



Consolidated financial statements of

**BeMetals Corp.**

Years ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
BeMetals Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of BeMetals Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$22,048,400 as of December 31, 2022. As more fully described in Note 2 and 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.



Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments and receipts.
- Assessing the Company's rights to explore E&E Assets including sending confirmation request to optionor to ensure good standing of agreements.
- Obtaining, on a test basis, confirmation of title, through reviewing license certificates and vouching annual renewal fees, to ensure mineral rights underlying the E&E Assets are in good standing.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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.

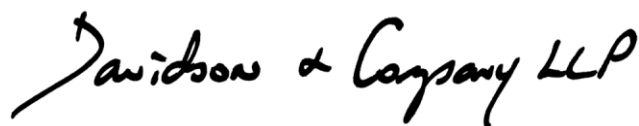
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 24, 2023

# BeMetals Corp.

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	As at December 31, 2022	As at December 31, 2021
<b>Assets</b>		
Current assets		
Cash	\$ 6,007,041	\$ 6,370,369
Term deposit	28,750	28,750
Amounts receivable	129,218	156,282
Prepays	107,437	53,877
	<b>6,272,446</b>	6,609,278
Exploration advances (Note 6)	350,491	507,141
Investments (Note 7)	277,652	459,578
Exploration and evaluation assets (Notes 5,6)	22,048,400	24,386,119
Option - South Mountain (Note 4)	-	4,020,765
<b>Total assets</b>	<b>\$ 28,948,989</b>	<b>\$ 35,982,881</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Trade and other payables	\$ 376,913	\$ 135,440
	<b>376,913</b>	135,440
Loan (Note 8)	6,901,930	-
<b>Total liabilities</b>	<b>7,278,843</b>	135,440
Shareholders' equity		
Share capital (Note 9)	40,905,494	40,905,494
Equity reserves	3,961,670	3,400,914
Deficit	(23,197,018)	(8,458,967)
Total shareholders' equity	21,670,146	35,847,441
<b>Total liabilities and shareholders' equity</b>	<b>\$ 28,948,989</b>	<b>\$ 35,982,881</b>

Nature of operations and going concern (Note 1)

Approved by the Board of Directors on April 24, 2023:

\_\_\_\_\_  
"Mark Connelly" Director

\_\_\_\_\_  
"John Wilton" Director

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

# BeMetals Corp.

## Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended December 31,	
	2022	2021
<b>Expenses</b>		
Consulting	\$ 101,328	\$ 99,876
Foreign exchange	(103,951)	(90,726)
Marketing	182,377	171,543
Office and administration	174,803	180,890
Professional fees	119,770	137,787
Regulatory and transfer agent	53,102	52,454
Fees and salaries (Note 10)	775,661	602,815
Share-based compensation (Notes 9,10)	624,144	1,305,788
Travel	127,459	86,877
	<b>(2,054,693)</b>	<b>(2,547,304)</b>
Finance income	121,187	29,058
Finance expense (Note 8)	(128,579)	-
Write down of South Mountain Project (Note 4)	(12,675,966)	-
<b>Loss</b>	<b>(14,738,051)</b>	<b>(2,518,246)</b>
<b>Other comprehensive loss</b>		
Unrealized loss on investments (Note 7)	(181,926)	(49,702)
Other comprehensive loss	(181,926)	(49,702)
<b>Comprehensive loss</b>	<b>\$ (14,919,977)</b>	<b>\$ (2,567,948)</b>
Basic and diluted loss per share	\$ (0.08)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	177,352,545	161,120,492

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

# BeMetals Corp.

## Consolidated Statements of Total Shareholders' Equity

(Expressed in Canadian dollars)

