

Condensed Interim Financial Statements of

**MUZHU MINING LTD.**

As at September 30, 2021 and 2020,  
and for the three and nine-month periods ended September 30, 2021 and  
2020

(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.**  
**Condensed Interim Statements of Financial Position**  
(Expressed in Canadian dollars)  
(Unaudited - Prepared by Management)

	As at September 30, 2021	As at December 31, 2020
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	327,508	99,584
GST receivable	8,914	23,100
Prepaid expenses	500	500
	336,922	123,184
Exploration and evaluation assets (note 6)	281,605	221,400
	618,527	344,584
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	22,494	339,180
Due to related parties (note 5)	12,041	153,941
	34,535	493,121
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (note 4)	1,350,745	507,800
Deficit	(766,753)	(656,337)
	583,992	(148,537)
	618,527	344,584

Nature of business and going concern (Note 1)  
Subsequent events (Note 7)

Approved and authorized for issue on behalf of the Board on November 29, 2021

"Richard Tong"

Director

"Don Baxter"

Director

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

**MUZHU MINING LTD.****Condensed Interim Statements of Comprehensive Loss**

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited - Prepared by Management)

	Three months ended		Nine months ended	
	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
	\$	\$	\$	\$
<b>Expenses</b>				
Advertising and promotion	-	-	67,000	-
Consulting fees	-	15,000	24,000	70,000
Filing fees	-	-	17,342	-
Professional fees	7,871	-	68,697	-
Office and general	101	318	277	954
Directors fees (Note 5)	-	18,000	-	54,000
Total operating expenses	7,978	33,318	177,316	124,954
Gain on debt forgiveness (Note 5)	-	-	66,900	-
<b>Net loss and comprehensive loss</b>	<b>(7,978)</b>	<b>(33,318)</b>	<b>(110,416)</b>	<b>(124,954)</b>
Loss per share – basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted (1)	19,565,750	6,264,750	15,876,282	5,790,319

(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.****Condensed Interim Statements of Changes in Equity (Deficiency)**

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited - Prepared by Management)

	Common Shares	Share Capital	Subscription Received	Deficit	Total
	# (1)	\$	\$	\$	\$
Balance, December 31, 2019	5,580,000	264,000	60,000	(454,366)	(130,366)
Shares issued for cash	450,000	60,000	(60,000)	-	-
Shares issued for debt	234,750	31,300	-	-	31,300
Net loss for the period	-	-	-	(124,954)	(124,954)
Balance, September 30, 2020	6,264,750	355,300	-	(579,320)	(224,020)
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	3,500,000	175,000	-	-	175,000
Shares issued for debt	3,094,000	309,400	-	-	309,400
Net loss for the period	-	-	-	(110,416)	(110,416)
Balance, September 30, 2021	19,565,750	1,350,745	-	(766,753)	583,992

(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.

## Condensed Interim Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited - Prepared by Management)

	Sept 30, 2021	Sept 30, 2020
	\$	\$
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	(110,416)	(124,954)
Items not affecting cash:		
Gain on debt settlement	(66,900)	-
Net change in non-cash working capital balances related to operations:		
GST receivable	(14,186)	-
Accounts payable and accrued liabilities	121,086	38,700
Due to related parties	-	54,400
	(70,416)	(31,854)
<b>Investing activities</b>		
Exploration and evaluation asset additions	(60,205)	-
	(60,205)	-
<b>Financing activities</b>		
Shares issued for cash net of share issue cost	358,545	-
	358,545	-
Net change in cash during the period	227,924	(554)
Cash, beginning of period	99,584	622
<b>Cash, end of period</b>	<b>327,508</b>	<b>68</b>

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

# **MUZHU MINING LTD.**

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

**For the period ended September 30, 2021 and 2020**

**(Expressed in Canadian dollars)**

**(Unaudited - Prepared by Management)**

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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 and the registered office is located at 777 Hornby Street, Suite 600, Vancouver, British Columbia, V6Z 1S4.

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 an exploration property agreement in Quebec, Canada. Muzhu owns 100 per cent of the Sleeping Giant South project (15,000 acres), located in Quebec's Abitibi greenstone belt and contiguous to the south of the Sleeping Giant mine held by Abcourt Mines.

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 September 30, 2021, the Company had not yet generated revenues and had an accumulated deficit of \$766,753. 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 November 29, 2021, 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, 2020. Any subsequent changes to IFRS that are given effect in the Corporation's annual financial statements for the year ending December 31, 2021 could result in restatement of these condensed interim financial statements. These condensed interim financial statements are presented in Canadian dollars, unless otherwise stated.

