final payment is also capped at a maximum of 50% of the market capitalization of the Company as of the completion date of the SMMI Acquisition if applicable.

BeMetals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For The Three Months Ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (continued)

As at March 31, 2019, the Company had made cash consideration payments of \$133,630 (US\$100,000) towards the South Mountain Agreement and had incurred transaction costs of \$179,596.

The following table summarizes the deferred transaction costs associated with the Company's South Mountain Project acquisition as at March 31, 2019:

| | | |
|----------------------------|----|---------|
| Balance, December 31, 2018 | \$ | - |
| Cash consideration paid | | 133,630 |
| Transaction costs - cash | | 179,596 |
| Balance, March 31, 2019 | \$ | 313,226 |

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 were approved by the TSX-V in July 2018 in connection with the Company's completion of its Qualifying Transaction.

Pursuant to the Pangeni Agreement, the Company can acquire an initial 67.5% interest in the Pangeni Copper Project by making cash payments of US\$300,000, issuing a total of 500,000 common shares, and spending US\$2.5 million in exploration work, all prior to the second anniversary, and then completing a Preliminary Economic Assessment, making a further cash payment of US\$450,000 (a portion of which may be paid in common shares at the option of the Company), and making a payment of US\$700,000 as an advanced royalty reduction payment, all prior to the fifth anniversary. The US\$2.5 million to be spent on exploration work is a firm obligation under the

Pangeni Agreement and is required to be satisfied by either expenditures on exploration activities or by cash payments to the Pangeni Vendor by February 2020 (Note 5). The Company incurred transaction costs of \$59,847 in connection with the Pangeni Agreement.

As at March 31, 2019, the Company had made cash consideration payments of \$194,455 (US\$150,000) and issued 300,000 common shares valued at \$60,000 towards the Pangeni Agreement. In addition, the Company made advances towards its commitment for exploration expenditures of \$968,818 (US\$742,117) (Note 5). Of the remaining commitment, approximately US\$700,000 is due in June 2019.

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

At the commencement of the mine development phase, and following a Feasibility Study, a one-off milestone payment would be payable, based upon total proven and probable mineral reserves, as follows: US\$2 million if less than 500 kilotonnes ("kt") contained copper, US\$3 million if the contained copper is between 500 kt and 1,000kt, and US\$6 million 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\$3.3 million).

The following table summarizes the capitalized costs associated with the Company's Pangeni Copper Project acquisition as at March 31, 2019:

BeMetals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For The Three Months Ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (continued)

| | |
|----------------------------------------------------|--------------|
| Balance, December 31, 2017 | \$ - |
| Cash consideration paid | 62,535 |
| Share consideration issued - 100,000 common shares | 20,000 |
| Transaction costs - cash | 59,847 |
| Obligation for exploration expenditures | 3,313,750 |
| Balance, December 31, 2018 | 3,456,132 |
| Cash consideration paid | 131,920 |
| Share consideration issued - 200,000 common shares | 40,000 |
| Balance, March 31, 2019 | \$ 3,628,052 |

5. COMMITMENT FOR EXPLORATION EXPENDITURES

During the three months ended March 31, 2019, the Company incurred \$968,818 (US\$742,117) in advances and contributions towards its US\$2.5 million obligation for exploration expenditures on the Pangenji Copper Project due by February 2020. Of the remaining obligation, approximately US\$700,000 is due in June 2019. As at March 31, 2019, \$28,259 (US\$21,148) of the advances were unspent and will be applied to future expenditures. The following tables summarize the capitalized costs and commitment associated with the Pangenji Copper Project as at March 31, 2019:

| | CAD | USD |
|-------------------------------------------------------------------------|--------------|--------------|
| Obligation for exploration expenditures | \$ 3,313,750 | \$ 2,500,000 |
| Advances & expenditures to March 31, 2019 | (968,818) | (742,117) |
| Foreign exchange movement since acquisition date ⁽¹⁾ | 4,126 | - |
| Total commitment for exploration expenditures (Pangenji Copper Project) | \$ 2,349,058 | \$ 1,757,883 |

(1) Gain of \$50,135 for the three months ended March 31, 2019 (three months ended March 31, 2018: \$nil)

6. 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, 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 to the Pangenji Vendor (Note 4).