	Shares issued	Amount	Share-based payments	Marketable securities	Deficit	Total Shareholders equity
<b>At December 31, 2020</b>	124,296,890	\$ 20,350,580	\$ 1,668,815	\$ 174,555	\$ (5,940,721)	\$ 16,253,229
Private placement	17,045,455	7,500,000	-	-	-	7,500,000
Share issuance costs	-	(39,750)	-	-	-	(39,750)
Exercise of warrants	3,380,244	1,184,730	(1,257)	-	-	1,183,473
Shares issued for the acquisition of exploration assets	32,629,956	11,909,934	-	-	-	11,909,934
Share-based compensation	-	-	1,608,503	-	-	1,608,503
Loss and comprehensive loss	-	-	-	(49,702)	(2,518,246)	(2,567,948)
<b>At December 31, 2021</b>	177,352,545	40,905,494	3,276,061	124,853	(8,458,967)	35,847,441
Share-based compensation	-	-	742,682	-	-	742,682
Loss and comprehensive loss	-	-	-	(181,926)	(14,738,051)	(14,919,977)
<b>At December 31, 2022</b>	177,352,545	\$ 40,905,494	\$ 4,018,743	\$ (57,073)	\$ (23,197,018)	\$ 21,670,146

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

**BeMetals Corp.**  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian dollars)

	Year ended December 31,	
	2022	2021
<b>Operating activities</b>		
Loss	\$ (14,738,051)	\$ (2,518,246)
Adjusted for:		
Share-based compensation	624,144	1,305,788
Accrued finance expense	128,579	-
Unrealized foreign exchange	119,434	(2,620)
Write down of South Mountain Project	12,675,966	-
Changes in non-cash working capital items:		
Amounts receivable	27,064	(39,203)
Prepays and deposits	(53,560)	(14,476)
Trade and other payables	120,000	(568,223)
	<b>(1,096,424)</b>	<b>(1,836,980)</b>
<b>Investing activities</b>		
Proceeds from JOGMEC	582,180	2,194,757
Cash payments for Option - South Mountain	-	(631,500)
Loan to Kronk Resources Inc.	-	(121,102)
Cash acquisition costs for Kazan Gold Project	-	(420,823)
Cash acquired from acquisition of Kronk Resources Inc.	-	152,776
Payments for exploration and evaluation expenditures	(6,503,001)	(4,310,108)
Exploration advances	-	(507,141)
	<b>(5,920,821)</b>	<b>(3,643,141)</b>
<b>Financing activities</b>		
Proceeds from loans	6,426,735	-
Private placement, net of share issuance costs	-	7,460,250
Proceeds on exercise of warrants	-	1,183,473
	<b>6,426,735</b>	<b>8,643,723</b>
Effect of foreign exchange on cash	227,182	
Change in cash	<b>(363,328)</b>	3,163,602
Cash, beginning of year	<b>6,370,369</b>	3,206,767
<b>Cash, end of year</b>	<b>\$ 6,007,041</b>	<b>\$ 6,370,369</b>
<b>Non-cash investing and financing activities</b>		
Share-based compensation capitalized for exploration and evaluation expenditures	\$ 118,538	\$ 302,715
Non-cash acquisition costs for Kazan Gold Project	\$ -	\$ 11,909,934
Exploration costs included in trade and other payables	\$ 191,366	\$ 69,893
Reclassification of exploration advances to exploration and evaluation assets	\$ 156,650	\$ -
Fair value reallocation of warrants exercised	\$ -	\$ 1,257

No cash was paid for interest or income taxes during the years ended December 31, 2022 and 2021.

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



# BeMetals Corp.

## Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

BeMetals Corp. (“BeMetals” or “the Company”) is a base and precious metals exploration and development company listed on the TSX Venture Exchange (“TSX-V”) under the symbol ‘BMET’ and also trades on the OTCQB in the US under the symbol ‘BMTLF’ and on the Frankfurt Stock Exchange in Germany under the symbol ‘1OIF’. On April 23, 2021, the Company completed the acquisition of five gold exploration projects in Japan (Note 5). The Company also holds an option agreement to acquire an interest in a mineral projects in Zambia. Pursuant to the option agreement, the Company has rights to acquire a majority interest in the Pangen copper exploration project (the “Pangeni Copper Project”) on the western extension of the Zambian Copperbelt (Note 6). The Company will continue to evaluate other potential precious and base metals acquisition opportunities.

