

Consolidated Financial Statements of

MUZHU MINING LTD.

As at December 31, 2022 and 2021,
and for the three and twelve-month periods ended December 31, 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

MUZHU MINING LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at December 31, 2022	As at December 31, 2021
	\$	\$
ASSETS		
Current assets		
Cash	244,692	658,858
GST receivable	46,160	9,367
Prepaid expenses	58,379	1,250
	349,231	669,475
Exploration and evaluation assets (Note 6)	281,946	281,946
	631,177	951,421
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	158,970	40,595
Due to related parties (Note 5)	-	-
Flow through share premium liability (Note 7)	50,000	52,030
	208,970	92,625
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 4)	2,044,222	1,711,722
Reserve for options & warrants	332,900	8,800
Deficit	(1,954,915)	(861,726)
	422,207	858,796
	631,177	951,421

Nature of business and going concern (Note 1)
Subsequent events (Note 12)

Approved and authorized for issue on behalf of the Board on March 01, 2023

"Richard Tong"

Director

"James Tong"

Director

The accompanying notes are an integral part of these financial statements

MUZHU MINING LTD.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

	Three months ended		Twelve months ended	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
	\$	\$	\$	\$
Expenses				
Advertising and promotion	34,875	3,890	77,025	70,890
Property Expense—Sleeping Giant S & XWG	306,579	-	443,824	-
Consulting fees	43,067	22,250	143,902	46,250
Directors fees (Note 5)	10,500	17,500	61,000	17,500
Professional fees	24,416	32,088	76,061	100,785
Filing fees & Transfer Agent	3,350	18,129	18,421	35,471
Insurance Expense	3,888	-	14,904	-
Office and general	9,706	1,116	11,940	1,394
Travel, Meals, and Entertainment	8,257	-	14,266	-
Salaries, Wages, and Benefits	39,876	-	39,876	-
Share Based Compensation (Notes 4 & 5)	-	-	244,000	-
Total operating expenses	484,514	94,973	1,145,219	272,290
Gain on debt forgiveness (Note 5)	-	-	-	66,900
Other Income – Flow Through Premium	52,030	-	52,030	-
Net loss and comprehensive loss	(432,484)	(94,973)	(1,093,189)	(205,390)
Loss per share – basic and diluted	\$(0.02)	\$ (0.01)	\$(0.05)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted (1)	24,931,216	19,927,375	23,564,581	16,922,899

(i) Adjusted for 4:3 share consolidation on September 1, 2021 (see note 4).

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

MUZHU MINING LTD.
Statements of Changes in Equity (Deficiency)
For the years ended December 31, 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 under private placement (Note 4)	6,258,500	807,955	-	-	-	807,955
Share issue costs	-	(43,724)	-	-	-	(43,724)
Flow through share premium (Note 7)	-	(52,030)	-	-	-	(52,030)
Valuation of brokers' warrants (Note 4)	-	(8,800)	-	8,800	-	-
Shares issued for Sleeping Giant South (Note 6)	3,500,000	175,000	-	-	-	175,000
Shares issued for debt settlement (Note 4)	3,255,212	325,521	-	-	-	325,521
Net loss for the year	-	-	-	-	(205,390)	(205,390)
Balance, December 31, 2021	22,328,462	1,711,722	-	8,800	(861,726)	858,796
Shares issued under private placement (Note 4)	4,776,667	485,700	-	-	-	485,700
Valuation of broker warrants (Note 4)	-	-	-	80,100	-	80,100
Share issue costs	-	(103,200)	-	-	-	(103,200)
Flow through share premium (Note 7)	-	(50,000)	-	-	-	(50,000)
Share Based Compensation (Note 4)	-	-	-	244,000	-	244,000
Net loss for the period	-	-	-	-	(1,093,189)	(1,093,189)
Balance, December 31, 2022	27,105,129	2,044,222	-	332,900	(1,954,915)	422,207

(i) Adjusted for 4:3 share consolidation on September 1, 2021 (see note 4).

