

LZG INTERNATIONAL, INC.

FORM 10-Q (Quarterly Report)

Filed 04/14/23 for the Period Ending 02/28/23

Address	135 WEST 41ST STREET SUITE 5-104 NEW YORK, NY, 10036
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **February 28, 2023**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file number: 000-53994

LZG INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

135 WEST 41st STREET, SUITE 5-104 NEW YORK,
NY

(Address of principal executive offices)

90-1907109

(I.R.S. Employer
Identification No.)

10036

(Zip Code)

Registrant's telephone number, including area code: (917) 310-3978

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated Filer

☒

Smaller reporting company

☒

Emerging growth company

☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of April 14, 2023, was 153,400,505.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

NOTE: This Form 10-Q is incomplete, as the Company did not obtain a review of the interim financial statements by an independent accountant using professional review standards and procedures, although such a review is required by this Form 10-Q. The delay is due to the inability of the Company to assemble full audit materials in the prescribed period due to the wide geographic range of operations and divergent systems. The Company anticipates that the review of the financial statements will be completed within the next reporting cycle, supported by additional resources it has already secured, and it will file an amended Form 10-Q/A subsequent to the completed review.

LZG International, Inc and Subsidiaries Condensed Consolidated Balance Sheets (Unaudited)

ASSETS

	<u>As of</u>	
	<u>February 28, 2023</u>	<u>May 31, 2022</u>
	<u>UNAUDITED</u>	<u>AUDITED</u>
CURRENT ASSETS		
Cash	\$ 258,043	\$ 81,567
Accounts Receivable, Trade	2,407,396	24,471
Accounts Receivable, Trade, Related Party	74,033	130,341
Other Receivables, Related Party	-	9,794,813
Other Current Assets	4,138,992	-
Total Current Assets	<u>6,878,464</u>	<u>10,031,192</u>
FIXED ASSETS		
Buildings and Other Fixed Assets	297,647	-
Accumulated Depreciation	(200,000)	-
Net Fixed Assets	<u>97,647</u>	<u>-</u>
Right of Use Operating Asset	102,287	-
OTHER ASSETS		
Intangible Assets	12,553,095	11,643,000
Accumulated Amortization	(1,943,792)	(178,250)
Other Long Term Assets	86,750	-
Goodwill	25,204,836	-
Total Other Assets	<u>35,900,889</u>	<u>11,464,750</u>
TOTAL ASSETS	<u><u>\$ 42,979,287</u></u>	<u><u>\$ 21,495,942</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable	\$ 2,092,518	\$ 2,036
Other Payable - Related Party	4,832,654	-
Note Payable - Related Party	3,000,000	3,000,000
Notes Payable	7,348,029	-
Accrued Expenses	394,052	50,000
Deferred Revenue	2,505,273	85,866
Accrued Interest - Related Party	-	11,836
Accrued Interest	673,170	-
Other Current Liabilities	2,126,530	-
Total Current Liabilities	<u>22,972,226</u>	<u>3,149,738</u>
LONG-TERM LIABILITIES:		
Notes Payable - Long Term	3,074,904	-
Operating Lease - Long Term	76,945	-
Total Long Term Liabilities	<u>3,151,849</u>	<u>-</u>
TOTAL LIABILITIES	<u>26,124,075</u>	<u>3,149,738</u>

STOCKHOLDERS' EQUITY

Preferred stock, \$0.001 par value, 20,000,000 shares authorized, none issued and outstanding	\$	-	\$	-
Common Stock, \$0.001 par value; 250,000,000 shares authorized 153,400,505 and 144,899,472 shares issued and outstanding at 02/28/23 and 05/31/22		153,401		144,899
Additional Paid in Capital		28,773,594		22,474,358
Accumulated Deficit		(11,502,290)		(4,273,053)
Accumulated Other Comprehensive Loss		(569,493)		-
Total Stockholders' Equity		<u>16,855,212</u>		<u>18,346,204</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	<u>42,979,287</u>	\$	<u>21,495,942</u>