The Company’s head office address is 3400 - 666 Burrard Street, Vancouver, BC, V6C 2X8. The registered and records office address is 2500 – 700 W. Georgia Street, Vancouver BC, V7Y 1B3.

As at December 31, 2022, the Company had working capital of \$5,895,533 (2021 - working capital of \$6,473,838). The Company has incurred negative cash flows from operations of \$1,096,424 and recorded a loss of \$14,738,051 for the year ended December 31, 2022 (2021 - negative cash flows from operations of \$1,836,980 and loss of \$2,518,246, respectively), and has an accumulated deficit of \$23,197,018 as at December 31, 2022 (2021 - \$8,458,967). The Company does not currently have a source of revenue. The Company will need to raise additional capital to carry out its objectives. There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company’s business or ability to raise funds.

The Company will need to raise additional funds in the future to meet its growth strategy and 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. The Company anticipates it has sufficient capital to meet its current obligations for the next twelve months. 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 are presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) effective for the Company’s reporting for the year ended December 31, 2022. These consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on April 24, 2023.

#### (b) *Basis of measurement*

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

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

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

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian dollars)

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### 2. BASIS OF PRESENTATION (continued)

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at year end that could result in a material adjustment to the carrying amounts of assets and liabilities within the next year, in the event that actual results differ from assumptions made, relate to the following:

##### Key Sources of Estimation Uncertainty

###### *Carrying value and recoverability of exploration and evaluation assets*

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

###### *Option – South Mountain*

The Company has applied significant judgment in determining the fair value of the South Mountain Option (Note 4).

##### Key Judgments

###### *Assessment of accounting treatment of acquisitions*

The determination of whether a set of assets acquired, and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The transaction with BeMetals Japan Corp. (formerly Kronk Resources Inc.) ("BeMetals Japan") was determined to constitute an asset acquisition (Note 5).

#### (d) *Principles of consolidation*

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

As at December 31, 2022, the Company had five wholly owned subsidiaries: BQ AcquisitionCo Corp., BQ FinanceCo Corp. and BeMetals Japan Corp., incorporated in British Columbia, Canada, BeMetals USA Corp., incorporated in Delaware, USA, and Kazan Resources KK, incorporated in Tokyo, Japan.

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian dollars)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (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) *Foreign Currency Translation*

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

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

#### (d) *Exploration and evaluation assets*

The Company defers the cost of acquiring the rights to explore, maintaining its interest in, 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.

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian dollars)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) *Exploration and evaluation assets* (continued)

The Company's assets are reviewed for indication of impairment at each annual statement of financial position 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.

#### (e) *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, 2022 and 2021, are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

#### (f) *Share-based payments*

The Company's share option plan allows 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.

#### (g) *Impairment of tangible and intangible assets*

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets' cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(Expressed in Canadian dollars)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(g) Impairment of tangible and intangible assets** (continued)

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

#### **(h) Rehabilitation provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any significant rehabilitation obligations.

#### **(i) 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.

#### **(j) Financial instruments**

The Company classifies its financial assets and liabilities in the following measurement categories:

- i) Those to be subsequently measured at amortized cost; or
- ii) Those to be subsequently measured at fair value (either through other comprehensive income ("FVOCI"), or through profit or loss ("FVTPL"))

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) *Financial instruments* (continued)

The classification is driven by the business model for managing the financial asset and their contractual cash flow characteristics. The Company classifies its financial instruments as follows:

Financial instrument	Classification under IFRS 9
Cash, Term deposits	Amortized cost
Amounts receivable	Amortized cost
Exploration advances	Amortized cost
Investments	FVOCI
Option – South Mountain	FVTPL
Trade and other payables	Amortized cost
Loan	Amortized cost

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

The Company has elected to classify and measure its investments at FVOCI.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement. The levels of the fair value hierarchy are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 Inputs that are not based on observable market data.