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

MUZHU MINING LTD.
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	December 31, 2022	December 31, 2021
	\$	\$
Cash provided by (used in):		
Operating activities		
Net loss for the year	(1,093,189)	(205,390)
Items not affecting cash:		
Professional fees settled through issue of shares	-	16,121
Gain on debt settlement	-	(66,900)
Share Based Compensation	244,000	-
Other Income – Flow Through Premium	(52,030)	-
Net Change in non-cash working capital balances related to operations:		
GST receivable	(36,793)	13,733
Prepaid expenses	(57,129)	(750)
Accounts payable and accrued liabilities	198,475	110,816
Due to related parties	-	(12,041)
	(796,666)	(144,411)
Investing activities		
Exploration and evaluation asset additions	-	(60,546)
	-	(60,546)
Financing activities		
Shares issued for cash	485,700	807,955
Share issue costs	(103,200)	(43,724)
	382,500	764,231
Net change in cash	(414,166)	559,274
Cash, beginning of year	658,858	99,584
Cash, end of year	244,692	658,858

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

MUZHU MINING LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

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.

Muzhu Mining Ltd. has created a 100 percent owned subsidiary company, named Luoyang Sow International Mining Company Ltd., as part of its operations in China. The business license for the China Subsidiary was issued on October 13, 2022.

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 consolidated 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 December 31, 2022, the Company had not yet generated revenues and had an accumulated consolidated deficit of \$1,093,189 (China Subsidiary – (\$57,616)). 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 consolidated 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 consolidated financial statements, then adjustments would be necessary to reflect these consolidated financial statements on a liquidation basis which could differ from accounting principles applicable to a going concern. Such adjustments could be material.

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 begins business operations in China, there have been some delays due to China's original Zero Covid Policy, which existed until early December 2022. China began easing its Zero Covid Policy since early December 2022. Management continues to monitor the situation and take the necessary precautions as deemed appropriate.

Muzhu Mining Ltd.'s common shares were approved for listing on the Canadian Securities Exchange and began trading on the CSE under the trading symbol MUZU as of market open on November 11, 2022.

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 consolidated financial statements are based on IFRS issued and outstanding as of March 01, 2023, 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 March 31, 2023 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 Financial Statements

For the years ended December 31, 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 financial statements.

NOTE 4 – SHARE CAPITAL

a) Common shares

The Company's authorized capital consists of an unlimited numbers of common shares without par value. As at December 31, 2022, there were 27,105,129 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.

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 share as flow-through shares, net of premium (v)	2,601,500	390,225
Common shares issued for debt settlement (iii) (iv)	3,255,212	325,521
Share issue costs	-	(52,524)
Balance, December 31, 2021	22,328,462	\$ 1,711,722
Common shares issued for cash (vi)	2,276,667	273,200
Common share as flow-through shares, net of premium (vii)	2,500,000	162,500
Share issue costs	-	(103,200)
Balance, December 31, 2022	27,105,129	\$ 2,044,222

- (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 November 16, 2021, the board of directors approved and issued 161,212 common shares in the capital of the Company at a deemed price of \$0.10 per common share for debt settlement of \$16,121.
- (v) On December 21, 2021, the Company issued 2,601,500 flow through shares at \$0.17 per share for gross proceeds of \$442,255 with flow through share premium of \$52,030.
- (vi) On June 29, 2022 the Company issued 2,276,667 common shares at \$0.12 per share for gross proceeds of \$273,200.
- (vii) On December 19, 2022, the Company issued 2,500,000 flow through shares at \$0.085 per share for gross proceeds of \$212,500 with flow through share premium of \$50,000.

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.

MUZHU MINING LTD.
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

NOTE 4 – SHARE CAPITAL (continued)

The following table summarizes the stock option activity for the twelve months ended December 31, 2021 and December 31, 2022:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2021	-	-
Granted (i)(ii)(iii)	1,505,000	0.14
Balance, December 31, 2022	1,505,000	0.14

- (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. On July 11, 2022, 2 Directors resigned and as per the Company's stock option plan, their options totalling 325,000 stock options, expired.
- (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 September 30, 2022:

Expiry	Exercise Price (\$)	Contractual Life (Years)	Number of Options Outstanding	Number of Options Available
January 05, 2027	0.14	4.02	1,255,000	1,255,000
February 10, 2027	0.14	4.12	250,000	250,000
	0.14	4.03	1,505,000	1,505,000

MUZHU MINING LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

NOTE 4 – SHARE CAPITAL (continued)

c) Warrants

A summary of the Company's outstanding warrants at December 31, 2022 and the changes for the period then ended is presented below:

	Number of warrants outstanding	Weighted average exercise price (\$)
Balance, December 31, 2020	-	-
Issued December 21, 2021	195,113	0.17
Issued June 29, 2022	1,138,333	0.20
Issued December 19, 2022	1,450,000	0.12
Expired December 21, 2022	(195,113)	0.17
Balance, December 31, 2022	2,588,333	0.155