These condensed interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors dated November 29, 2021.

**MUZHU MINING LTD.****Notes to the Condensed Interim Financial Statements****For the period ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited - Prepared by Management)****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 September 30, 2021, there were 19,565,750 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**

	<b>Number of shares</b>	<b>Share capital</b>
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	358,545
Common shares issued for debt (iii)	3,094,000	309,400
Balance, September 30, 2021	19,565,750	\$ 1,350,745

- (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 \$309,400, of which, \$101,000 was due to related parties. The Company recognized \$66,900 gain on debt forgiveness in connection with the transaction.

**b) Stock Options**

On May 10, 2021 the board of directors approved a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time.

As of September 30, 2021, and December 31, 2020, the company has not granted any stock options.

**c) Warrants**

There are no reportable warrants to report during the period ended September 30, 2021 and December 31, 2020.

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

As at September 30, 2021, the Company has a balance due to directors and officers totalling \$12,041 (December 31, 2020 - \$153,941). The amounts due to related parties are unsecured, have no terms of repayment and non-interest bearing. 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.



**MUZHU MINING LTD.****Notes to the Condensed Interim Financial Statements****For the period ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited - Prepared by Management)****Key management personnel compensation**

Key management personnel consist of officers and directors of the Company. Remuneration of key management personnel was \$nil for the period three and nine months period ended September 30, 2021 (3 months ended September 30, 2020 - \$18,000 and nine months ended September 30, 2020 - \$54,000).

**Note 6 - EXPLORATION AND EVALUATION ASSETS**

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

	<b>Sleeping Giant South Property</b>	<b>Total</b>
Balance December 31, 2019	\$ -	\$ -
Acquisition	182,888	182,888
Geologists and consulting	38,512	38,512
Balance December 31, 2020	\$ 221,400	\$ 221,400
Acquisition	-	-
Geologists and consulting	60,205	60,205
Balance, September 30, 2021	\$ 281,605	\$ 281,605

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:

- Make a cash payment of \$7,888 (staking costs) on or before December 31, 2020 (paid);
- Issuance of 3,500,000 fully paid and non-assessable common shares of the Company on or before December 31, 2020 (paid March 26, 2021); and
- 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.

On September 01, 2021 the Company allowed its 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, to expire.

## **MUZHU MINING LTD.**

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

**For the period ended September 30, 2021 and 2020**

**(Expressed in Canadian dollars)**

**(Unaudited - Prepared by Management)**

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#### **NOTE 7 – SUBSEQUENT EVENTS**

On November 15, 2021 the Company entered into compensation agreements with both the CEO and CFO of the Company for remuneration of \$2,500 per month and a signing bonus of \$5,000 upon execution.

On November 17, 2021, the Company issued 161,211 common shares in the capital of the Company at a deemed price of \$0.10 per common share for past legal services provided to the Corporation.

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. Under the agreement, Muzhu Mining can earn up to an 80-per-cent interest in the Xiao Wa Gou property by incurring \$3-million in exploration and expenditures on the property over a three-year period while also issuing 3.75 million shares in the company to Lingbao Yida Mining Co. Ltd. Those shares will be released to Lingbao Yida Mining in stages over a three-year period.

Under the terms of the option agreement, Muzhu Mining will earn a 60-per-cent working interest in the property upon completion of the following:

Issuing Muzhu Mining shares totalling 3.75 million consisting of:

- (I) 250,000 shares upon signing and exchange approval;
- (II) 1,000,000 shares prior to Nov. 22, 2022;
- (III) 1,000,000 shares of Muzhu Mining prior to Nov. 22, 2023;
- (IV) 1,500,000 shares of Muzhu Mining prior to Nov. 22, 2024;

Expenditures on the Xiao Wa Gou property totalling \$3-million consisting of:

- (I) \$500,000 prior to Nov. 22, 2022;
- (II) \$1,000,000 prior to Nov. 22, 2023;
- (III) \$1,500,000 prior to Nov. 22, 2024.

A further 20-per-cent interest in the Xiao Wa Gou property can be granted to Muzhu Mining upon an independent valuation report at any time after the terms of the 60-per-cent earn-in option agreement has been fulfilled.

On November 23, 2021, the Company's Board of Directors approved a proposed private placement of 2,000,000 flow-through common shares at \$0.20 per share.