

Condensed Interim Financial Statements (Unaudited) of

**MUZHU MINING LTD.**

As at June 30, 2022 and 2021,  
and for the three and six-month periods ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

## Notice of no Auditor Review of Condensed Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor

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**MUZHU MINING LTD.****Unaudited Condensed Interim Statements of Financial Position****(Expressed in Canadian dollars)**

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	As at June 30, 2022	As at December 31, 2021
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	690,174	658,858
GST receivable	17,476	9,367
Prepaid expenses	37,424	1,250
	745,074	669,475
Exploration and evaluation assets (note 6)	281,946	281,946
	<b>1,027,020</b>	<b>951,421</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	91,739	40,595
Flow through share premium liability (Note 7)	52,030	52,030
	143,769	92,625
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (note 4)	1,952,322	1,711,722
Reserve for options and warrants	282,300	8,800
Deficit	(1,351,371)	(861,726)
	883,251	858,796
	<b>1,027,020</b>	<b>951,421</b>

Nature of business and going concern (Note 1)  
Subsequent events (Note 8)

Approved and authorized for issue on behalf of the Board on August 29, 2022

"Richard Tong"

Director

"James Tong"

Director

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

# MUZHU MINING LTD.

## Unaudited Condensed Interim Statements of Comprehensive Loss

For the three and six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

	Three months		Six months	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
<b>Expenses</b>				
Advertising and promotion	6,150	10,000	7,275	67,000
Property Expense—Sleeping Giant S & XWG	82,455	-	83,494	-
Consulting fees	47,000	-	72,500	24,000
Directors Fees (Note 5)	22,500	-	40,000	-
Professional fees	11,427	42,805	22,285	60,827
Filing fees & Transfer Agent	7,613	17,342	11,991	17,342
Insurance Expense	3,888	-	7,128	-
Office and general	157	69	277	176
Share Based Compensation (Notes 4 & 5)	28,800	-	244,000	-
Total operating expenses	209,990	70,216	489,645	169,345
Gain on debt forgiveness (Note 5)	-	66,900	-	66,900
<b>Net loss and comprehensive loss</b>	<b>(209,990)</b>	<b>(3,316)</b>	<b>(489,645)</b>	<b>(102,445)</b>
Loss per share – basic and diluted	<b>\$(0.01)</b>	<b>\$ (0.00)</b>	<b>\$(0.02)</b>	<b>\$ (0.01)</b>
Weighted average number of common shares outstanding – basic and diluted (1)	22,219,034	18,579,750	22,340,040	13,029,910

(1) Adjusted for 4:3 share consolidation on September 1, 2020 (see note 4).

The accompanying notes are an integral part of these interim financial statements.

# MUZHU MINING LTD.

## Unaudited Condensed Interim Statements of Changes in Equity (Deficiency)

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

	Common shares (i)		Subscription Receivable	Reserve for Options & Warrants	Deficit	Total
	#	\$				
Balance, December 31, 2020	9,314,750	507,800	-	-	(656,337)	(148,537)
Shares issued for cash	3,657,000	365,700	-	-	-	365,700
Share issue costs	-	(7,155)	-	-	-	(7,155)
Shares issued for Sleeping Giant South (Note 6)	3,500,000	175,000	-	-	-	175,000
Shares issued for debt settlement	3,094,000	309,400	-	-	-	309,400
Net loss for the period	-	-	-	-	(102,445)	(102,445)
<b>Balance, June 30, 2021</b>	<b>19,565,750</b>	<b>1,350,745</b>	<b>-</b>	<b>-</b>	<b>(758,782)</b>	<b>591,963</b>
Balance, December 31, 2021	22,328,462	1,711,722	-	8,800	(861,726)	858,796
Shares issued for cash (Note 4)	2,276,667	273,200	-	-	-	273,200
Valuation of share issue warrants (Note 4)	-	-	-	29,500	-	29,500
Share issue costs	-	(32,600)	-	-	-	(32,600)
Share Based Compensation (Note 4)	-	-	-	244,000	-	244,000
Net loss for the period	-	-	-	-	(489,645)	(489,645)
<b>Balance, June 30, 2022</b>	<b>24,605,129</b>	<b>1,952,322</b>	<b>-</b>	<b>282,300</b>	<b>(1,351,371)</b>	<b>883,251</b>

(1) Adjusted for 4:3 share consolidation on September 1, 2020 (see note 4).

The accompanying notes are an integral part of these interim financial statements.