The following table summarizes the actual warrants outstanding and exercisable as of December 31, 2022:

Number of warrants outstanding	Grant date fair value (\$)	Exercise price (\$)	Expiry Date
-	-		
1,138,333	29,500	0.20	(i) June 29, 2023
1,450,000	50,600	0.12	(ii) December 19, 2024
2,588,333	\$80,100		

- (i) 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.
- (ii) The grant date fair value was determined to be \$50,600 using the Black-Scholes pricing model with the following assumptions: stock price of \$0.065, dividend yield of 0%, expected volatility of 128.99%, risk free interest rate of 3.67% and expected life of 2 years

NOTE 5 – RELATED PARTY TRANSACTIONS AND BALANCES

As at December 31, 2022, the Company has a Nil balance due to directors and officers (December 31, 2021 - Nil).

Directors and Officers were paid an aggregate of \$91,000 as Director Fees and Consulting Fees for the year ended December 31, 2022 (December 31, 2021 - \$17,500)

A family member of one of the Directors of the Company, was paid \$18,000 for consulting fees for the year ended December 31, 2022 (December 31, 2021 – \$5,250).

Key management personnel compensation

Key management personnel consist of officers and directors of the Company. Remuneration of key management personnel was \$221,747 (\$61,000 for Directors' Fees, \$30,000 for Officers' Fees - Consulting and \$130,747 for Share Based Compensation) for the twelve month period ended December 31, 2022 (December 31, 2021 - \$17,500 for Directors' Fees, Nil for Officers' Fees - Consulting).

MUZHU MINING LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

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, 2021	\$ 281,946	\$ -	\$ 281,946
Acquisition	-	-	-
Balance, December 31, 2022	\$ 281,946	-	\$ 281,946

On November 23, 2022, the Company renewed 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:
 - (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 Effective Date;
 - (iii) 1,000,000 Common Shares prior to the second anniversary of the Effective Date; and
 - (iv) 1,500,000 Common Shares prior to the third anniversary of the Effective Date.

The Company will have the right to acquire an additional 20% of the Property for a total of 80% subject to an independent valuation report being conducted. The additional 20% may be acquired in exchange for cash and/or shares.

As at December 31, 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, 2021 (paid);
- (ii) Issuance of 3,500,000 fully paid and non-assessable common shares of the Company on or before December 31, 2021 (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.

MUZHU MINING LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

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. The Company is committed to spend \$442,255 in eligible exploration expenditures on or before December 31, 2022. The Company spent \$442,354 in eligible exploration expenditures before December 31, 2022.

The flow-through common shares issued in the financing completed on December 19, 2022 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 \$50,000.

The flow-through premium is derecognized through income as the eligible expenditures are incurred. At December 31, 2022, the Company is committed to spend \$212,500 in eligible exploration expenditures on or before December 31, 2023.

NOTE 8 – SUBSEQUENT EVENTS

In January 2023, Muzhu Mining Ltd. has formed a strategic alliance with Luoning County Muzhu Mountain Lead and Silver Mine Company Ltd., within the Luoning county, Henan province of China, which owns a property contiguous to the north of Muzhu Mining's option agreement with the XWG silver property. The Cooperation agreement is with Muzhu Mining Ltd.'s, wholly owned subsidiary, Luoyang Sow International Mining Company Ltd.

The parties will explore and develop the Niujuangou Mine area. The parties will establish a new Joint Venture Corporation in Luoyang City, Henan Province. Luoning County Muzhu Mountain Lead and Silver Mine Company Ltd. will contribute the mining rights with the Niujuangou Mine including valid certificates, as its 20% contribution to the Joint Venture Company and Muzhu Mining's subsidiary, Luoyang Sow International Mining Company Ltd. will contribute RMB 20,000,000 as its 80% contribution. The capital of the new joint venture mining company will be RMB 23,000,000 or CDN \$4.55 Million with potential future revenues covering the capital of the venture.

The Company entered into a contract beginning January 01, 2023 with a Director to provide consulting services at \$1,500 per month.

On February 24, 2023, Muzhu Mining Ltd. has granted incentive stock options to participants of the grant to acquire an aggregate of 1,175,000 common shares in the capital of the company at an exercise price of 10 cents, in accordance with the company's 10 percent rolling incentive stock option plan. The options are exercisable for a five-year term expiring Feb. 16, 2028.