

# BeMetals Corp.

Management's Discussion and Analysis  
of Financial Condition and Results of Operations  
December 31, 2021 and 2020

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## Management's Discussion and Analysis

The following discussion is management's assessment and analysis of the results and financial condition of BeMetals Corp. ("BeMetals" or the "Company"), and should be read in conjunction with the accompanying audited annual consolidated financial statements and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are reported in Canadian dollars unless otherwise indicated. The effective date of this report is April 25, 2022.

### Business Overview

BeMetals is a precious and base metals exploration and development company with wholly owned projects in Japan and option agreements to acquire interests in mineral projects in Idaho and Zambia. BeMetals expanded its exposure into the gold sector through the acquisition of five new gold exploration projects in Japan (see 'Kazan Gold Project' below). In connection with the Company's expansion into Japan, B2Gold Corp. ("B2Gold") has become a strategic investor and currently holds approximately 19% of BeMetals' outstanding shares. Pursuant to the option agreements, BeMetals has rights to acquire up to a 100% interest in the polymetallic (zinc-silver-gold-copper) South Mountain development project (the "South Mountain Project" or "South Mountain") in southwest Idaho, USA (see 'South Mountain Project' below) and rights to acquire a majority interest in the Pangeni copper exploration project (the "Pangeni Copper Project" or "Pangeni") on the western extension of the Zambian Copperbelt (see 'Pangeni Copper Project' below).

The Company will continue to advance its high-quality portfolio of mineral projects through well-managed technical programs with prudent deployment of funding from its strong cash position. In addition, the Company will continue to evaluate other potential precious and base metal acquisition opportunities utilizing the Company's extensive worldwide network, experience and track-record in the mining business. BeMetals intends to become a leading precious and base metals producer through the advancement of quality exploration, development and production stage projects.

Founding directors of the Company include John Wilton (President and CEO), Clive Johnson, Roger Richer and Tom Garagan. In July 2020, Mark Connelly joined the Board as Non-Executive Chairman and director. The Board is joined by Derek Iwanaka (VP of Investor Relations and Corporate Development), Nick Furber (CFO), and Kristen Reinertson (Corporate Secretary and a director). Dr. Richard Sillitoe, one of the world's foremost economic geological experts on precious and base metal deposits, provides technical input for the Company's current projects and new project assessments as an advisor. Dennis Stansbury, a highly experienced mining engineer, and currently Sr. VP of Engineering and Project Evaluations with B2Gold Corp., serves as a technical advisor to BeMetals.

The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol 'BMET', and they trade on the OTCQB in the U.S.A. under the symbol 'BMTLF', as well as on the Frankfurt Stock Exchange in Germany under the symbol '10I.F'.

Since listing on the TSX-V the Company has successfully raised a total of approximately \$25 million through private placements of; \$2.24 million in 2018, \$6.25 million in 2019, \$7.5 million in 2020, \$7.5 million in 2021 and an additional \$1.2 million through the exercise of warrants associated with the 2020 private placement. B2Gold became a strategic investor in BeMetals through the latest financing and the acquisition of the Kazan Gold Project in Japan, where B2Gold subscribed for \$7.5 million as part of the Kazan acquisition. While the Company anticipates it has sufficient capital to meet its current obligations and planned activities, the Company expects it will need to raise additional capital to carry out its long-term objectives. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company.

### Kazan Gold Project

In 2020, the Company announced it intended to expand its exposure to precious metals by identifying and securing an entry-level precious metals project and by early 2021 BeMetals achieved that objective. On February 17, 2021, BeMetals announced it had signed an agreement to acquire privately owned BeMetals Japan Corp. ("BeMetals Japan", formerly Kronk Resources Inc.) and its wholly owned subsidiary Kazan Resources ("Kazan") which holds the rights to a highly prospective portfolio of advanced and early stage gold exploration projects in Japan (the "Kazan Gold Transaction").

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The Kazan Gold Transaction closed on April 23, 2021, and provides BeMetals with excellent direct exposure to five gold exploration properties in areas of Japan known to have hosted numerous historical high-grade mines. Furthermore, through the acquisition of BeMetals Japan and Kazan, the Company has retained an effective domestic operational structure, including key locally based personnel that throughout 2021 continued to progress on-site exploration work such as stream, outcrop and soil sampling.

In 2021, due to Japanese travel restrictions resulting from the COVID pandemic, the Company was unable to immediately commence drilling in Japan and initially focussed on planning the 2022 fieldwork program and importing a new diamond drill into Japan. In late March 2022, when Japan eased COVID restrictions and began allowing foreigners to travel to the country for business, the Company's contract drillers and geologists entered Japan, commissioned the new drill and, in April 2022, commenced the initial phase of diamond drilling at the wholly owned Kato Gold Project ("Kato") in Hokkaido (see news release dated April 12, 2022).

On August 3, 2021, the Company filed a technical report for the Kato Project area on SEDAR. The report highlighted the exploration potential of this project and recommended an initial four priority targets for core drilling.

In October 2021, the Company announced it had recently received a number of high-grade surface sampling results from geological reconnaissance fieldwork, undertaken in August this year, at its Todoroki Property on Hokkaido Island, in northern Japan. These included:

- 9.43 grams per tonne ("g/t") Gold ("Au") and 442.5 g/t silver ("Ag") over 2.1 metres (*Composite chipped channel interval of outcropping vein*)
- 9.29 g/t Au and 656.5 g/t Ag over 2.5 metres (*Composite chipped channel interval of outcropping vein*)
- 41.10 g/t Au over 0.1 metres (*Chipped sample near historical vein adit*)

More details can be found in the Company's news releases dated October 19, 2021, available on the Company's website.

#### About the Project

The Kazan Gold Project in Japan is an expertly selected portfolio of gold properties, including the more advanced exploration-stage Kato Project in Hokkaido. Kazan assembled this land position covering extensions and similar geological terrains known to have hosted numerous historical high-grade mines including, but not limited to, the currently operating Hishikari Gold Mine on Kyushu, which produced 7.9 million ounces of gold from 1985-2020 at an average grade of 30-40 grams per tonne gold.

Kazan has the rights to explore a total of five project areas in Japan. In addition to the Kato Project, these properties include the earlier stage Todoroki and Konomai projects also on Hokkaido, as well as the Tashiro and Hokusatsu projects on Kyushu. A number of these project areas were subject to, or have adjacent, historical high-grade gold mining operations.

**The Kato Gold Project** is the most advanced exploration project and covers close to 2,000 hectares in the eastern Hokkaido. The property was drilled by the Japanese government's Metal Mining Agency of Japan ("MMAJ") in the 1990s and during that time intervals of high-grade gold including 17.5 metres grading 8.15 grams per tonne ("g/t") gold ("Au") in hole 5MAHB-2, and 18.65 metres grading 5.01 g/t Au in hole 7MAHB-1 were returned. Little work was conducted on the property since the 1990s until the Japanese Ministry of Economy Trade and Industry ("METI") granted the prospecting rights to BeMetals Japan in December 2017.