# MUZHU MINING LTD.

## Unaudited Condensed Interim Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

	June 30, 2022	June 30, 2021
	\$	\$
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	(489,646)	(102,445)
Items not affecting cash:		
Gain on debt settlement	-	(66,900)
Share based compensation	244,000	-
Net change in non-cash working capital balances related to operations:		
GST receivable	(8,109)	(12,258)
Prepaid expenses	(36,174)	-
Accounts payable and accrued liabilities	51,145	90,449
	(238,784)	(91,154)
<b>Investing activities</b>		
Exploration and evaluation asset additions	-	(54,904)
	-	(54,904)
<b>Financing activities</b>		
Shares issued for cash net of share issue cost	270,100	358,545
	270,100	358,545
Net change in cash during the period	31,316	212,487
Cash, beginning of period	658,858	99,584
<b>Cash, end of period</b>	<b>690,174</b>	<b>312,071</b>

The accompanying notes are an integral part of these interim financial statements.

## **MUZHU MINING LTD.**

### **Notes to the Unaudited Condensed Interim Financial Statements For the period ended June 30, 2022 and 2021 (Expressed in Canadian dollars)**

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#### **NOTE 1 – NATURE OF BUSINESS AND GOING CONCERN**

Muzhu Mining Ltd. (“MUZHU” or the “Company”) was incorporated under the Business Corporations Act of British Columbia on January 24, 2018. The address of the Company’s head office is 4353 Halifax Street, Suite 904, Burnaby, BC, V5C 5Z4 and the registered office is 777 Hornby Street, Suite 600, Vancouver, BC, V6Z 1S4, Canada.

The Company's objective is to seek opportunities in the exploration, development and mining of precious metals properties domestically and/or internationally. It currently has exploration property agreements in Canada and China.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. The Company has experienced losses and negative cash flow from operations since incorporation. As at June 30, 2022, the Company had not yet generated revenues, has working capital of \$601,305 (December 31, 2021 - \$576,850) and had an accumulated deficit of \$1,351,371 (December 31, 2021 - \$861,726). These factors indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

The Company's ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or proceeds from the disposition of its resource property interests. The timing and availability of additional financing will be determined largely by the performance of the Company and market conditions and there is no certainty that the Company will be able to raise funds as they are required in the future.

These interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to reflect these financial statements on a liquidation basis which could differ from accounting principles applicable to a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. As the Company does not have active operations, the impact of the pandemic has been minimal. Management continues to monitor the situation and take the necessary precautions as deemed appropriate.

#### **NOTE 2 - STATEMENT OF COMPLIANCE**

The Corporation applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of August 29, 2022, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2021. Any subsequent changes to IFRS that are given effect in the Corporation’s annual financial statements for the year ending December 31, 2022 could result in restatement of these condensed interim financial statements. These condensed interim financial statements are presented in Canadian dollars, unless otherwise stated.

# MUZHU MINING LTD.

## Notes to the Unaudited Condensed Interim Financial Statements For the period ended June 30, 2022 and 2021 (Expressed in Canadian dollars)

### NOTE 3 – ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. There are presently no new standards, interpretations and amendments to existing standards which may have a significant impact on the Company's interim financial statements.

### NOTE 4 – SHARE CAPITAL

#### Common shares

The Company's authorized capital consists of an unlimited number of common shares without par value. As at June 30, 2022, there were 24,605,129 issued and outstanding common shares. On September 1, 2020, the Company consolidated its common shares on a 4 for 3 basis, which has been applied retrospectively in these financial statements.

#### a) Issued

	Number of shares	Share capital
Balance December 31, 2020	9,314,750	\$ 507,800
Common shares issued for Sleeping Giant South (i)	3,500,000	175,000
Common shares issued for cash (ii)	3,657,000	365,700
Common shares issued for debt settlement (iii)	3,094,000	309,400
<b>Balance, June 30, 2021</b>	<b>19,565,750</b>	<b>\$ 1,357,900</b>
Balance, December 31, 2021	22,328,462	\$ 1,711,722
Common shares issued for cash (iv)	2,276,667	273,200
<b>Balance, June 29, 2022</b>	<b>24,605,129</b>	<b>\$ 1,984,922</b>

- (i) On March 26, 2021, the Company issued 3,500,000 common shares at \$0.05 per share to close the acquisition of the Sleeping Giant South property.
- (ii) On March 31, 2021 the Company issued 3,657,000 common shares at \$0.10 per share for gross proceeds of \$365,700.
- (iii) On April 30, 2021, the board of directors approved and issued 3,094,000 common shares in the capital of the Company at a deemed price of \$0.10 per common share for debt settlement of \$376,300, of which, \$80,000 was due to related parties. The Company recognized \$66,900 gain on debt forgiveness in connection with the transaction.
- (iv) On June 29, 2022 the Company issued 2,276,667 common shares at \$0.12 per share for gross proceeds of \$273,200

#### b) Stock Options

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees, and consultants of the Company. Options granted under the Plan generally have a five-year term and are granted at a price no lower than the market price of the common shares at the time of the grant. The options vest immediately unless otherwise specified. The maximum number of options granted may not exceed 10% of the issued and outstanding shares.