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

LZG International, Inc and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	THREE MONTHS ENDED 02/28/23	THREE MONTHS ENDED 02/28/22	NINE MONTHS ENDED 02/28/23	NINE MONTHS ENDED 02/28/22
REVENUES	\$ 9,563,004	\$ 43,447	\$ 19,837,547	\$ 86,894
COST OF REVENUES	(1,803,457)	(8,208)	(3,891,852)	(16,416)
GROSS PROFIT	<u>7,759,547</u>	<u>35,239</u>	<u>15,945,695</u>	<u>70,478</u>
OPERATING EXPENSES				
Research and Development Costs	(1,980,355)		(7,469,928)	
Sales and Marketing	(2,745,909)		(7,360,697)	
General and Administrative	(1,423,688)	(17,645)	(3,679,600)	(50,335)
Total Operating Expenses	<u>(6,149,952)</u>	<u>(17,645)</u>	<u>(18,510,225)</u>	<u>(50,335)</u>
Net Operating Profit (Loss)	<u>1,609,595</u>	<u>17,594</u>	<u>(2,564,530)</u>	<u>20,143</u>
OTHER INCOME (EXPENSE)				
Other Income (Expense)	36,378		149,248	
Currency Exchange Gain (Loss)	236,345		193,523	
Total Other Income (Expense)	<u>272,723</u>	<u>-</u>	<u>342,771</u>	<u>-</u>
NET PROFIT (LOSS) BEFORE NONOPERATING EXPENSES	1,882,318	17,594	(2,221,759)	20,143
NONOPERATING INCOME/(EXPENSE)				
Interest Expense	(187,789)	(1,973)	(489,123)	(4,941)
Interest Expense - related party	(60,000)	(2,854)	(180,000)	(8,562)
Amortization and Depreciation	(585,699)		(1,765,542)	
Stock Compensation Expense	(1,087,477)		(2,537,446)	
Total Nonoperating Expense	<u>(1,920,965)</u>	<u>(4,827)</u>	<u>(4,972,111)</u>	<u>(13,503)</u>
(LOSS) PROFIT BEFORE INCOME TAXES	(38,647)	12,767	(7,193,870)	6,640
INCOME TAXES	(14,401)	-	(35,367)	-
NET (LOSS) PROFIT	<u>\$ (53,048)</u>	<u>\$ 12,767</u>	<u>\$ (7,229,237)</u>	<u>\$ 6,640</u>
Net Earnings (Loss) Per Share	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.05)</u>	<u>\$ 0.00</u>
Weighted average shares outstanding	<u>150,400,505</u>	<u>10,250,566</u>	<u>151,178,637</u>	<u>4,939,201</u>

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

LZG International, Inc and Subsidiaries
Condensed Consolidated Statement of Changes in Stockholders' Equity (Deficit)
For the nine months ended February 28, 2023 and 2022
(UNAUDITED)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid in</u>	<u>Deficit</u>	<u>Other</u>	<u>Stockholders'</u>
			<u>Capital</u>		<u>Comprehensive</u>	<u>Equity</u>
					<u>Loss</u>	<u>(Deficit)</u>
Balance - May 31, 2021	250,556	\$ 251	\$ 3,063,134	\$ (3,353,260)	\$ -	\$ (289,875)
Net loss	-	-	-	(13,976)	-	(13,976)
Balance - August 31, 2021	250,556	\$ 251	\$ 3,063,134	\$ (3,367,236)	\$ -	\$ (303,851)
Net Loss				\$ 7,849		7,849
Issuance of common shares for acquisition of software	10,000,000	\$ 10,000	\$ 338,000			348,000
Balance - November 30, 2021	10,250,556	\$ 10,251	\$ 3,401,134	\$ (3,359,387)	\$ -	\$ 51,998
Net Income				\$ 12,767		
Balance - February 28, 2022	10,256,556	\$ 10,251	\$ 3,401,134	\$ (3,346,620)	\$ -	\$ 64,765
Balance - May 31, 2022	144,899,472	\$ 144,899	\$ 22,474,358	\$ (4,273,053)	\$ -	\$ 18,346,204
Net loss	-	-	-	(3,713,161)	-	\$ (3,713,161)
Foreign currency translation adjustment	-	-	-	-	(1,906,906)	\$ (1,906,906)
Restricted stock assigned for services (non-vested)			\$ 362,492	-	-	\$ 362,492
Balance - August 31, 2022	144,899,472	\$ 144,899	\$ 22,836,850	\$ (7,986,214)	\$ (1,906,906)	\$ 13,088,629
Net loss				(3,721,431)		\$ (3,721,431)
Issuance of common shares for business acquisition	710,000	711	3,761,790			\$ 3,762,501
Issuance of common shares for services performed	7,791,033	7,791				\$ 7,791
Foreign currency translation adjustment					1,987,520	\$ 1,987,520
Restricted stock assigned for services (non-vested)			\$ 1,087,477			\$ 1,087,477
Balance - November 30, 2022	153,400,505	\$ 153,401	\$ 27,686,117	\$ (11,707,645)	\$ 80,614	\$ 16,212,487
Net loss			\$ (53,048)			\$ (53,048)
Foreign currency translation adjustment					\$ (650,107)	\$ (650,107)
Restricted stock assigned for services (non-vested)			\$ 1,087,477			\$ 1,087,477
Balance - February 28, 2023	153,400,505	\$ 153,401	\$ 28,773,594	\$ (11,760,693)	\$ (569,493)	\$ 16,596,809