From 2018-2019, Kazan completed several holes which successfully intersected a zone of hydrothermal breccia near the adjacent main target vein. KT19-02A returned a number of zones of gold mineralization including 14 metres grading 2.10 g/t Au without intersecting the primary target vein. In 2020, BeMetals Japan deployed a larger drill rig and reached the primary target zone, intersecting over 50 metres of hydrothermal breccia, vein breccia, stockwork, and banded quartz-adularia veins in hole KT20-010. The hole intersected 58.9 metres grading 0.76 g/t Au, including 7.4 metres at 2.99 g/t Au, and ended in 2.8 metres grading 3.1 g/t Au. The Table below illustrates these selected intersections.

Further drilling will be required to follow-up on this priority target zone and other associated highly prospective targets, some of which have had little to no previous drill testing. See the report entitled, "Kato Gold Project, Japan NI 43-101 Technical

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Report" with an effective date of July 13, 2021 filed on SEDAR or on the Company website for further details on the Kato project.

### KATO PROJECT: SELECTED HISTORICAL DRILLING INTERSECTIONS

Drill Hole ID	From (m)	To (m)	Core Interval (m)	Au g/t	Drilled By
5MAHB-2	314.80	332.30	17.50	8.15	Metal Mining Agency of Japan
7MAHB-1	258.85	277.50	18.65	5.01	Metal Mining Agency of Japan
KT19-02A	120.48	177.05	56.57	0.80	Kazan
Including	136.95	164.50	27.55	1.40	Hole did not reach primary target
Including	150.50	164.50	14.00	2.10	
KT20-010					Kazan
Interval 1:	165.30	224.20	58.90	0.76	
<i>Including</i>	167.70	175.10	7.40	2.99	
Interval 2:	229.80	232.60*	2.80	3.10	

**The Todoroki Project** targets high-grade epithermal gold-silver mineralization encompassed within some 590 hectares of prospecting rights which include the historical Todoroki Mine discovered in 1896 – the oldest gold-and-silver mine in Hokkaido. Recorded production at the Todoroki Mine from 1925 until 1943 was approximately 200,000 ounces of Au, and 7.4 million ounces of Ag. Mining was temporarily halted in 1943 but resumed operation after WWII. Mining continued intermittently until the 1980s but production information for this period is uncertain.

Detailed geological studies by a Japanese group in the early 1970s concluded that in addition to the 13 known vein occurrences at Todoroki, there were numerous other undeveloped veins and alteration halos surrounding potential vein zones that required investigation. The veins are composed of quartz, calcite, and adularia with local rhodochrosite. The veins are distributed over a 4.5km (East-West) by 1.5km (North-South) area and range in length between 500 and 1,500 meters, with documented widths ranging from 1 to more than 10 metres.

The objective of the current reconnaissance exploration work is to locate, sample, and map unmined veins in the historical mine area with the potential to provide drill targets for near term testing.

**The Konomai Project** is located in northeastern Hokkaido. This land package is located in the northern tip of a prolific zone of gold mining operations that were active in pre-World War II times. Most of the historical gold mines were shut down during the war years and were never reopened aside from Sumitomo Metal Mining's Konomai Mine, the largest in Hokkaido, which produced 3.1 million ounces of gold.

**The Tashiro Project** is located in northeastern Kyushu. In the 1990s, MMAJ conducted drilling on the property as part of their search for the next Hishikari Gold Mine, which is one of the highest-grade gold mining operations in the world. Mapping, soil sampling, and some geophysics were also undertaken, and the drilling program identified a vein swarm at what is known as the Noya zone where numerous highly anomalous gold intervals were intersected. Further fieldwork will be completed and it is likely a number of priority drill targets will be generated.

**The Hokusatsu Project** is located in southwestern Kyushu. This property is of interest due to its close proximity to two important gold occurrences on the property near the former mines of; Fuke (historical production of 125,000 ounces at 10.5 g/t Au) and Ohkuchi (783,000 ounces at 13.1 g/t Au) mines. In addition, the high-grade Hishikari Gold Mine is located approximately 16 kilometres to the southeast of the Hokusatsu property.

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### Terms of the Kazan Gold Project Acquisition

In April 2021, the Company acquired 100% of the outstanding shares of Kronk Resources Inc. (name subsequently changed to BeMetals Japan Corp.) pursuant to an amalgamation agreement (the "Amalgamation Agreement") and a share purchase agreement (the "Share Purchase Agreement"). Pursuant to the Amalgamation Agreement, 29,566,731 common shares of BeMetals were issued on the basis of 0.5169 shares of BeMetals for each one BeMetals Japan share held and pursuant to the Share Purchase Agreement, 3,063,225 common shares of BeMetals were issued on the basis of 0.2585 shares of BeMetals for each one BeMetals Japan share held. The lower exchange ratio under the Share Purchase Agreement was less favourable to certain shareholders of BeMetals Japan who were also shareholders or directors of BeMetals as well as directors or officers of B2Gold. A total of 32,629,956 common shares of BeMetals were issued pursuant to the Kazan Gold Transaction. In connection with the Kazan Gold Transaction, the Company closed a non-brokered private placement of \$7,500,000 with B2Gold. B2Gold, BeMetals Japan and Kazan are related parties of BeMetals by virtue of common key managerial persons.

### Summary of Exploration Expenses

The following table summarizes the exploration costs associated with the Company's Kazan Gold Project as at December 31, 2021:

<b>Kazan Gold project</b>			
	Balance December 31, 2020	Expenditure in 2021	Balance December 31, 2021
Direct exploration expenditures			
Consulting & wages	-	<b>507,024</b>	507,024
Drilling	-	-	-
Equipment	-	<b>72,950</b>	72,950
Land fees /Lease payments	-	<b>50,657</b>	50,657
Site logistics	-	<b>168,943</b>	168,943
Total direct exploration expenditures	-	<b>799,574</b>	799,574
Other expenditures			
Advances (net)	-	-	-
Property acquisition costs	-	<b>12,737,452</b>	12,737,452
Stock based compensation	-	<b>64,561</b>	64,561
Total	\$ -	<b>\$ 13,601,587</b>	\$ 13,601,587

### **South Mountain Project**

#### Highlights

The Company has completed two phases of underground drilling at the South Mountain Project in 2019 and 2020. These programs successfully extended mineralized zones and confirmed grade distribution of the current polymetallic mineral resource estimate. BeMetals formed and built a project team based in Boise, Idaho that is focused on advancing South Mountain. This team includes management of Thunder Mountain Gold, Inc. ("Thunder Mountain"), the Optionees of the property. BeMetals has also appointed a highly experienced project manager to oversee and implement the exploration work plans. The project team has rehabilitated the Sonneman Level drift's underground electrical and other utilities, and established a new Texas Zone drill station by opening and extending the old workings in this area of the deposit.

