



BeMETALS CORP.

Consolidated Financial Statements of

BeMetals Corp. (formerly BQ Metals Corp.)

Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)



Independent auditor's report

To the Shareholders of BeMetals Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BeMetals Corp. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Platt.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 23, 2019

BeMetals Corp. (formerly BQ Metals Corp.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	As at December 31, 2018	As at December 31, 2017
Assets		
Current assets		
Cash	\$ 342,849	\$ 105,869
Term deposits	28,750	-
Amounts receivable	6,316	43,130
Prepaid expenses	6,433	-
	384,348	148,999
Exploration and evaluation assets (Note 4)	3,456,132	-
Total assets	\$ 3,840,480	\$ 148,999
Liabilities and equity		
Current liabilities		
Trade and other payables	\$ 74,237	\$ 267,784
	74,237	267,784
Commitment for exploration expenditures (Note 5)	2,434,141	-
Total liabilities	2,508,378	267,784
Shareholders' equity (deficiency)		
Share capital (Note 6)	4,508,704	2,345,095
Equity reserve (Note 6)	621,300	324,218
Deficit	(3,797,902)	(2,788,098)
Total equity (deficiency)	1,332,102	(118,785)
Total liabilities and equity	\$ 3,840,480	\$ 148,999

Nature of operations and going concern (Note 1)

Subsequent events (Notes 1,6,12)

Approved by the Board of Directors and authorized for issue on April 23, 2019:

"Clive T. Johnson" Director

"John Wilton" Director

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

BeMetals Corp. (formerly BQ Metals Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31,	
	2018	2017
Expenses		
Consulting	\$ 120,000	\$ 669,225
Foreign exchange loss (gain)	58,799	(2,483)
Management fees and wages	227,165	-
Office and administration	60,087	16,537
Professional fees	204,693	1,015,690
Regulatory and transfer agent	6,553	52,950
Share-based compensation (Note 6)	297,082	-
Travel	45,564	46,901
	(1,019,943)	(1,798,820)
Finance income	10,139	3,470
Write-off of payables	-	7,560
	10,139	11,030
Loss and comprehensive loss	\$ (1,009,804)	\$ (1,787,790)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	61,919,731	55,483,509

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

BeMetals Corp. (formerly BQ Metals Corp.)

Consolidated Statements of Equity

(Expressed in Canadian dollars)

	Share capital		Share subscriptions received in advance	Equity reserve	Deficit	Total equity (deficiency)
	Shares issued	Amount				
At December 31, 2016	32,798,577	\$ 921,133	\$ 199,980	\$ 324,218	\$ (1,000,308)	\$ 445,023
Private placement	24,000,000	1,440,000	(199,980)	-	-	1,240,020
Share issue costs	-	(16,038)	-	-	-	(16,038)
Loss and comprehensive loss	-	-	-	-	(1,787,790)	(1,787,790)
At December 31, 2017	56,798,577	2,345,095	-	324,218	(2,788,098)	(118,785)
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	-	-	-	297,082	-	297,082
Loss and comprehensive loss	-	-	-	-	(1,009,804)	(1,009,804)
At December 31, 2018	68,098,577	\$ 4,508,704	\$ -	\$ 621,300	\$ (3,797,902)	\$ 1,332,102

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

BeMetals Corp. (formerly BQ Metals Corp.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31,	
	2018	2017
Operating activities		
Loss	\$ (1,009,804)	\$ (1,787,790)
Adjusted for:		
Share-based compensation	297,082	-
Unrealized foreign exchange (Note 5)	54,261	-
Changes in non-cash working capital items:		
Amounts receivable	36,814	(37,221)
Prepaid expenses	(6,433)	1,250
Trade and other payables	(193,547)	217,049
	(821,627)	(1,606,712)
Investing activities		
Cash acquisition costs for Pangeni project (Note 4)	(122,382)	-
Payments for commitment for exploration expenditures	(933,870)	-
Purchase of term deposit	(28,750)	-
	(1,085,002)	-
Financing activities		
Private placement, net of share issue costs	2,143,609	1,223,982
	2,143,609	1,223,982
Change in cash during the year	236,980	(382,730)
Cash, beginning of year	105,869	488,599
Cash, end of year	\$ 342,849	\$ 105,869
Non-cash investing and financing activities during the year		
Non-cash acquisition costs (Note 4)	\$ 20,000	\$ -

No cash was paid for interest or income taxes during the year ended December 31, 2018 or 2017.

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

BeMetals Corp. (formerly BQ Metals Corp.)

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

BeMetals Corp. (previously BQ Metals Corp. and Miza Enterprises Inc.) (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 Pangeni copper project (the "Pangeni 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 12). The South Mountain Project is a zinc-silver focused polymetallic development project located primarily on private property. This agreement and acquisition remains subject to approval by the TSX-V.