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

LZG International, Inc and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the nine months ended
UNAUDITED

	<u>02/28/23</u>	<u>02/28/22</u>
Cash Flows from Operating Activities		
Net (Loss) Income	\$ (7,229,237)	\$ 6,640
Adjustment to reconcile net (loss) income to cash used in operating activities:		
Amortization and depreciation	1,765,542	16,416
Stock issued for services performed	2,537,446	
Changes in assets and liabilities:		
Accounts Receivable, Trade	1,482,294	
Accounts Receivables, Related Party	56,308	
Other Receivables, Related Party	9,794,813	
Other Current Assets	3,340,645	
Other Long Term Assets	(86,750)	
Accounts Payable - related party	-	4,500
Accounts Payable	(632,342)	6,290
Operating Lease Assets	(117,311)	
Operating Lease Liabilities	76,945	
Other Current Liabilities	(364,585)	
Deferred Tax	-	
Accrued Expenses	240,881	
Deferred Revenue	(6,177,589)	
Accrued Interest	673,170	4,941
Accrued Interest - related party	(11,836)	8,562
Net Cash provided by Operating Activities	<u>10,513,705</u>	<u>47,349</u>
Cash Flows from Financing Activities:		
Net Proceeds from Notes Payable	12,000,000	38,500
Repayments of Debt	(3,053,232)	
Proceeds from Issuance of Common Stock	3,770,292	
Net cash provided by Financing Activities	<u>12,717,060</u>	<u>38,500</u>
Cash Flows from in Investing Activities:		
Fixed Asset Acquisitions	(1,977)	
Acquisition of PrimeSource, net of cash acquired	(17,548,264)	
Acquisition of Predictive Black, net of cash acquired	(2,765,987)	
Acquisition of SoTech, net of cash acquired	(1,910,165)	
Net Cash used in Investing Activities	<u>(22,226,393)</u>	<u>-</u>
Unrealized Currency Loss	(827,896)	
Increase in Cash	<u>176,476</u>	<u>85,849</u>
Cash and Cash Equivalents, Beginning of Period	<u>81,567</u>	<u>4,735</u>
Cash and Cash Equivalents, End of Period	<u>\$ 258,043</u>	<u>\$ 90,584</u>
Non-Cash Investing and Financing Activities		
Issuance of common stock for acquisition of software		348,000
Issuance of 170,000 shares of common stock for SO Tech stock acquisition	1,062,300	
Issuance of 540,000 shares of common stock for Predictive Black stock acquisition	2,700,000	

On August 1, 2022, the Company assigned 7,837,672 of restricted common shares in exchange for in-kind consulting services. The shares were valued at \$17,399,632 or \$2.22/share. Expenses are recognized over the vesting period. For the nine months ended 02/28/23, \$2,537,446 was recognized as expense.

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

LZG International Inc and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
February 28, 2023
(UNAUDITED)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION AND ACCOUNTING POLICIES

In the opinion of management, the accompanying unaudited interim Condensed Consolidated Financial Statements of LZG International and its subsidiaries reflect all adjustments, including normal recurring accruals, necessary for a fair presentation. All significant intercompany balances and transactions have been eliminated in consolidation. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to instructions, rules and regulations prescribed by the Securities and Exchange Commission ("SEC"). The Company believes that the disclosures provided herein are adequate to make the information presented not misleading when these unaudited Condensed Consolidated Financial Statements are read in conjunction with the audited Financial Statements contained in the Company's Form 10-K for the year ended May 31, 2022. The results of operations for the nine months ended February 28, 2023 are not necessarily indicative of the results to be expected for the full year. The Consolidated Financial Statements as of May 31, 2022 are derived from audited financial statements included in the Company's Form 10-K for the year ended May 31, 2022.

Organization

LZG International, Inc. ("the Company") is a Florida company that was incorporated on May 22, 2000. To date, the Company has not paid any dividends and does not anticipate dividends to be paid in the foreseeable future.