Three months ended March 31, 2018

There were no common shares issued during the three months ended March 31, 2018.

BeMetals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For The Three Months Ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

6. EQUITY (continued)

(c) Escrow shares

Certain shares are held in escrow pursuant to a December 2009 escrow agreement, as supplemented in July 2018. As at March 31, 2019, 11,653,928 (December 31, 2018: 13,984,716) common shares remained in escrow and will be released in semi-annual tranches until July 2021.

(d) 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.

Three months ended March 31, 2019

In January 2019, 750,000 share options were exercised for proceeds of \$45,000.

There were no share options granted during the three months ended March 31, 2019.

Three months ended March 31, 2018

During the three months ended March 31, 2018, the Company granted an aggregate of 2,250,000 share options to an officer of the Company, exercisable at a price of \$0.24 per share until February 27, 2028, vesting over a period of three years. Using the Black-Scholes option pricing model, the fair value per option granted was \$0.18 per option and the share based compensation expense recognized for the vesting of these options to March 31, 2018, was \$62,144.

Following is a summary of changes in share options outstanding:

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

The following table summarizes information about share options outstanding at March 31, 2019:

| Outstanding | Exercisable | Exercise price | Expiry date |
|-------------|-------------|----------------|-------------------|
| 2,520,000 | 2,520,000 | \$ 0.06 | December 9, 2026 |
| 2,250,000 | 250,000 | 0.24 | February 27, 2028 |
| 750,000 | 250,000 | 0.21 | October 1, 2028 |
| 5,520,000 | 3,020,000 | | |

BeMetals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For The Three Months Ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

7. 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, 2019, key management personnel compensation, including directors and officers, was comprised of \$144,330 (three months ended March 31, 2018: \$98,557), of which \$52,174 related to share-based payments and \$92,156 related to management fees and wages.

8. FINANCIAL INSTRUMENTS

Financial Risk Management

Cash, amounts receivable, and trade and other payables are held at amortized cost which approximates fair value due to the short-term nature of these instruments.

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 March 31, 2019, the Company had current liabilities of \$2,696,659 and a working capital deficit of \$2,371,862 (Note 1). Subsequent to March 31, 2019, and in connection with the proposed South Mountain Transaction, the Company has closed the 2019 Financing for gross proceeds of \$6,250,000 (Note 11), to be released from escrow upon completion of the South Mountain Transaction.

Foreign exchange 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 \$2,241,166 in US dollars as of March 31, 2019, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being \$224,117.

BeMetals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For The Three Months Ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

8. FINANCIAL INSTRUMENTS (continued)

Financial Instrument Risk Exposure (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.

9. 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 an interest bearing Canadian chartered bank account. The Company is not subject to externally imposed capital requirements.

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

10. SEGMENTED INFORMATION

The Company's tangible long term assets, consisting of exploration and evaluation assets of \$3,628,052 are located in Zambia.

11. SUBSEQUENT EVENT

Private Placement Offering

In May 2019, the Company closed the 2019 Financing of 25,000,000 subscription receipts at a price of \$0.25 per subscription receipt for gross proceeds of \$6,250,000, with such proceeds currently being held in escrow. Each subscription receipt will automatically convert to a unit upon completion of the South Mountain Transaction at which time the escrowed funds will be released to the Company. Each unit consists of one common share in the capital of the Company and one-quarter common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share at an exercise price of \$0.35 per common share for two years until May 6, 2021. If the closing price of the common shares of the Company quoted on the TSX-V is greater than \$0.70 for 15 consecutive trading days (the "Trading Period"), the Company may accelerate the expiry date of the warrants to the 30th day after the date on which the Company provides notice to the warrant holders of such acceleration, via a news release issued within 10 business days of the last day of the Trading Period.