The 2019 drilling results support the significant high-grade nature of the deposit, and demonstrated robust grades in both silver and gold associated with the base metal mineralization. This work also identified areas of additional potential extensions to mineralization on the South Mountain property for testing in 2020. More details of the 2019 results are

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disclosed in the Company's news releases dated October 8, 2019, November 26, 2019, and January 20, 2020, available on the Company's website.

The Company delayed the start of its planned 2020 phase 2 drilling program due to matters associated with the COVID-19 pandemic but was able to drill from September through to December 2020. Final core logging and sampling was completed early in 2021. This drilling included further testing and extension of the DMEA Zone and the first underground exploration of the Texas Zone since the 1980s. The Texas Zone drilling successfully identified a copper-silver dominant Texas West Zone and a zinc-silver-gold Texas East Zone within the deposit. More details can be found in the Company's news releases dated February 9, 2021, and March 17, 2021, available on the Company's website.

#### HIGHLIGHTS OF THE COMPANY'S UNDERGROUND DRILLING INCLUDE

##### DMEA ZONE:

- **Drill hole SM19-003:** intersected 24.17 metres grading 11.12% Zn, 267 g/t Ag, 3.44 g/t Au, 3.75% Pb, and 0.29% Cu
- **Drill hole SM19-006:** intersected 15.70 metres grading 21.27% Zn, 147 g/t Ag, 8.04 g/t Au, 0.77% Pb, and 0.30% Cu
- **Drill hole SM19-007:** intersected 12.20 metres grading 18.16% Zn, 122.6 g/t Ag, 4.41 g/t Au, 1.55% Pb, and 0.16% Cu
- **Drill hole SM19-014 Interval 1:** intersected 15.09 metres grading 9.59% Zn, 127.1 g/t Ag, 1.50 g/t Au, 0.69% Pb, and 0.28% Cu
- **Drill hole SM20-027 Interval 2:** 30.85 metres grading 4.66% Zn, 103.9 g/t Ag, 1.59 g/t Au, 0.39% Pb and 0.17% Cu  
*Including: 5.54 metres grading 13.12% Zn, 104.7 g/t Ag, 2.73 g/t Au, 0.43% Pb and 0.31% Cu*
- **Drill hole SM20-027 Interval 4:** 4.44 metres grading 7.11% Zn, 108.7 g/t Ag, 0.14 g/t Au, 0.22% Pb and 0.68% Cu

##### TEXAS WEST ZONE:

- **Drill hole SM20-028:** 10.85 metres grading 2.56% Copper ("Cu"), 260.1 grams per tonne ("g/t") Silver ("Ag"), 0.26 g/t Gold ("Au"), 0.10% Lead ("Pb") and 0.13% Zinc ("Zn")
- **Drill hole SM20-038:** 7.62 metres grading 1.64% Cu, 279.5 g/t Ag, 0.74g/t Au, 0.86% Pb and 0.55% Zn  
*Including: 5.17 metres grading, 2.23% Cu, 337.9 g/t Ag, 1.02 g/t Au, 1.12% Pb and 0.77% Zn*
- **Drill hole SM20-043 Interval 1:** 7.01 metres grading 2.84% Cu, 181.5 g/t Ag, 0.22 g/t Au, 0.01% Pb and 0.29% Zn  
*Including: 4.79 metres grading, 3.81% Cu, 244.3 g/t Ag, 0.17 g/t Au, 0.01% Pb and 0.07% Zn*

##### TEXAS EAST ZONE:

- **Drill hole SM20-050 Interval 2:** 8.35 metres grading 4.17% Zn, 194.8 g/t Ag, 4.05 g/t Au, 0.78% Pb and 0.54% Cu

In early May 2021, the Company announced an updated Mineral Resource Estimate ("MRE") for the South Mountain property. The updated MRE included a Measured & Indicated ("M&I") resource of 187,650 tonnes grading 9.63% Zinc ("Zn"), 151 grams per tonne ("g/t") Silver ("Ag"), 2.19 g/t Gold ("Au"), 1.01% Lead ("Pb") and 0.63% Copper ("Cu"), representing a 21.8% increase to the M&I tonnage from the 2019 estimate with a 20.36% Zn equivalent grade ("ZnEq"). The updated resource also included an Inferred resource of 756,300 tonnes grading 7.63% Zn, 196 g/t Ag, 1.40 g/t Au, 0.97% Pb and 0.81% Cu, representing a 129.5% increase in the Inferred tonnage from the 2019 MRE with a 18.10% ZnEq.

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## SOUTH MOUNTAIN MINERAL RESOURCE STATEMENT (METRIC UNITS)

Ore Type	Classification	Mass	Grades and Contained Metal										ZnEq
			Zinc	Zinc	Silver	Silver	Gold	Gold	Lead	Lead	Copper	Copper	
		kt	%	t	ppm	kg	ppm	g	%	t	%	t	%
Massive Sulfide	Measured	48.85	11.45	5,600	126	6,100	2.38	116,200	0.79	400.00	0.46	200	20.21
	Indicated	107.90	11.36	12,300.0	164	17,700	2.63	283,500	1.36	1,500	0.53	600	22.14
	<b>Measured + Indicated</b>	<b>156.75</b>	<b>11.39</b>	<b>17,800.0</b>	<b>152</b>	<b>23,800</b>	<b>2.55</b>	<b>399,700</b>	<b>1.18</b>	<b>1,900</b>	<b>0.51</b>	<b>800</b>	<b>21.54</b>
	Inferred	705.03	8.09	57,000.0	202	142,600	1.49	1,049,000	1.04	7,300	0.74	5,200	18.34
Skarn	Measured	9.62	1.25	100.0	187	1,800	0.78	7,500	0.30	0	1.26	100	18.23
	Indicated	21.28	0.49	100.0	130	2,800	0.17	3,700	0.07	0	1.20	300	12.63
	<b>Measured + Indicated</b>	<b>30.90</b>	<b>0.72</b>	<b>200.0</b>	<b>148</b>	<b>4,600</b>	<b>0.36</b>	<b>11,200</b>	<b>0.14</b>	<b>0</b>	<b>1.21</b>	<b>400</b>	<b>14.38</b>
	Inferred	51.26	1.34	700.0	110	5,600	0.19	9,900	0.04	0	1.66	900	14.92
Total	Measured	58.47	9.77	5,700.0	136	7,900	2.12	123,700	0.71	400	0.59	300	19.88
	Indicated	129.18	9.57	12,400.0	158	20,400	2.22	287,300	1.15	1,500	0.64	800	20.57
	<b>Measured + Indicated</b>	<b>187.65</b>	<b>9.63</b>	<b>18,100.0</b>	<b>151</b>	<b>28,400</b>	<b>2.19</b>	<b>411,000</b>	<b>1.01</b>	<b>1,900</b>	<b>0.63</b>	<b>1,200</b>	<b>20.36</b>
	Inferred	756.30	7.63	57,700.0	196	148,200	1.40	1,058,900	0.97	7,300	0.81	6,100	18.10