For financial instruments carried at fair value, the Company uses Level 1 inputs to value its investments and Level 3 inputs to value the South Mountain Option.

#### (k) *Accounting standards issued for adoption of future periods*

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2022:

The following amendments will be in effect for annual reporting periods beginning on or after January 1, 2023:

*Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* – the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

*Definition of Accounting Estimates (Amendments to IAS 8)* – the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The Company anticipates that these amendments will not have a material impact on the results of operations and financial position of the Company.

# BeMetals Corp.

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### 4. OPTION - SOUTH MOUNTAIN

In February 2019, the Company entered into an option agreement for the rights to the South Mountain Project (the "South Mountain Agreement"). This agreement and the transactions pursuant thereto (the "South Mountain Transaction") was approved by the TSX-V in September 2019. Under the terms of the South Mountain Agreement, the Company, through its wholly owned subsidiary, had the right to acquire from Thunder Mountain Gold, Inc. ("Thunder Mountain") and its subsidiaries all of its interest in the South Mountain Project over a two-year period, which was subsequently extended to December 31, 2022, 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").

Pursuant to the South Mountain Agreement, and as amended in June 2020 and September 2021, the Company could have acquired SMMI by:

- (a) making cash option payments of US\$1,100,000 (completed);
- (b) issuing 10,000,000 common shares of the Company to Thunder Mountain (completed);
- (c) purchasing 2,500,000 shares of common stock of Thunder Mountain at US\$0.10 per share by way of private placement (completed);
- (d) completing a Preliminary Economic Assessment ("PEA") for the South Mountain Project; and
- (e) making a final payment (the "final payment") to Thunder Mountain, by December 31, 2022, consisting of cash, common shares of the Company, or a combination of both at the discretion of the Company. The final payment could have been the greater of either US\$10,000,000 or 20% of the after-tax net present value of the South Mountain Project as calculated in a PEA study completed by an agreed independent author. The final payment would have been reduced by US\$850,000 to account for certain cash payments previously made and the value of the 10,000,000 common shares issued by the Company, as described above, as well as certain liabilities of SMMI to be assumed upon the SMMI Acquisition. The final payment was 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.

As part of the South Mountain Agreement, the Company also acquired the right to explore at the South Mountain Project and was capitalizing the exploration programs it was funding at the project (see Note 6).

On December 30, 2022 the Company opted to terminate the option agreement to purchase the South Mountain Project and wrote-down \$12,675,966 of previously capitalized expenditures on the South Mountain Project. The total write-down of \$12,675,966 consisted of a \$4,020,765 write-down of expenditures incurred to purchase the option to acquire the South Mountain Property and a write-down of \$8,655,201 in Exploration and Evaluation expenditures (Note 6) incurred at the South Mountain Property up to the date at which the decision to terminate the option was made.

### 5. ACQUISITION OF BEMETALS JAPAN CORP.

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

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

The purchase price has been determined and allocated as follows:

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

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### 5. ACQUISITION OF BEMETALS JAPAN CORP. (continued)

		<u>April 23, 2021</u>
		<u>\$</u>
<b>Purchase Price</b>	Common Shares of BeMetals issued	11,909,934
	Transaction costs	420,823
		<u>12,330,757</u>
<b>Assets Acquired</b>	Cash	152,776
	Tax receivables, prepaid expenses and other assets	113,873
	Exploration and evaluation assets	12,737,452
<b>Liabilities Assumed</b>	Trade payables	(552,242)
	Loan from BeMetals	(121,102)
		<u>12,330,757</u>

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

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

### 6. EXPLORATION AND EVALUATION ASSETS

#### Kato Gold Project and Other Japan Projects

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

#### Pangeni Copper Project

In February 2018, further to a November 2017 letter agreement, the Company confirmed the agreement (the "Pangeni Agreement") with Copper Cross Zambia Limited (the "Pangeni Vendor") for the right to acquire up to a 72% interest in the Pangeni Copper Project. This agreement and the transactions pursuant thereto (the "Pangeni Transaction") was approved by the TSX-V in July 2018 in connection with the Company's completion of its qualifying transaction. In January 2020, certain amendments were made to the Pangeni Agreement (the "January 2020 amendments").