On June 17, 2022, the Company entered into a Master Stock Purchase Agreement with two individuals, Yevgeniy Chsherbinin and Victor Nazarov through its wholly owned subsidiary, FB Prime Source Acquisition, LLC to acquire Prime Source, a Kazakhstani corporation and Prime Source's affiliates consisting of Prime Source Innovation, Prime Source – Analytical Systems, Digitalism, and InFin-IT Solution (together with Prime Source, the "Prime Source Companies"). The agreed upon purchase price of \$18,000,000 is payable on a payment schedule.

On September 22, 2022, the Company, through its wholly owned subsidiary, FatBrain Acquisition Company Limited, entered into a Stock Purchase Agreement to acquire all outstanding shares of SO Technology Ltd, a United Kingdom limited company ("SO Tech"). The agreed upon purchase price of \$2,762,500 is comprised of a cash distribution of \$1,700,000 (payable on a payment schedule) and 170,000 shares of common stock valued at \$1,062,500 or \$6.25/share.

On November 14, 2022, the Company, through its wholly owned subsidiary, FatBrain Acquisition Company Limited, entered into a Stock Purchase Agreement to acquire all outstanding shares of Predictive Black Ltd, a United Kingdom limited company ("Predictive Black"). The agreed upon purchase price of \$3,300,000 is comprised of a cash distribution of \$600,000 (payable on a payment schedule) and 540,000 shares of common stock valued at \$2,700,000 or \$5.00/share.

Fiscal Year

The Company's fiscal year ends on May 31.

LZG International Inc and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
February 28, 2023
(UNAUDITED)

Revenue Recognition

Substantially all the Company's revenue is derived from contracts with customers for subscription services and license sales over a period of time. Contracts with customers are considered to be short-term when the time between signed agreements and satisfaction of the performance obligations is equal to or less than one year, and virtually all of the Company's contracts are short-term. The Company recognizes revenue when services and licenses are provided to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services and licenses. The Company typically satisfies its performance obligations in contracts with customers upon delivery of the services and licenses. The Company does not have any contract assets since the Company has an unconditional right to consideration when the Company has satisfied its performance obligation and payment from customers is not contingent on a future event. Generally, payment is due from customers immediately at the invoice date, and the contracts do not have significant financing components nor variable consideration. There are no returns and there are no allowances. All the Company's contracts have a performance obligation satisfied at a point in time and the transaction price is stated in the contract, usually as a price per unit. All estimates are based on the Company's historical experience, complete satisfaction of the performance obligation, and the Company's best judgment at the time the estimate is made.

Cost of Revenues

Cost of Revenues primarily include expenses incurred by the Company to host and deliver products through the marketplace, license costs and payroll expenses directly to the production of market ready products. Related platform and payment processing fees are recorded in the period incurred. Payroll costs are recognized in the period they were incurred.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the amount due from customers and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities on the Statement of Cash Flows. The Company does not have any off-balance-sheet credit exposure related to its customers. The Company evaluates the collectability of its accounts receivable based on collection risks and historical experience. Estimated losses, if any, are recorded to the allowance for doubtful accounts and as a general expense. There were no anticipated losses in the current reporting period or for the prior year ended May 31, 2022 and therefore, no allowance for doubtful accounts is deemed necessary.

Leases

The Company maintains a corporate office in a leased facility which is accounted for as an operating lease. Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments *not* yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets.

The Company amortizes leasehold improvements over the shorter of the life of the lease or the projected life of the improvements.

Fair Value Measurement

The fair value hierarchy categorizes the inputs used to measure fair value into three levels, which are described as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data

LZG International Inc and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
February 28, 2023
(UNAUDITED)

It is not practicable to estimate the fair value of related party loans because there is no established market for these loans and it is inappropriate to estimate future cash flows, which are largely dependent on the Company establishing or acquiring operations at some future point. No financial instruments are held for trading purposes.

Goodwill and Intangible Assets

The Company relies on guidance under ASC 350, *Intangibles – Goodwill and Other*, to account for intangible assets. Estimated useful lives of amortizable intangible assets are determined by management based on an assessment of the period over which the asset is expected to contribute to future cash flows.

In accordance with U.S. GAAP for goodwill and other indefinite-lived intangibles, the Company tests these assets for impairment annually and whenever events or circumstances make it more likely than not that impairment may have occurred. For the purposes of that assessment, the Company has determined to assign assets acquired in business combinations to a single reporting unit including all goodwill and indefinite-lived intangible assets acquired in business combinations.