- 1) The effective date of the mineral resource estimate is April 20th, 2021. The QP for the estimate is Mr. Richard A. Schwering, P.G., SME-RM, of Hard Rock Consulting, LLC. and is independent of BeMetals, Corp., Thunder Mountain Gold Inc., and South Mountain Mines Inc.
- 2) Mineral resources are not mineral reserves and do not have demonstrated economic viability such as diluting materials and allowances for losses that may occur when material is mined or extracted; or modifying factors including but not restricted to mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. Inferred mineral resources may not be converted to mineral reserves. It is reasonably expected, though not guaranteed, that the majority of Inferred mineral resources could be upgraded to Indicated mineral resources with continued exploration.
- 3) The mineral resource is reported at an underground mining cutoff of \$102.5 U.S. Net Smelter Return ("NSR") within coherent wireframe models. The NSR calculation and cut-off is based on the following assumptions: an Au price of \$1,750/oz, Ag price of \$23.00/oz, Pb price of \$1.02/lb., Zn price of \$1.20/lb. and Cu price of \$3.40/lb.; Massive sulfide ore type metallurgical recoveries and payables of 52.25% for Au, 71.25% for Ag, 71.40% for Zn, 66.50% for Pb, and 49.00% for Cu and a total smelter cost of \$33.29; Skarn ore type metallurgical recoveries and payables of 71.25% for Au, 80.75% for Ag, 51.00% for Zn, 47.50% for Pb, and 87.70% for Cu and a smelter cost of \$7.24; assumed mining cost of \$70/ton, process costs of \$25/ton, and general and administrative costs of \$7.5/ton. Based on the stated prices and recoveries the NSR formula is calculated as follows;  $NSR = (Ag\ grade * Ag\ price * Ag\ Recovery\ and\ Payable) + (Au\ grade * Au\ price * Au\ Recovery\ and\ Payable) + (Pb\ grade * 20 * Pb\ Price * Pb\ Recovery\ and\ Payable) + (Cu\ grade * 20 * Cu\ Price * Cu\ Recovery\ and\ Payable) + (Zn\ grade * 20 * Zn\ Price * Zn\ Recovery\ and\ Payable)$  for each ore type.
- 4) The zinc equivalent grades were calculated as  $Zn\ Grade + (((Pb\ Price * Pb\ Recovery\ and\ Payable) / (Zn\ Price * Zn\ Recovery\ and\ Payable)) * Pb\ Grade) + (((Cu\ Price * Cu\ Recovery\ and\ Payable) / (Zn\ Price * Zn\ Recovery\ and\ Payable)) * Cu\ Grade) + (((Ag\ Price * Ag\ Recovery\ and\ Payable) / (Zn\ Price * 20 * Zn\ Recovery\ and\ Payable)) * Ag\ Grade) + (((Au\ Price * Au\ Recovery\ and\ Payable) / (Zn\ Price * 20 * Zn\ Recovery\ and\ Payable)) * Au\ Grade)$
- 5) Rounding may result in apparent differences when summing tons, grade and contained metal content. Tonnage and grade measurements are in U.S. units and converted to metric.

In September, 2021 BeMetals extended its remaining commitment dates under the option agreement for the South Mountain Project (see "Terms of the South Mountain Option Agreement", below) and by October commenced an exploratory phase of drilling from surface at South Mountain. This program is designed to further test the down depth extent of mineralization at the DMEA Zone with the objective to significantly expand the scale of the current Mineral Resource Estimate ("MRE") at South Mountain (See Summary of MRE above). The DMEA Zone is the largest known body of mineralization on the Property, containing the majority of tonnage in the current MRE, and the mineralized zone remains open at depth.

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### About the Project

The South Mountain Project is a high-grade zinc/silver/gold/copper, polymetallic development project that is located approximately 70 miles southwest of Boise, Idaho. The project was intermittently mined from the late 1800s to the late 1960's and its existing underground workings remain intact and well maintained. Historic production has largely come from skarn-hosted and high-grade massive sulfide bodies that remain open for resource expansion at depth and along strike. These high-grade bodies comprise South Mountain's current mineral resource. According to historical smelter records approximately 53,642 tons of mineralized material has been mined to date. These records also indicate average grades of 14.5% Zn, 363.42 g/t Ag, 1.98 g/t Au, 2.4% Pb, and 1.4% Cu were realized.

The South Mountain Project is largely on and surrounded by private surface land, and as such, the permitting and environmental aspects of the project are expected to be straightforward. Permits are in place for exploration and BeMetals does not anticipate any significant barriers to any future development through following normal procedures at the South Mountain Project. Prior to the phase 1 drilling campaign, an independent technical report for the South Mountain Project's current mineral resource was completed by Hard Rock Consulting, LLC, effective April 1, 2019, and is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The new technical report supporting the updated mineral resource completed by Hard Rock Consulting, LLC, effective April 20, 2021 was filed in June 2021. More details can be found in the Company's news releases dated May 4, 2021, available on the Company's website.

### Terms of the South Mountain Option Agreement

In February 2019, the Company entered into an option agreement (the "South Mountain Agreement") with Thunder Mountain and certain of its wholly owned subsidiaries, to acquire up to a 100% interest in the South Mountain Project. In September 2019, the Company received final approval from the TSX-V of the option agreement and related transactions (the "South Mountain Transaction").

Under the terms of the South Mountain Agreement, and as amended in June 2020, the Company through its wholly owned subsidiary has the right to acquire from Thunder Mountain, all of its interest in the South Mountain Project 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.

In order to complete the SMMI Acquisition, the Company must:

1. Make an initial cash payment of US\$100,000 upon Thunder Mountain delivering voting support agreements from shareholders controlling over 50% of outstanding Thunder Mountain shares (completed); and
2. Upon satisfaction of certain conditions precedent, including receipt of TSX-V acceptance and all requisite Thunder Mountain shareholder approvals:
  - a. purchase 2.5 million shares of common stock of Thunder Mountain at US\$0.10 per share by way of private placement (completed); and
  - b. issue 10 million common shares of the Company to Thunder Mountain (completed);
3. Make four semi-annual cash payments of US\$250,000 each (US\$1,000,000 completed); and
4. Complete a Preliminary Economic Assessment for the South Mountain Project; and
5. Make a final payment to Thunder Mountain consisting of cash, common shares of the Company, or a combination of both at the discretion of the Company. The final payment would be the greater of either US\$10 million or 20% of the after-tax net present value of the property as calculated in a Preliminary Economic Assessment study completed by an agreed independent author. The final payment would be decreased by US\$850,000 to account for certain cash payments previously made under items 1 and 2 above, the value of the 10 million BeMetals shares issued under item 2 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:

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

#### Summary of Exploration Expenses

The following table summarizes the exploration costs associated with the Company's South Mountain Project as at December 31, 2021:

	South Mountain Project		
	Balance December 31, 2020	Expenditure in 2021	Balance December 31, 2021
Direct exploration expenditures			
Consulting & wages	1,569,064	<b>1,128,603</b>	2,697,667
Drilling	1,202,158	<b>514,567</b>	1,716,725
Land fees /Lease payments	71,692	<b>72,745</b>	144,437
Site logistics	698,069	<b>276,689</b>	974,758
Underground infrastructure	798,134	-	798,134
Total direct exploration expenditures	4,339,117	<b>1,992,604</b>	6,331,721
Other expenditures			
Advances (net)	18,500	<b>(18,500)</b>	-
Property acquisition costs	744,623	-	744,623
Stock based compensation	88,022	<b>177,758</b>	265,780
Total	\$ 5,190,262	\$ <b>2,151,862</b>	\$ 7,342,124

#### Pangeni Copper Project

##### Highlights

On June 1, 2021, the Company reported commencement of the 2021 exploration program at the project to determine the extent of copper mineralization at the D and SW areas, as well as to test the G, F and P target areas. This phase of aircore drilling concluded during the summer and core drilling began in September, to follow up on results from the aircore drilling. Analytical results of 2021 core drilling program were released in early 2022 and successfully intersected encouraging copper intersections at multiple target areas.