Pursuant to the Pangeni Agreement, and including the January 2020 amendments, the Company can acquire an initial 67.5% interest in the Pangeni Copper Project by:

- (a) making cash payments of US\$250,000 and issuing a total of 780,500 common shares by February 2020 (completed);
- (b) spending US\$2,500,000 in exploration work by December 31, 2020 (completed); and
- (c) completing a Preliminary Economic Assessment, making a further cash payment of US\$450,000 (a portion of which may be paid in common shares at the option of the Company), and making a payment of US\$700,000 as an advanced royalty reduction payment, by mid-June 2023.



# BeMetals Corp.

## Notes to the Consolidated Financial Statements

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### 6. EXPLORATION AND EVALUATION ASSETS (continued)

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

In February 2020, the Company made a cash consideration payment of US\$100,000, and issued 480,500 common shares valued at \$111,760 to the Pangeni Vendor (Note 9). As at December 31, 2022, the Company had made cumulative cash consideration payments of \$327,235 (US\$250,000) and issued 780,500 common shares valued at \$171,760 towards the Pangeni Agreement. In addition, as at December 31, 2020, the Company had fulfilled its commitment for exploration expenditures by making cumulative advances of \$3,313,750 (US\$2,500,000). During the years ended December 31, 2022 and 2021, the Company made further exploration expenditures (see 'Capitalized Costs' below).

At the commencement of the mine development phase, and following a feasibility study, a one-off milestone payment is payable, based upon total proven and probable mineral reserves, as follows: US\$2,000,000 if less than 500 kilotonnes ("kt") contained copper, US\$3,000,000 if the contained copper is between 500 kt and 1,000kt, and US\$6,000,000 if greater than 1,000kt contained copper. Upon commencement of production, Pangeni Mineral Resources Limited ("Pangeni Mineral") is entitled to a 3% Net Smelter Royalty (which may be reduced to 2.5% following the US\$700,000 royalty reduction payment above and further reduced to 1% following an additional royalty reduction payment by the Company, determined by an internationally recognised valuator, which is not to exceed US\$3,300,000).

#### Investment in the Pangeni Copper Project by JOGMEC

In March 2021, the Company entered into a joint exploration and option agreement (the "JOGMEC Agreement") with Japan Oil, Gas and Metals National Corporation ("JOGMEC") for an initial investment of US\$1,500,000 from JOGMEC for money-in-the-ground exploration at the Pangeni Copper Project and additional ongoing pro-rata contributions.

Under the terms of the JOGMEC Agreement:

- (a) by March 31, 2021, JOGMEC will fund US\$1,000,000 for exploration expenditures by way of payment to BeMetals for exploration activities completed in the 2020 field program (completed); and
- (b) during 2021, JOGMEC will also fund an additional US\$500,000 in exploration expenditures (completed).

As result, JOGMEC has earned a 27.8% interest in BeMetals' option to acquire up to a 72% interest in the Pangeni Copper Project. Since earning its interest in the BeMetals option, JOGMEC has, and will continue to for the remainder of the agreed future exploration programs, fund exploration expenditures pro-rata in accordance with its 27.8% interest. In total, to date, JOGMEC has solely funded US\$1,500,000 of exploration expenditures, and thereafter funded exploration expenditures pro-rata in accordance with its proportionate interest in the BeMetals option for the property. The above investments will provide JOGMEC with rights to an approximately 20% stake in the Pangeni Copper Project assuming the full exercise of all applicable underlying parties and optionees and BeMetals will retain rights to approximately 52%. BeMetals retains overall management control through the project's technical committee and its majority option position in the Pangeni Copper Project.