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 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 December 31, 2018, the Company had working capital of \$310,111 (December 31, 2017: working capital deficit of \$118,785). The Company has incurred negative cash flows from operations of \$821,627 and recorded a loss of \$1,009,804 for the year ended December 31, 2018 (December 31, 2017: \$1,606,712 and \$1,787,790, respectively), and has an accumulated deficit of \$3,797,902 as at December 31, 2018 (December 31, 2017: \$2,788,098). In April 2019, the Company announced a non-brokered private placement offering of up to 20,000,000 units at a price of \$0.25 per unit for aggregate gross proceeds of up to \$5,000,000, which was subsequently increased to 25,000,000 units at a price of \$0.25 per unit for aggregate gross proceeds of up to \$6,250,000 (the "Offering") (Note 12). The private placement is expected to close on or around May 3, 2019. The Company expects it will need to raise additional funds within the next twelve months to meet its 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 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 consolidated financial statements as at and for the year ended December 31, 2018, including comparatives, are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) *Basis of measurement*

These 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.

BeMetals Corp. (formerly BQ Metals Corp.)

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian dollars)

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 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. 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 inactive subsidiaries incorporated in British Columbia, Canada. The functional currency of these entities and the Company is the Canadian dollar.

BeMetals Corp. (formerly BQ Metals Corp.)

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these financial consolidated statements are described below:

(a) Cash

Cash includes deposits held with banks that are available on demand.

(b) Term deposits

Term deposits are short-term investments that have maturity dates of no more than one year from the date of purchase, or are redeemable prior to maturity without significant costs or penalties.

(c) Exploration and evaluation assets

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties as exploration and evaluation until the properties are placed in production, abandoned, sold or considered to be impaired in value. Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, exploration and evaluation expenditures are first tested for impairment and then reclassified to "mineral properties and mine development costs". If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value. Exploration costs that do not relate to any specific property are expensed as incurred.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as but not limited to:

- The extent to which mineral reserves or mineral resources have been identified through a feasibility study or similar level document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

In addition, commercial viability is deemed to be achieved when the Company determines that the project will provide a satisfactory return relative to its perceived risks. Ore reserves and resources may be declared for an undeveloped mining project before its commercial viability has been fully determined. Evaluation costs may continue to be capitalized during the period between declaration of reserves and approval to mine as further work is undertaken in order to refine the development case to maximize the project's returns.

The Company's assets are reviewed for indication of impairment at each annual balance sheet date. If any such indication exists, an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). If the asset's carrying amount exceeds its recoverable amount then an impairment loss is recognized in the consolidated statement of loss and comprehensive loss. FVLCD is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects. VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal. Impairment is normally assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

BeMetals Corp. (formerly BQ Metals Corp.)

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Loss per share*

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period. For this purpose, it is assumed that proceeds upon the exercise of share options and warrants are used to purchase common shares at the average market price during the period. Share options and warrants outstanding as at December 31, 2018, are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

(e) *Share-based payments*

The Company's share option plan allows Company employees, directors, officers, consultants and charitable organizations to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

(e) *Income taxes*

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(f) *Financial instruments*

Effective January 1, 2018, the Company classifies its financial assets – Debt instruments 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, or through profit or loss ("FVPL"))

BeMetals Corp. (formerly BQ Metals Corp.)

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instruments (continued)*

The classification is driven by business model for managing the financial asset and their contractual cash flow characteristics.

The Company classifies its financial liabilities as those to be subsequently measured at amortized cost.

Financial instrument	Classification under IFRS 9 (Effective January 1, 2018)	Classification under IAS 39 (Until December 31, 2017)
Cash and cash equivalents, Deposits	Amortized cost	Loans and receivables
Amounts receivable	Amortized cost	Loans and receivables
Trade and other accounts payable	Amortized cost	Other financial liabilities

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

(g) *Recent accounting standards*

Effective January 1, 2018, the following standard was adopted:

IFRS 9 – Financial Instruments

IFRS 9 is a new standard that replaced IAS 39 for classification and measurement of financial assets, which was effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9, retrospectively, without restatement of prior year financial statements. There was no impact of adoption of IFRS 9 on the carrying values or disclosure of the Company's financial assets and financial liabilities on the date of transition.

The following standard has not yet been adopted by the Company:

IFRS 16 – 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 is not expected to have a significant measurement or disclosure impact on the Company's consolidated financial statements.

4. EXPLORATION AND EVALUATION ASSETS

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 was 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

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Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

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 December 31, 2018, the Company had made cash consideration payments of \$62,535 (US\$50,000) and issued 100,000 common shares valued at \$20,000 towards the Agreement. In addition, the Company made advances towards its commitment for exploration expenditures of \$933,870 (US\$715,700) (Note 5). Subsequent to the year ended December 31, 2018, the Company made cash consideration payments of US\$100,000, and issued 200,000 common shares valued at \$40,000 to the Pangeni Vendor in January 2019 and February 2019, respectively.