The Company has carried out field exploration activities at the Pangeni Copper Project since 2018, which have continued to deliver encouraging results and motivate accelerated and expanded exploration of this property.

In July 2019, the Company launched an initial core drilling program at the Pangeni Copper Project, comprising approximately six shallow core holes to test the three targets generated by the aircore drilling programs. A total of 1,275 metres of core drilling was completed on the project during the 2019 field season. The 2020 exploration program included completion of some 3,700 metres of shallow aircore drilling to test both significant step outs from copper intersections during the 2019 fieldwork and to test other priority targets generated from the interpretation of the airborne magnetics. Also approximately 750 metres of core drilling was completed in five drill holes to test copper anomalies below the Kalahari sand cover. The 2020 drilling program was completed in mid-December 2020 with full results received by late March 2021, including quality assessments of the data.

##### HIGHLIGHTS OF THE EXPLORATION CORE DRILLING RESULTS TO DATE INCLUDE:

- **D2 Prospect Drill Hole D2-C1:** intersected 5.50 metres grading 0.53% Cu



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- **Drill Hole D2-C2:** intersected 5.56 metres grading 0.47% Cu
- **Drill hole D3-C1 Interval 1:** 3.98 metres grading 0.39% Cu
- **Drill Hole D3-C1 Interval 2:** 3.70 metres grading 0.37% Cu
- **SW Prospect Drill Hole SW (E2)-C2:** intersected 4.50 metres grading 0.39% Cu  
*Including: 0.5 metres of 1.59% Cu & 0.5 metres grading 1.22% Cu*

Importantly these intersections are related to broader zones of anomalous copper and associated with alteration minerals known to occur in copper deposits and mines within the region. The mineralization is predominantly present as chalcopyrite a copper sulphide mineral.

The 2020 D3-C1 shallow copper intersections are particularly meaningful, as they occur some 850 metres along the same interpreted strike of the mineralized zones intersected in holes D2-C1 and D2-C2 during the 2019 field season.

The SW (E2) target results represent a 600-metre northeast extension, of the previously drilled SW Target, under the Kalahari sand cover units. This consolidated SW (E2) prospect has now returned significant bedrock copper mineralization over some two kilometres of strike. More details of these results are disclosed in the Company's news release dated October 16, 2019 and are available on the Company's website.

In March 2021, BeMetals entered into a Joint Exploration and Option Agreement (the "JOGMEC Agreement") with Japan Oil, Gas and Metals National Corporation that provides an initial investment of US\$1.5 million for money-in-the-ground exploration at the Pangeni Copper Project with additional ongoing pro-rata contributions. This investment from JOGMEC is expected to significantly accelerate exploration at the property. Further information on this agreement with JOGMEC is detailed below.

In 2021 the Company completed 1,382 metres of core drilling in six core holes, 4,353 metres of shallow aircore, and a helicopter-borne electromagnetic ("EM") survey over the Pangeni Copper Project. The interpretation of the EM survey data was integrated with previous geophysical and geological interpretations of the Pangeni Copper Project. The EM data improved exploration target selection and mapping of the Kalahari sand cover units. Four priority targets were identified from the aircore program for testing with core drilling in 2021. These were related to both the D-Prospect and two standalone new exploration targets, namely the Q and F targets.

### HIGHLIGHTS OF THE 2021 PANGENI COPPER PROJECT CORE DRILLING INCLUDE:

- **Q-Target:** Drill Hole Q3-C1 intersected 4.14 metres grading 0.62% copper ("Cu")
  - *Including: 1.30 metres grading 1.10% Cu*
- **D-Prospect:** Drill Hole D7-C1 intersected 5.00 metres grading 0.58% Cu
- **D-Prospect:** Drill Hole D7-C2 intersected 3.37 metres grading 0.51% Cu
  - *And also: intersected 6.00 metres grading 0.39% Cu*

### About the Project

The Pangeni Copper Project is located on the western extension of the Zambian Copperbelt, within the Lufilian Arc, underlain by Katangan Supergroup metasediments situated unconformably on basement schists and gneisses, which are covered by a thin veneer of Kalahari sands. The open-pit Sentinel Copper Mine is operated by First Quantum Minerals Ltd. some 130 kilometres to the northeast of the Pangeni Project. A number of major international mining companies have identified this region of the Zambian Copperbelt to be prospective for the discovery of tier one copper mines and are also conducting extensive exploration work in this area.

The Pangeni Licence is geologically prospective for the following deposit types; Basement-hosted Cu (analogues: the Lumwana Deposit, Nyungu Prospect), Sediment-hosted stratiform Cu-Co (analogues: Nchanga, Konkola, Nkana, and

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Mufulira Deposits), other Domes Region Deposits e.g. Sentinel, and Kansanshi and DRC Copperbelt Deposits e.g. Lonshi, Frontier, Kamoakakula).

An independent technical report for the Pangei Copper Project, prior to the 2019 and 2020 drilling campaigns, has been completed by African Mining Consultants Limited, effective April 10, 2018, and is available on the Company's website and under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### Terms of the Pangei Option Agreement

In February 2018, further to a November 2017 letter agreement, the Company confirmed the agreement (the "Pangei Agreement") with Copper Cross Zambia Limited (the "Pangei Vendor") for the right to acquire up to a 72% interest in the Pangei Copper Project. In July 2018, the Company received final approval from the TSX-V of the option agreement and related transactions. In January 2020, certain amendments were made to the Pangei Agreement (the "January 2020 amendments").

Under the terms of the Pangei Agreement, and including the January 2020 amendments, to complete the acquisition of the initial 67.5% interest in the Pangei Copper Project, the Company must:

before the second anniversary in February 2020:

1. make cash payments of US\$250,000 (\$327,235) (completed); and
2. issue a total of 780,500 common shares (completed);

and before December 31, 2020:

3. expend US\$2.5 million in exploration work or cash advances for future exploration work (US\$2,500,000 completed) (\$3,301,064);

and then, before the fifth anniversary in February 2023:

4. complete a preliminary economic assessment; and
5. make 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
6. make a payment of US\$700,000 as an advanced royalty reduction payment.