#### South Mountain Project

As part of the South Mountain Agreement, the Company acquired the right to explore at the South Mountain Project. During the year ended December 31, 2022 the Company wrote-off all expenditures at this property when the decision was made to terminate the option to acquire the South Mountain Property (Note 4).

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

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### 6. EXPLORATION AND EVALUATION ASSETS (continued)

#### Capitalized Costs

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation assets as at December 31, 2022 and 2021:

	South Mountain Project	Pangeni Copper Project	Kazan Gold Project	Total
Balance December 31, 2020	\$ 5,190,262	\$ 3,967,826	\$ -	\$ 9,158,088
Acquisitions	-	-	12,737,452	12,737,452
Advances	(18,500)	(20,787)	-	(39,287)
Consulting and wages	1,128,603	134,248	507,024	1,769,875
Drilling	514,567	1,203,675	-	1,718,242
Equipment	-	-	72,950	72,950
Land fees / Lease payments	72,745	-	50,657	123,402
Professional fees	-	51,010	-	51,010
Share based compensation	177,758	60,396	64,561	302,715
Site logistics	276,689	240,797	168,943	686,429
	7,342,124	5,637,165	13,601,587	26,580,876
Proceeds from JOGMEC	-	(2,194,757)	-	(2,194,757)
Balance December 31, 2021	7,342,124	3,442,408	13,601,587	24,386,119
Consulting and wages	785,798	208,100	981,443	1,975,341
Drilling	210,306	1,523,856	1,695,342	3,429,504
Land fees / Lease payments	35,717	-	18,136	53,853
Professional fees	-	5,333	-	5,333
Share based compensation	57,545	19,482	41,511	118,538
Site logistics	223,711	403,704	689,678	1,317,093
Write-down of expenditures	(8,655,201)	-	-	(8,655,201)
	-	5,602,883	17,027,697	22,630,580
Proceeds from JOGMEC	-	(582,180)	-	(582,180)
Balance December 31, 2022	\$ -	\$ 5,020,703	\$ 17,027,697	\$ 22,048,400

#### Exploration Advances

As at December 31, 2022, the Company had \$350,491 (2021 – \$507,141) in exploration advances of which \$202,619 (2021 - \$310,395) related to a drill contractor operating at the Kazan Properties and \$147,872 (2021 - \$196,746) to a contractor operating at the Pangeni Project.

### 7. INVESTMENTS

	As at December 31, 2022			As at December 31, 2021		
	Shares	Fair Value	Cost	Shares	Fair Value	Cost
Thunder Mountain shares	2,500,000	\$ 277,652	\$ 334,725	2,500,000	\$ 459,578	\$ 334,725

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

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### 7. INVESTMENTS (continued)

In September 2019, the Company acquired 2,500,000 common shares of Thunder Mountain in a private placement, pursuant to the South Mountain Agreement, at US\$0.10 per share for a total cost of \$334,725 (US\$250,000) (Note 4). Thunder Mountain trades on the OTCQB under the symbol 'THMG'.

During the year ended December 31, 2022, the Company recognized an unrealized loss on investments of \$181,926 (2021 – unrealized loss \$49,702) on the statements of loss and comprehensive loss.

### 8. LOANS

In August 2022, the Company entered into a loan agreement with B2Gold Corp. ("B2Gold"), a related party of the Company by virtue of common key managerial persons, for an unsecured loan in the principal amount of US\$5,000,000 (the "Loan"). The Loan matures on August 4, 2025 and bears interest at a rate of 4.7% per annum. The interest on the Loan is to be paid or accrued annually at the discretion of the Company and the Loan is repayable in part or in full at any time without penalty. The Company did not incur any financing costs related to the Loan.

		US\$	
Balance December 31, 2020 and 2021	\$	-	\$ -
Loan principal		6,426,735	5,000,000
Interest, accrued		128,579	95,932
Foreign exchange loss		346,616	-
Balance December 31, 2022	\$	6,901,930	\$ 5,095,932

### 9. EQUITY

#### (a) Authorized

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

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

##### Year ended December 31, 2022

No shares were issued during the year ended December 31, 2022.