The following table summarizes the stock option activity for the six months ended June 30, 2021 and June 30, 2022:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, June 30, 2021 and December 31, 2021	-	-
Granted (i)(ii)(iii)	1,830,000	0.14
<b>Balance, June 30, 2022</b>	<b>1,830,000</b>	<b>0.14</b>



## MUZHU MINING LTD.

### Notes to the Unaudited Condensed Interim Financial Statements

For the period ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

- (i) On January 05, 2022, the Company granted 1,330,000 stock options to directors, officers, and consultants of the Company at an exercise price of \$0.14. The options expire 5 years from the date of grant and vested immediately. A fair value of \$180,200 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: risk-free interest rate – 1.42%; expected volatility - 133% (which is based on the share price of similar public companies in the industry at a similar stage of development, given that the Company has been publicly listed for less than 12 months); dividend yield - nil; expected life - 5 years; and share price at date of grant - \$0.155.
- (ii) On February 10, 2022, the Company granted 250,000 stock options to advisory committee members of the Company at an exercise price of \$0.14. The options expire 5 years from the date of grant and vested immediately. A fair value of \$35,000 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: risk-free interest rate – 1.81%; expected volatility - 132% (which is based on the share price of similar public companies in the industry at a similar stage of development, given that the Company has been publicly listed for less than 12 months); dividend yield - nil; expected life - 5 years; and share price at date of grant - \$0.155.
- (iii) On May 03, 2022, the Company granted 250,000 stock options to an advisory committee member of the Company at an exercise price of \$0.14. The options expire January 05, 2027 and vested immediately. A fair value of \$28,800 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: risk-free interest rate – 2.82%; expected volatility - 131% (which is based on the share price of similar public companies in the industry at a similar stage of development, given that the Company has been publicly listed for less than 12 months); dividend yield - nil; expected life – 4.68 years; and share price at date of grant - \$0.135.

The following table provides additional information about outstanding stock options as at June 30, 2022:

Expiry	Exercise Price (\$)	Contractual Life (Years)	Number of Options Outstanding	Number of Options Available
January 05, 2027	0.14	4.52	1,580,000	1,580,000
February 10, 2027	0.14	4.62	250,000	250,000
	0.14	4.53	1,830,000	1,830,000

#### c) Warrants

A summary of the Company's outstanding warrants at June 30, 2022 and the changes for the period then ended is presented below:

	Number of warrants outstanding	Weighted average exercise price (\$)
Balance, December 31, 2020 and June 30, 2021	-	-
Balance, December 31, 2021	195,113	0.17
Issued	1,138,333	0.20
<b>Balance, March 31, 2022</b>	<b>1,333,446</b>	<b>0.196</b>

The following table summarizes the actual warrants outstanding and exercisable as of June 30, 2022:

Number of warrants outstanding	Grant date fair value (\$)	Exercise price (\$)	Expiry Date
-	-	-	
195,113	8,800	0.17	(i) December 21, 2022
1,138,333	29,500	0.20	(ii) June 29, 2023
1,333,446	38,300		

## MUZHU MINING LTD.

### Notes to the Unaudited Condensed Interim Financial Statements

For the period ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

- (i) The grant date fair value was determined to be \$8,800 using the Black-Scholes pricing model with the following assumptions: stock price of \$0.15, dividend yield of 0%, expected volatility of 100%, risk free interest rate of 0.94% and expected life of 1 year.
- (ii) The grant date fair value was determined to be \$29,500 using the Black-Scholes pricing model with the following assumptions: stock price of \$0.12, dividend yield of 0%, expected volatility of 100%, risk free interest rate of 0.50% and expected life of 1 year.

#### NOTE 5 – RELATED PARTY TRANSACTIONS AND BALANCES

On April 30, 2021, the board of directors approved and issued 1,010,000 common shares in the capital of the company at a deemed price of \$0.10 per common share for debt settlement of \$101,000 due to related parties as well as entering into agreements for loan forgiveness in the amount of \$61,900 with related parties.

A family member of one of the Directors of the Company, was paid \$9,000 for consulting fees for the six month period ended June 30, 2022 (June 30, 2021 – \$Nil).

#### Key management personnel compensation

Key management personnel consist of officers and directors of the Company. Remuneration of key management personnel was \$170,747 (\$40,000 for Directors' Fees and \$130,747 for Share Based Compensation) for the six month period ended June 30, 2022 (June 30, 2021 - \$Nil).