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

At the commencement of the mine development phase, and following a feasibility study, a one-off milestone payment is 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, Pangei 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).

### Terms of JOGMEC Agreement

Under the terms of the JOGMEC Agreement, 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. This payment was received in March 2021. During 2021, JOGMEC will also fund an additional US\$ 500,000 in exploration expenditures (which was completed in August 2021), 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 Pangei 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.

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The above investments will provide JOGMEC with rights to an approximately 20% stake in the Pangeni Project assuming the full exercise of all applicable underlying parties and optionees and BeMetals will retain rights to approximately 52%. BeMetals retains overall management control through the project's technical committee and its majority option position in the Pangeni Project.

#### Off-take Option Rights

Provided JOGMEC maintains its 27.8% interest in the BeMetals option through pro-rata funding of its proportionate share of exploration expenditures until December, 31, 2024, it will have earned a First Off-take Option, whereby, through annual Right of First Offer ("ROFO") and Right of First Refusal ("ROFR") provisions, JOGMEC will have the right to purchase up to 30% of the off-take from any mining operation on the property. JOGMEC would be entitled to exercise such ROFO/ROFR rights beginning on December 31, 2024 until the 10-year anniversary of the commencement of commercial production (with any purchases of off-take to begin on the commencement of commercial production).

Furthermore, should JOGMEC maintain at least a 10% interest in the Pangeni Project at the time a production decision is made for the Pangeni Project, it will be entitled to an additional Second Off-take Option, whereby, through an annual ROFR right, JOGMEC will have the right to purchase up to an additional 20% of the off-take from any mining operation on the property (for an aggregate 50% purchase right). JOGMEC would be entitled to exercise such Second Off-take ROFR rights beginning on the date a production decision is made until the end of the life of mine on the property (with any purchases of off-take pursuant to the Second Off-take Option to begin on the commencement of commercial production). If this Second Off-take Option is earned by JOGMEC, the term of the Off-take Option will also be extended, such that it will continue until the end of the life of mine. The remaining 70% or 50%, as applicable, of production from any mining operation remains unencumbered by JOGMEC's rights.

#### Summary of Exploration Expenses

The following table summarizes the advances & expenditures associated with the Company's Pangeni Copper Project expenditure commitment as at December 31, 2021:

<b>Pangeni Copper Project</b>			
	Balance December 31, 2020	Expenditure in 2021	Balance December 31, 2021
Direct exploration expenditures			
Application or prior prepaid amounts	3,313,750	-	3,313,750
Consulting & wages	-	<b>134,248</b>	134,248
Drilling	-	<b>1,203,675</b>	1,203,675
Land fees /Lease payments	-	-	-
Professional fees	41,399	<b>51,010</b>	92,409
Site logistics	-	<b>240,797</b>	240,797
Total direct exploration expenditures	3,355,149	<b>1,629,730</b>	4,984,879
Other expenditures			
Advances (net)	20,787	<b>(20,787)</b>	-
Proceeds from JOGMEC	-	<b>(2,194,757)</b>	(2,194,757)
Property acquisition costs	558,842	-	558,842
Stock based compensation	33,048	<b>60,396</b>	93,444
<b>Total</b>	<b>\$ 3,967,826</b>	<b>\$ (525,418)</b>	<b>\$ 3,442,408</b>

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### Overall Performance and Results of Operations

Total assets increased to \$35,982,881 at December 31, 2021, from \$16,334,757 at December 31, 2020. The most significant assets at December 31, 2021, were cash of \$6,370,369, (December 31, 2020: \$3,206,767), investments of \$459,578 (December 31, 2020: \$509,280), exploration advances of \$507,141 (December 31, 2020: \$0) exploration and evaluation assets of \$24,386,119 (December 31, 2020: \$9,158,088), and Option – South Mountain of \$4,020,765 (December 31, 2020: \$3,389,265).

The most significant increases in assets value at December 31, 2021 compared to December 31, 2020 were attributed to:

- Cash increased by \$3,163,602 to \$6,370,369 on December 31, 2021 compared to \$3,206,767 on December 31, 2020. The most significant cash inflow during the year ended December 31, 2021 was the result of the Company closing a non-brokered private placement of \$7,500,000 through the issuance of 17,045,455 common shares at \$0.44 per share and the exercise of 3,380,244 warrants for proceeds of \$1,183,473. The most significant cash outflows were expenditures on the Company's Exploration and Evaluation assets where approximately \$5 million in cash was invested.
- Exploration and evaluation assets increased by \$15,228,031 to \$24,386,119 on December 31, 2021 compared to \$9,158,088 on December 31, 2020. The majority of the increase related to the acquisition of the five mineral properties acquired as part of the Kazan Gold Transaction through the issuance of 32,629,956 common shares, with a fair value of \$11,909,934, of the Company to the shareholders of BeMetals Japan. During the year ended December 31, 2021 the made further expenditures of approximately \$5 million on its properties which was partly offset by \$2.2 million the Company received from JOGEMC as a contribution to the Pangeni Copper Project.

### Three months ended December 31, 2021 and 2020

Comprehensive loss for the three months ended December 31, 2021, was \$700,791, up from comprehensive loss of \$473,020 for the three months ended December 31, 2020. The \$277,771 increase in comprehensive loss is largely due to:

- Increase in share-based compensation expense of \$219,840. Share-based compensation was \$314,760 for the three months ended December 31, 2021, as compared to share-based compensation of \$94,920 for the three months ended December 31, 2020.
- Increase in fees and salaries of \$105,446 to \$183,813 for the three months ended December 31, 2021 compared to \$78,367 for the three months ended December 31, 2020. The increase is the result of an increase in number of consultants and employees employed as the Company increased activity and the number of projects.
- The increases in expenditures were partially offset by an unrealized gain on FVOCI investments of \$48,679 recorded during the three months ended December 31, 2021 compared to a loss on FVOCI investments of \$157,670 for the three months ended December 31, 2020. These FVOCI gains and losses resulted from changes in the market price of the 2,500,000 common shares the Company owns in Thunder Mountain Gold.