##### Year ended December 31, 2021

In April 2021, the Company issued a total of 32,629,956 common shares to the former shareholders of BeMetals Japan at a value of \$11,909,934, pursuant to the Kazan Gold Transaction (Note 5).

In April 2021, concurrent with the Kazan Gold Transaction, the Company closed a non-brokered private placement of \$7,500,000 through the issuance of 17,045,455 common shares at \$0.44 per share to B2Gold Corp. ("B2Gold").

During the year ended December 31, 2021, the Company issued 3,380,244 common shares pursuant to the exercise of warrants (Note 9(c)).

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

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### 9. EQUITY (continued)

#### (c) Warrants

During the year ended December 31, 2022 no warrants were exercised or issued by the Company and 1,076,006 warrants expired unexercised.

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

Following is a summary of changes in warrants outstanding:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2020	7,194,793	\$ 0.36
Exercised	(3,380,244)	0.35
Expired	(2,738,543)	0.35
Balance, December 31, 2021	1,076,006	0.40
Expired	(1,076,006)	0.40
Balance, December 31, 2022	-	\$ -

#### (d) Share options

The Company has 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.

No share options were issued during the year ended December 31, 2022.

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

In July 2021, the Company granted an aggregate of 750,000 share options to an officer and consultant of the Company, exercisable at a price of \$0.425 per share until July 7, 2031, vesting over a period of two years. Using the Black-Scholes option pricing model, the fair value per option granted was \$0.33 per option.

In November 2021, the Company granted an aggregate of 675,000 share options to consultants of the Company, exercisable at a price of \$0.27 per share until November 19, 2031, vesting over a period of two years. Using the Black-Scholes option pricing model, the fair value per option granted was \$0.21 per option.

The fair value of the options issued during the year ended December 31, 2021 was determined using the Black-Scholes valuation model with the following assumptions: i) expected share price volatility of 75%, ii) an average risk free interest rate of 1.32%; iii) dividend yield of \$nil; and iv) expected life of 10 years.

Share-based compensation expense recognized for the vesting of options during the year ended December 31, 2022, was \$742,682 (2021 - \$1,608,503), of which \$118,538 (2021 - \$302,715) was capitalized to exploration and evaluation assets on the consolidated statements of financial position, and \$624,144 (2021 - \$1,305,788) was expensed directly to the consolidated statements of loss and comprehensive loss.

Following is a summary of changes in share options outstanding:

# BeMetals Corp.

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### 9. EQUITY (continued)

#### (e) Share options (continued)

	Number of options	Weighted average exercise price
Balance, December 31, 2020	10,020,000	\$ 0.20
Granted	7,200,000	0.41
Balance, December 31, 2021	17,220,000	0.29
Cancelled	(225,000)	0.43
Balance, December 31, 2022	16,995,000	\$ 0.29

The following table summarizes information about share options outstanding at December 31, 2022:

Outstanding	Exercisable	Exercise price	Expiry date
2,520,000	2,520,000	\$ 0.060	December 9, 2026
2,250,000	2,250,000	0.240	February 27, 2028
750,000	750,000	0.210	October 1, 2028
3,600,000	3,600,000	0.235	January 7, 2030
750,000	750,000	0.365	July 15, 2030
5,725,000	3,816,667	0.425	June 1, 2031
750,000	583,333	0.425	July 7, 2031
650,000	433,333	0.270	November 19, 2031
16,995,000	14,703,333		

### 10. RELATED PARTY TRANSACTIONS

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

During the year ended December 31, 2022, key management personnel compensation, including directors and officers, was comprised of \$1,097,847 (2021 - \$1,508,686), of which \$417,304 related to share-based compensation, \$538,986 related to fees and salaries and \$141,557 was capitalized to Exploration and evaluation assets (2021 - \$925,173, \$454,817 and \$128,696 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, received 1,887,050 of the Company's shares as part of the Kazan Gold Transaction (see Note 5).

