

MUZHU MINING LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 12 MONTH PERIOD ENDING DECEMBER 31, 2022

This management's discussion and analysis of the financial condition as of March 01, 2023 provides an analysis of the Company's consolidated financial results and progress for the period ended December 31, 2022. This MD&A should be read in conjunction with the Company's financial statements for the year ended December 31, 2021 which were prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). All amounts are expressed in Canadian dollars.

Certain statements and information related to Muzhu Mining Ltd. ("Muzhu" or the "Company")'s business contained in this Management's Discussion and Analysis are of a forward-looking nature. They are based on opinions, assumptions or estimates made by the Company's management or on opinions, assumptions or estimates made available to or provided to and accepted by the Company's management. Such statements and information are reflecting management's current views and expectations of future events or results and are subject to a variety of risks and uncertainties that are beyond management control. Readers are cautioned that these risks and uncertainties could cause actual events or results to significantly differ from those expressed, expected or implied and should therefore not rely on any forward-looking statements.

Overview

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.

Overall Performance

During the period ended December 31, 2022, the Company began geological and exploration work on its Sleeping Giant South property in Canada and created a China Subsidiary named Luoyang Sow International Mining Co., Ltd. to further its plans for the Xiao Wa Gou property in China.

Exploration Activities and Plans

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:
 - (i) \$500,000 prior to the first anniversary of the Effective Date;
 - (ii) an additional \$1,000,000 prior to the second anniversary of the Effective Date;
 - (iii) 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.

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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, 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.

Results of Operations

Period Ended December 31, 2022 and 2021

The Company reported net loss for the period ended September 30, 2022 of \$657,678 compared to the same period of \$110,416. Expenses in the period ended September 30, 2022 were \$657,678 compared to \$177,316 for the same period in the prior year due to an increase in operational activities and share based compensation of \$244,000.

Summary of Quarterly Results

	Dec 31, 2022	Sept 30, 2022	June 30, 2022	Mar 31, 2022
	\$	\$	\$	\$
Net gain (loss)	(1,093,189)	(657,678)	(489,645)	(278,616)
Basic and diluted loss per share	(0.05)	(0.03)	(0.02)	(0.01)
Cash	244,692	360,006	690,174	555,149
Total Assets	631,177	783,680	1,027,020	869,240
Current Liabilities	208,970	68,462	143,769	73,860
Non-Current Liabilities	-	-	-	-

The Company's loss due to Operating Expenses grew from January 01, 2022 to December 31, 2022 compared to the prior year due to the increase in operational activities and the Company's work on its properties, especially the Sleeping Giant South, in Quebec, Canada.

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	Dec 31, 2021 \$	Sept 30, 2021 \$	June 30, 2021 \$	Mar 31, 2021 \$
Net gain (loss)	(205,390)	(110,416)	(102,445)	(99,129)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)
Cash	658,858	327,508	312,071	367,826
Total Assets	951,421	618,527	624,234	695,630
Current Liabilities	92,625	34,535	32,271	400,596
Non-Current Liabilities	-	-	-	-

Liquidity and Capital Resources

As at December 31, 2022, the Company has a working capital surplus of \$190,261 compared to working capital surplus of \$576,850 at December 31, 2021

For the period ended December 31, 2022, the Company used cash of \$796,666 (net of Share based compensation - \$244,000) in operating activities (December 31, 2021- \$144,411).

The Company's principal assets are at an exploration stage and as a result the Company has no current source of operating cash flows. The Company relies on its ability to obtain equity financing to fund administration expenses and future exploration programs. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of a financing or by monetizing assets. There is no certainty that these and other strategies will be successful.

Advertising and Promotion

The Company incurred advertising and promotion expenses of \$77,025 for the period ended December 31, 2022 (\$70,890 for the period ended December 31, 2021).

Consulting Fees

The Company incurred Consulting Fees of \$143,902 for the period ended December 31, 2022 (\$46,250 for the period ended December 31, 2021). The increase in Consulting Fees is due to the Company becoming more active after its public listing.

Professional Fees

The Company incurred professional fees of \$76,061 for the period ended December 31, 2022 (\$100,785 for the period ended December 31, 2021). The reduction in professional fees is due to the prior year's preparation of the Company's prospectus for submission to the regulatory bodies for a public listing.

Share Capital

The Company's authorized capital consists of an unlimited number of common shares without nominal or par value. As of the date of this MD&A, the Company has 27,105,129 issued and outstanding common shares, 2,588,333 outstanding warrants, and 2,680,000 outstanding stock options.

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On June 29, 2022 the Company issued 2,276,667 common shares at \$0.12 per share for gross proceeds of \$273,200.

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.

Warrants

Expiry Date	Warrants outstanding	Exercise price (\$)
June 29, 2023	1,138,333	0.20
December 19, 2024	1,450,000	0.12

Stock Options

Expiry Date	Options Outstanding	Exercise Price (\$)
January 05, 2027	1,255,000	0.14
February 10, 2027	250,000	0.14
February 16, 2028	1,175,000	0.10

- (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. 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.
- (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.
- (iv) On February 24, 2023, granted 1,175,000 options to directors, officers, and consultants of the Company at an exercise price of \$0.10. The options are exercisable for a five-year term expiring Feb. 16, 2028.

Related Party Transactions and Balances

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).

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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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Critical accounting estimates

Estimate of recoverability for non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Share-based payments

The amounts recorded for share-based payments are based on estimates. The Black Scholes model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend yield, risk-free interest rate, expected forfeitures and expected life of the options. Changes in these assumptions may result in a material change to the amounts recorded for the issuance of stock options.

Financial Instruments

The Company's financial instruments are categorized in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, advances, and accounts payable.

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The fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The fair value of advances is determined to be "Level 3" as the amount relates to advances made concerning a definitive share purchase agreement; therefore, the inputs are unobservable.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as of December 31, 2022, as follows:

Fair Value Measurements Using				
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	Total \$
December 31, 2022				
Cash	244,692	-	-	244,692
December 31, 2021				
Cash	658,858	-	-	658,858

Credit risk

The Company has no significant credit risk arising from operations. The Company does not engage in any sales activities, so is not exposed to major credit risks attributable to customers. The Company's credit risk is primarily attributable to cash. The Company holds the majority of its cash with Canadian chartered banks (except for minor amounts in China subsidiary) and the risk of default is considered to be remote.

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's accounts payable are due within one year. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of stock market conditions generally or as a result of conditions specific to the Company. The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company has cash of \$244,692 (December 31, 2021 - \$658,858) to settle current liabilities of \$208,970 (December 31, 2021 - \$92,625).

Interest rate risk

Interest rate risk is the risk that future cash flows of the Company's assets and liabilities can change due to a change in interest rates. The Company is not exposed to interest rate risk as no financial instruments are interest-bearing. It is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from the financial statements.

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Risks and Uncertainties

Under Canadian reporting requirements, management of the Company is required to identify and comment on significant risks and uncertainties associated with its business activities.

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.