### Year ended December 31, 2021 and 2020

Comprehensive loss for the year ended December 31, 2021, was \$2,567,948, up from comprehensive loss of \$1,070,838 for the year ended December 31, 2020. The increase in comprehensive loss is largely due to:

- Increase in share-based compensation expense of \$686,275. Share-based compensation was \$1,305,788 for the year ended December 31, 2021, as compared to share-based compensation of \$619,513 for the year ended December 31, 2020.
- Increase in the unrealized loss on FVOCI investments of \$305,716 during the year ended December 31, 2021 as compared to the year ended December 31, 2020. This was a result of an unrealized loss on FVOCI investments of \$49,702 during the year ended December 31, 2021 compared to a gain on FVOCI investments of \$256,014 for the year ended December 31, 2020. These FVOCI gains and losses resulted from changes in the market price of the 2,500,000 common shares the Company owns in Thunder Mountain Gold

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- Increase in fees and salaries of \$329,654 to \$602,815 for the year ended December 31, 2021 compared to \$273,161 for the year ended December 31, 2020. The increase is the result of an increase in number of consultants and employees employed as the Company increased activity and the number of projects.
- Increase in marketing of \$88,282 to \$171,543 for the year ended December 31, 2021, compared to \$83,261 for the year ended December 31, 2020. The increase is a result of the Company attending more conferences and other marketing events as COVID restrictions are eased.
- Increase in office and administration of \$86,525 to \$180,890 for the year ended December 31, 2021 compared to \$94,365 for the year ended December 31, 2020. The increase is mostly attributed to additional office and administration expenses incurred in Japan subsequent to the Kazan Gold Transaction.
- The increases in expenditures were partially offset by a foreign exchange gain of \$90,726 during the year ended December 31, 2021 compared to a foreign exchange loss of \$16,071 during the year ended December 31, 2020. The foreign exchange gain during the year ended December 31, 2021 was a result of the Canadian Dollar appreciating against both the US dollar and the Japanese Yen during the year.

### Liquidity and Capital Resources

As at December 31, 2021, the Company had working capital of \$6,473,838 (December 31, 2020: working capital of \$3,196,596). The Company has incurred negative cash flows from operations of \$1,836,980 and recorded a loss of \$2,518,246 for the year ended December 31, 2021 (December 31, 2020: negative cash flows from operations of \$658,107 and loss of \$1,326,852, respectively), and has an accumulated deficit of \$8,458,967 as at December 31, 2021 (December 31, 2020: \$5,940,721). The Company does not currently have a source of revenue. On April 23, 2021, the Company closed a non-brokered private placement of \$7,500,000. The accompanying audited annual 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 December 31, 2021, the Company expects it will need to raise additional capital to carry out its long-term objectives. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company

### Selected Annual Information

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Total assets	\$ 35,982,881	\$ 16,334,757	\$ 10,894,168
Loss	\$ (2,518,246)	\$ (1,326,852)	\$ (815,967)
Comprehensive loss	\$ (2,567,948)	\$ (1,070,838)	\$ (897,426)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.01)

### Summary of Quarterly Results

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	\$ -	\$ -	\$ -	\$ -
Loss	(700,791)	(666,498)	(846,866)	(255,412)
Comprehensive gain (loss)	(749,470)	(646,011)	(928,017)	(293,129)
Basic and diluted income (loss) per share	(0.00)	(0.00)	(0.01)	(0.00)

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	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue	\$ -	\$ -	\$ -	\$ -
Loss	(315,350)	(311,771)	(117,791)	(581,940)
Comprehensive gain (loss)	(473,020)	74,953	(174,506)	(498,265)
Basic and diluted income (loss) per share	(0.00)	0.00	(0.00)	(0.00)

The increase in comprehensive loss for Q1 2020 was primarily the result of share-based compensation. The increase in comprehensive gain for Q3 2020 was primarily the result of unrealized gain on FVOCI investments. The increase in comprehensive loss for Q4 2020 was primarily the result of share-based compensation. The increase in comprehensive loss for Q2 2021 was primarily the result of share-based compensation. The increase in comprehensive loss for Q3 2021 and Q4, 2021 was the result of share-based compensation and increase in fees and salaries, partly arising from the Kazan acquisition.

### Outstanding Share Data

#### *Issued and fully paid common shares*

During the year ended December 31, 2021, the Company issued a total of 32,629,956 common shares to the shareholders of BeMetals Japan at a value of \$0.365 per share, pursuant to the Kazan Gold Transaction.

During the year ended December 31, 2021, the Company closed a private placement of \$7,500,000 through the issuance of 17,045,455 common shares to B2Gold.

During the year ended December 31, 2021, the Company issued 3,380,244 common shares pursuant to the exercise of warrants.

As at December 31, 2021 and the date of this report, there were 177,352,545 common shares issued and outstanding.

#### *Escrowed shares*

Certain shares are held in escrow pursuant to a December 2009 escrow agreement, as supplemented in July 2018. These escrowed shares were released in semi-annual tranches until July 2021.

As at December 31, 2021 and as at the date of this report there are no shares in escrow.

#### *Warrants*

During the year ended December 31, 2021, 3,380,244 warrants were exercised for proceeds of \$1,183,473.

As at December 31, 2021 and the date of this report, there were 1,076,006 warrants outstanding.

#### *Share options*

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.

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.

In November 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 17, 2031, vesting over a period of two years.

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As at December 31, 2021 there were 17,220,000 share options outstanding. As at the date of this report there are 17,186,666 options outstanding.

#### **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, 2021, key management personnel compensation, including directors and officers, was comprised of \$1,508,686 (December 31, 2020: \$710,683), of which \$925,173 related to share-based compensation, \$454,817 related to fees and salaries and \$128,696 was capitalized to Exploration and evaluation assets (December 31, 2020: \$437,522, \$273,161 and \$nil, respectively).

Pursuant to the Kazan Gold Transaction, certain shareholders of BeMetals Japan, who were also shareholders or directors of BeMetals as well as directors or officers of B2Gold, received 0.2585 Company shares for every common share of BeMetals Japan they held; which was less favorable than the 0.5169 Company shares for every common share of BeMetals Japan received by other non-related BeMetals Japan shareholders. As a result, these shareholders who were also shareholders or directors of BeMetals as well as directors or officers of B2Gold, acquired 1,887,050 of the Company's shares as part of the Kazan Gold Transaction.

During the year ended December 31 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, BeMetals Japan 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. During the year ended December 31, 2021, the Company paid fees of \$194,756 to B2Gold that was capitalized to Exploration and evaluation assets.

As at December 31, 2021 amounts included in accounts payable and accrued liabilities due to related parties was \$59,368 (December 31, 2020 \$nil).

#### **Outlook**

BeMetals is currently advancing the exploration and development of its portfolio of precious and base metals projects in Japan, the U.S.A., and Zambia. These activities include the initial exploration fieldwork at the recently acquired portfolio of gold projects in Japan, completing a preliminary economic assessment at its high-grade South Mountain Polymetallic Project in Idaho, and progressing further exploration at the Pangen Copper Project in Zambia.

Due to various global travel restrictions and business closures caused by the ongoing COVID-19 pandemic, the Company expects periodic delays with its exploration work as well as the timing to receive drilling results. The Company has experienced teams in each region with exploration operations and is doing its best to mitigate such delays. BeMetals is also continuing to take certain precautions in each country of its operations to keep our work teams safe and healthy, and to reduce the spread of COVID-19. In addition, BeMetals is complying with various in-country guidelines and has implemented standard operating procedures designed to provide precautionary measures to ensure the safety of its employees and contractors.