During the year ended December 31, 2022, the Company entered into a US\$5 million loan agreement with B2Gold (Note 8) and 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 B2Gold (Note 9). B2Gold is a related party of the Company by virtue of common key managerial persons. During the year ended December 31, 2022, the Company paid or accrued fees of \$412,683 (2021 - \$194,756) to B2Gold that were capitalized to Exploration and evaluation assets.

As at December 31, 2022 amounts included in accounts payable and accrued liabilities due to related parties was \$84,335 (December 31, 2021 \$59,368).

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## Notes to the Consolidated Financial Statements

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### 11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### *Financial Instruments*

Cash, term deposit, amounts receivable, exploration advances, trade and other payables and loan are carried at amortized cost which approximates fair value due to the short-term nature of these instruments. Common shares of publicly traded companies included in investments are classified as FVOCI. The South Mountain Option is classified as FVTPL.

#### *Financial Risk Management*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

##### **Credit risk**

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and amounts receivable. The Company reduces its credit risk by maintaining its bank accounts at a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of these financial assets.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. As at December 31, 2022, the Company had current liabilities of \$376,913 and working capital of \$5,895,533 (Note 1).

The Company's Loan with a principal owing of US\$5,000,000 matures on August 4, 2025. The Loan bears interest at a rate of 4.7% per annum which can be paid or accrued annually at the discretion of the Company (Note 8). The Company also has commitments or option payments arising in 2023 related to the Pangeni Copper Project (Note 6).

##### **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 liability position of \$2,589,480 in US dollars and a net monetary asset position of \$270,481 in Japanese Yen as of December 31, 2022, with the effect on profit or loss before tax of a 10% fluctuation to the CAD dollar being \$231,900.

##### **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 and interest payable on the B2Gold Loan which is at a fixed rate. Changes in short-term interest rates will not have a significant effect on the fair value of the Company's cash account.

# BeMetals Corp.

## Notes to the Consolidated Financial Statements

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### 11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

#### Price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including copper, zinc, silver, gold, and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations. In addition, the Company's investments which are comprised of publicly traded equity securities are subject to price risk.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and

demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of the Company's business is in exploration.

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company is exposed to price risk with respect to its investment in THMG (Note 7).

### 12. CAPITAL MANAGEMENT

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in interest bearing Canadian chartered bank accounts.

The capital structure of the Company includes shareholders' equity. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management.

### 13. SEGMENTED INFORMATION

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

<i>December 31, 2022</i>		USA	Zambia	Japan	Total
Exploration and evaluation assets	\$	-	\$ 5,020,703	\$ 17,027,697	\$ 22,048,400
<i>December 31, 2021</i>		USA	Zambia	Japan	Total
Exploration and evaluation assets	\$	7,342,124	\$ 3,442,408	\$ 13,601,587	\$ 24,386,119

# BeMetals Corp.

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### 14. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2022	2021
Loss for the year	\$ (14,738,051)	\$ (2,518,246)
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery	\$ (3,979,000)	\$ (680,000)
Increase (decrease) due to:		
Permanent Difference	217,000	271,000
Share issue costs	-	(11,000)
Income tax benefit not recognised	3,017,000	305,000
Differences in foreign tax rates	753,000	(7,000)
Foreign exchange	(8,000)	122,000
Total income tax expense	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2022	2021	Expiry Date Range
Exploration and evaluation assets	13,083,000	2,274,000	No expiry date
Non-capital losses - Canada	7,198,000	6,157,000	2028 to 2042
Non-capital losses - Japan	2,742,000	2,165,000	2025 to 2032
Marketable securities and loan payable	404,000	(125,000)	No expiry date
Share issue costs	306,000	491,000	2043 to 2045
	<b>\$ 23,733,000</b>	<b>\$ 10,962,000</b>	

Tax attributes are subject to review, and potential adjustment, by tax authorities.