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 December 31, 2018:

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
Total	\$	3,456,132

5. COMMITMENT FOR EXPLORATION EXPENDITURES

During the year ended December 31, 2018, the Company incurred \$933,870 (US\$715,700) in advances and contributions towards its US\$2.5 million obligation for exploration expenditures due by February 2020. As at December 31, 2018, \$32,196 (US\$23,600) of the advances were unspent and will be applied to future expenditures. The following tables summarize the capitalized costs and commitment associated with the Pangeni Copper Project as at December 31, 2018:

	CAD	USD
Obligation for exploration expenditures	\$ 3,313,750	\$ 2,500,000
Advances & expenditures to December 31, 2018	(933,870)	(715,700)
Foreign exchange movement:	54,261	-
Total	\$ 2,434,141	\$ 1,784,300

6. EQUITY

(a) Authorized

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

BeMetals Corp. (formerly BQ Metals Corp.)

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian dollars)

6. EQUITY (continued)

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

In January 2017, the Company completed a common share stock split on the basis of three new common shares for each one old common share. All common share and common per share amounts in these financial statements have been retroactively restated to reflect the stock split.

Year ended December 31, 2018

In July 2018, the Company closed a non-brokered private placement of 11,200,000 common shares at a price of \$0.20 for gross proceeds of \$2,240,000. Cash share issue costs of \$96,391 were incurred in relation to this financing.

In July 2018, the Company issued 100,000 common shares to the Pangeni Vendor (Note 4).

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 Pangeni Vendor (Note 4).

Year ended December 31, 2017

During the year ended December 31, 2017, the Company closed a non-brokered private placement of 24,000,000 common shares at a price of \$0.06 per share for gross proceeds of \$1,440,000.

(c) Escrow shares

Certain shares are held in escrow pursuant to a December 2009 escrow agreement, as supplemented in July 2018. As at December 31, 2018, 13,984,716 (December 31, 2017: 4,108,572) 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.

During the year ended December 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 December 31, 2018, was \$243,067.

During the year ended December 31, 2018, the Company granted an aggregate of 750,000 share options to an officer of the Company, exercisable at a price of \$0.21 per share until October 1, 2028, vesting over a period of two years. Using the Black-Scholes option pricing model, the fair value per option granted was \$0.16 per option and the share-based compensation expense recognized for the vesting of these options to December 31, 2018, was \$54,015.

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6. EQUITY (continued)

(d) Share options (continued)

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

	2018
Risk-free interest rate	2.17% - 2.48%
Expected life (years)	8.67 years - 9 years
Annualized volatility	75.00%
Dividend rate	0.00%

There were no share options granted during the year ended December 31, 2017.

Following is a summary of changes in share options outstanding:

	Number of options	Weighted average exercise price
Balance, December 31, 2016 and 2017	3,270,000	\$ 0.06
Granted	3,000,000	0.23
Balance, December 30, 2018	6,270,000	\$ 0.14

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

The following table summarizes information about share options outstanding at December 31, 2018:

Outstanding	Exercisable	Exercise price	Expiry date
750,000	750,000	\$ 0.06	February 26, 2019
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 21, 2028
6,270,000	3,770,000		

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 year ended December 31, 2018, key management personnel compensation, including directors and officers, was comprised of \$524,247 (year ended December 31, 2017: \$nil), of which \$297,082 related to share-based payments and \$227,165 related to management fees and wages.

8. FINANCIAL INSTRUMENTS

Financial Risk Management

Cash and cash equivalents, 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.

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8. FINANCIAL INSTRUMENTS (continued)

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 December 31, 2018, the Company had current liabilities of \$74,237 and working capital of \$310,111 (Note 1).

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 \$2,430,678 in US dollars as of December 31, 2018, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being \$243,068.

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.

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10. INCOME TAX

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before income taxes due to the following:

	2018	2017
Loss for the year	\$ (1,009,804)	\$ (1,787,790)
Expected income tax recovery	\$ (273,000)	\$ (465,000)
Differences in statutory, foreign tax, foreign exchange rates and other	-	(5,000)
Permanent Difference	88,000	6,000
Share issue costs	(6,000)	(4,000)
Income tax benefit not recognised	191,000	468,000
Total income tax recovery	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences				
Non-capital losses	\$ 3,691,000	2029 to 2038	\$ 2,681,000	2029 to 2037

11. SEGMENTED INFORMATION

The Company's tangible long term assets, consisting of exploration and evaluation assets of \$3,456,132 are located in Zambia.

12. SUBSEQUENT EVENTS

Agreement to acquire South Mountain Project in southwest Idaho (USA)

In February 2019, the Company entered into the South Mountain Agreement (Note 1). 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 value payment consisting of 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 value payment can be decreased by US\$850,000 to account for certain cash payments previously made and the value of the 10 million common shares issued by the Company, as described above, as well as certain liabilities of SMMI to be assumed on SMMI Acquisition. The final value 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.

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12. SUBSEQUENT EVENTS (continued)

Private Placement Offering

In April 2019, the Company announced the Offering of up to 20,000,000 units at a price of \$0.25 per unit for aggregate gross proceeds of up to \$5,000,000, which was subsequently increased to 25,000,000 units at a price of \$0.25 per unit for aggregate gross proceeds of up to \$6,250,000. Each unit will consist 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 from the date of issuance. 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.

The Offering is expected to close on or around May 3, 2019, as an issuance of subscription receipts to be automatically converted into units upon TSX-V approval of the South Mountain Project transaction.