In Japan, management is preparing an exploration program for its Kazan Gold Project, however until very recently the country was closed to foreign nationals from entering the country. Such travel restrictions are now easing and the Company commenced drilling in Japan in early April 2022. The Company is now using a new more powerful drilling rig and associated equipment that had previously been shipped to the Kato Prospect site with the Company's current expectation being that drill results will be available towards the end of the second quarter or start of the third quarter of 2022. The Company will continue to undertake reconnaissance exploration work on its properties, to generate and improve the definition of new drill targets in Japan.

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At the South Mountain Project, the team has commenced a 7,000 feet surface drilling program to further test the down depth extent of mineralization at the DMEA Zone with the objective to significantly expand the scale of the current Mineral Resource Estimate ("MRE") at South Mountain. The DMEA Zone is the largest known body of mineralization on the property, containing the majority of tonnage in the current MRE, and the mineralized zone remains open at depth. Due to winter conditions at South Mountain the remaining drilling will be completed in the Summer of 2022.

At the Pangeni Copper Project, the Company plans to commence a new phase of exploratory phase of drilling in mid 2022 to follow-up on the substantial aircore and core drilling programs completed in 2021. Last year's programs helped to vector and expand high-grade copper mineralization at the D-Prospect as well as testing at the F4 and Q3 targets. BeMetals is working with its partners JOGMEC, Copper Cross Zambia Limited, and Pangeni Mineral Resources Limited to execute this year's exploration programs.

BeMetals' overall objective is to become a leading precious and base metals producer through the acquisition of quality exploration, development and production stage projects. This strategy is directed by the Board, key members of which have an extensive, proven track record in delivering considerable value in the mining sector through the discovery and building of mines. The Board, its advisors, and senior management also provide outstanding deal flow of project opportunities to the Company based upon an extensive international minerals business network of contacts.

### **Critical Accounting Policies and Estimates**

The Company has prepared the accompanying financial statements in accordance with IFRS. Significant accounting policies are described in Note 3 of the Company's financial statements as at and for the year ended December 31, 2021, except for newly adopted accounting policies as noted below, if any.

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.

### **Financial Instruments and Financial Risk Management**

#### ***Financial Instruments***

Cash, deposits, amounts receivable, and trade and other payables are held at amortized cost which approximates fair value due to the short-term nature of these instruments. Common shares of publicly traded companies included in investments are classified as FVOCI. The South Mountain Option is classified as fair value through profit or loss.

#### ***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



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on-going business requirements, taking into account its current cash position and potential funding sources. As at December 31, 2021, the Company had current liabilities of \$135,440 and working capital of \$6,473,838.

The Company also has commitments or option payments arising in 2022 and 2023 related to the South Mountain Project and the Pangenji Copper Project as outlined earlier in this report.

#### **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 \$1,809,282 in US dollars and \$191,316 in Japanese Yen as of December 31, 2021, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being \$200,499.

#### **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 Thunder Mountain, which trades on the OTCQB under the symbol 'THMG'.

#### **Risks and Uncertainties**

The risk factors described below summarize and supplement the risk factors contained in the Company's filing statement dated July 18, 2018, (the "Filing Statement") and available on SEDAR at [www.sedar.com](http://www.sedar.com), and should be read in conjunction with the more detailed risk factors outlined in the Filing Statement:

The Company is engaged in the acquisition and exploration of natural resource properties, an inherently risky business, and there is no assurance that economically recoverable resources will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of economically recoverable resources.

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Exploration activities require large amounts of capital. There is a risk that during the current difficult economic situation the Company will not be able to raise sufficient funds to finance its projects to a successful development and production stage. While the Company's management and technical team carefully evaluate all potential projects prior to committing the Company's participation and funds, there is a high degree of risk that the Company's exploration efforts will not result in discovering economically recoverable resources. The Company depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

There is no guarantee that the Company will exercise its option pursuant to the Pangen Agreement and/or South Mountain Agreement. The completion and exercise of one or both of those options is affected by the success of the Company's exploration efforts and is contingent upon certain conditions precedent as well as the price of metals which are affected by numerous factors including inflation, investor speculative activities, relative exchange rate of the U.S. dollar to other currencies, global and regional demand and production, global and regional political and economic conditions, and production costs in major producing regions. These factors are beyond the Company's control and are impossible to predict.

#### *New diseases and epidemics (such as COVID-19) may adversely impact the Company's business*

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus (COVID-19). The expected impact and extent of the spread of COVID-19, and the duration and intensity of resulting global business disruption and related financial and social impact, are uncertain, and such adverse effects could be material. The mineral exploration sector is expected to be impacted as many local and regional governments have issued public health orders in response to COVID-19, including restricting the movement of people, which could impact the Company's ability to access its properties and undertake exploration programs in the anticipated timeframes.

The actual and threatened spread of COVID-19 globally could adversely affect global economies and financial markets resulting in a prolonged economic downturn and a decline in commodity prices and the value of the Company's share price. The extent to which COVID-19 (or any other disease, epidemic or pandemic) impacts business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning COVID-19 and the actions required to contain or treat its impact, among others.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

### **Proposed Transactions**

The Company does not have any proposed transactions as at December 31, 2021 other than as disclosed elsewhere in this document.

### **Management's Report on Internal Control over Financial Reporting**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements and the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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### Qualified Person

The technical information included in this MD&A has been reviewed and approved by John Wilton, CGeol FGS, the Company's CEO and President and a "Qualified Person" as defined by National Instrument 43-101 standards.

### Caution Regarding Forward Looking Information

This Management Discussion and Analysis may contain certain "forward-looking statements" within the meaning of Canadian securities legislation. Forward-looking statements are statements that are not historical facts; they involve predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "aims", "potential", "goal", "objective", "prospective", and similar expressions, or that events or conditions "will", "would", "may", "can", "could" or "should" occur. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made and they include a number of known and unknown risks and uncertainties and other factors. Consequently, there can be no assurances that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statement:

<b>Forward looking information</b>	<b>Assumptions</b>	<b>Risk Factors</b>
The Company's anticipated plans, costs, timing and capital for future development of the Company's mineral exploration properties.	Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration and development activities will be favourable; exploration and development costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff, all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of precious and base metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.	Precious and base metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
The Company's ability to carry out anticipated exploration on its mineral exploration properties.	The operating and exploration activities of the Company for the next twelve months and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.

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Forward looking information	Assumptions	Risk Factors
Plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations.	Financing will be available for the Company's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company' the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to the Company' the price of precious and base metals will be favourable to the Company; no title disputes exist with respect to the Company's properties.	Precious and base metals price volatility, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
Management's outlook regarding future trends.	Financing will be available for the Company's exploration and operating activities; the price of precious and base metals will be favourable to the Company; required regulatory approvals for the acquisition of mineral properties will be received.	Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.

Inherent in forward looking statements are risks, uncertainties and other factors beyond the control of the Company's ability to predict or control. Please make reference to those risk factors referenced in the "risk factors" section above and as discussed in greater detail in the Company's various filings on SEDAR ([www.sedar.com](http://www.sedar.com)) with Canadian Securities Regulators. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and development are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements outlined in this MD&A.

Forward-looking statements include known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by the cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise review any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.