#### Note 6 - EXPLORATION AND EVALUATION ASSETS

The company's exploration and evaluation properties were as follows:

	Sleeping Giant South Property	XWG Property	Total
Balance December 31, 2020	\$ 221,400	\$ -	\$ 221,400
Acquisition	-	-	-
Geologists and consulting	54,905	-	54,905
<b>Balance, June 30, 2021</b>	<b>\$ 276,305</b>	<b>-</b>	<b>\$ 276,305</b>
Balance, December 31, 2021	\$ 281,946	-	\$ 281,946
<b>Balance, June 30, 2022</b>	<b>\$ 281,946</b>	<b>-</b>	<b>\$ 281,946</b>

On November 22, 2021, the Company entered into an Option Agreement with Lingbao Yida Mining Co., Ltd., a private Chinese company, to acquire an undivided 60% interest in the Xia Wa Gou (XWG) mining property, located in the Province of Henan, People's Republic of China.

Pursuant to the terms of the option agreement, the Company is required to:

- (a) incur minimum Expenditures on the Property (in the ground) of not less than an aggregate of \$3,000,000 according to the following schedule:
  - (iii) \$500,000 prior to the first anniversary of the Effective Date;
  - (iv) an additional \$1,000,000 prior to the second anniversary of the Effective Date;
  - (v) an additional \$1,500,000 prior to the third anniversary of the Effective Date;
  
- (b) issuing and delivering to the Optionor and/or its nominees an aggregate of 3,750,000 Common Shares according to the following schedule:

## **MUZHU MINING LTD.**

### **Notes to the Unaudited Condensed Interim Financial Statements**

**For the period ended June 30, 2022 and 2021**

**(Expressed in Canadian dollars)**

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- (i) 250,000 Common Shares upon approval and signing by both parties, subject to Exchange Approval or Regulatory Approval (not yet issued);
- (ii) 1,000,000 Common Shares prior to the first anniversary of the Listing Date;
- (iii) 1,000,000 Common Shares prior to the second anniversary of the Listing Date; and
- (iv) 1,500,000 Common Shares prior to the third anniversary of the Listing Date.

As at June 30, 2022, the Company has not completed any of the above terms.

On November 10, 2020 the Company entered into a Purchase Agreement with North American Exploration inc. and Silverwater Capital Corp., private Canadian companies, to acquire a 100% interest in the Sleeping Giant South Property (the "Property"), covering 109 mineral claims in the Quevillon Mining Camp in Quebec.

Pursuant to the terms of the purchase agreement, the Company is required to:

- (i) Make a cash payment of \$7,888 (staking costs) on or before December 31, 2020 (paid);
- (ii) Issuance of 3,500,000 fully paid and non-assessable common shares of the Company on or before December 31, 2020 (paid); and
- (iii) Pay a royalty (the "Royalty") equal to 3% of Net Smelter Returns with respect to the Property.

The Sleeping Giant South Property is subject to:

- an option to purchase one-third of the Royalty from North American Exploration inc. and Silverwater Capital Corp. at any time for the sum of \$500,000; and
- North American Exploration inc. and Silverwater Capital Corp. shall be paid 20% of the proceeds received on the sale of the Property to a third party.

#### **NOTE 7 – FLOW-THROUGH SHARE PREMIUM LIABILITY**

The flow-through common shares issued in the financing completed on December 21, 2021 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$52,030.

The flow-through premium is derecognized through income as the eligible expenditures are incurred. At June 30, 2022, the Company is committed to spend \$442,255 in eligible exploration expenditures on or before December 31, 2022.

#### **NOTE 8 – SUBSEQUENT EVENTS**

Muzhu Mining Ltd. entered into a media services contract with Market One Media Group Inc. on April 19, 2022 whereby Market One will be responsible for the administration and management of the company's social media platforms as well as engaging with other digital information outlets. The media contract is for a term of nine months and provides for total compensation equalling \$101,250 plus GST. According to the terms of the contract, the contract begins upon the date of the onboarding meeting (May 13, 2022), or the payment date (July 05, 2022), whichever is later.

On July 11, 2022, Messrs. Donald Baxter and Rodney Stevens resigned their positions as Chief Executive Officer and Vice-President and their Director positions on the Board of Muzhu Mining Ltd.

On July 11, 2022, Mr. James Sung Fu Tong, a Director and the former Chief Executive Officer of the Company, accepted the role of interim Chief Executive Officer. Mr. Tong has been instrumental in Muzhu's execution of the option agreement to acquire up to 80 per cent of the advanced XWG silver/zinc/lead property in the city of Luoyang, Henan province of China.