The estimated useful lives for each intangible asset class are as follows:

	Estimated Useful Lives
AI Technology (Angelina FX)	5 years
Intellagents IT Platform and ecosystem	5 years
FatBrain IT	5 years
IP Technology, Prime Source	5 years

Impairment Assessment

The Company evaluates intangible assets and long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. This includes but is not limited to significant adverse changes in business climate, market conditions or other events that indicate an asset's carrying amount may not be recoverable. Recoverability of these assets is measured by comparing the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate. If the undiscounted cash flows used in the test for recoverability are less than the carrying amount of these assets, the carrying amount of such assets is reduced to fair value. For the period ended February 28, 2023, the Company recorded no impairments to intangible assets or long-lived assets.

Sales and Marketing

Sales and marketing expenses are expensed as incurred and primarily consist of costs associated with acquiring new clients or selling new products. Expenses include salaries, commissions, online advertising costs as well as outsourced marketing strategy.

General and Administrative

General and administrative expenses consist of costs primarily related to finance operations, human resources, executive management, legal, corporate technology, corporate development, amortization, and certain other administrative costs that are not directly attributed to a product or service.

LZG International Inc and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
February 28, 2023
(UNAUDITED)

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs include external costs of outside vendors engaged to design, test and program IT Technologies. Other research and development activities include salaries and related payroll expenses related to the Company's research and development activities.

Costs for certain development activities are estimated based on an evaluation of the progress to completion of specific tasks using data such vendor representation. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred.

Use of Estimates

In preparing financial statements, management is required 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 revenues and expenses during the reporting period. Actual results may differ from these estimates.

Basic and Fully Diluted Earnings (Loss) Per Share

In accordance with ASC 260, *Earnings Per Share* ("ASC 260") the computations of basic earnings (loss) per share of common stock are based on the weighted average number of common shares outstanding during the periods presented in the financial statements, plus the common stock equivalents, which would arise from the exercise of stock options and warrants outstanding during the period, or the exercise of convertible debentures. As of February 28, 2023, all common stock activity has been included and there were no items considered to be anti-dilutive.

Software Costs

The Company follows ASC 985-20, *Costs of Computer Software to be Sold, Leased, or Marketed*, whereby costs incurred during the period of planning and design, prior to the period determining technological feasibility, for all software developed to be sold to external users, has been charged to operations in the period incurred as research and development costs. Additionally, costs incurred after determination of readiness for market have been expensed as research and development. Purchased software that has reached technological feasibility and that has no alternative use, other than existing licenses or contracts for which it is being utilized, is capitalized at cost and amortized ratably over the term of the underlying contract.

Stock-based Compensation

The Company accounts for stock-based compensation to employees and non-employees in conformity with the provisions of ASC 718, *Stock Based Compensation*. The Company expenses stock-based compensation to employees and non-employees over the requisite service period based on the estimated grant-date fair value of the awards. The Company accounts for forfeitures as they occur. Stock-based awards are recognized on a straight-line basis over the requisite service period.

Common shares issued to third parties for services provided are valued based on the estimated fair value of the Company's common shares. All stock-based compensation costs are recorded in expenses in the condensed consolidated statements of operations.

LZG International Inc and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
February 28, 2023
(UNAUDITED)

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash. Cash balances are maintained in accounts held by major banks and financial institutions located in the United States, the United Kingdom and the Republic of Kazakhstan. The Company may at times have balances in financial institutions that are more than the federally insured limit of \$250,000.

Major Customers

For the nine months ended February 28, 2023, the Company had two customers with greater than 10% of consolidated sales, Kazakh Telecom (telecom.kz/en) and Bereke Bank (berekebank.kz), as part of its extended enterprise GTM.

NOTE 2 – BUSINESS ACQUISITION

On June 17, 2022, the Company entered into a Master Stock Purchase Agreement with two individuals, Yevgeniy Chsherbinin and Victor Nazarov through its wholly owned subsidiary, FB PrimeSource Acquisition, LLC to acquire Prime Source, a Kazakhstani corporation and Prime Source's affiliates consisting of Prime Source Innovation, Prime Source – Analytical Systems, Digitalism, and InFin-IT Solution (together with Prime Source, the "Prime Source Companies").

On September 22, 2022, the Company, through its wholly owned subsidiary, FatBrain Acquisition Company Limited, entered into a Stock Purchase Agreement to acquire all outstanding shares of SO Technology Ltd, a United Kingdom limited company ("SO Tech").

On November 14, 2022, the Company, through its wholly owned subsidiary, FatBrain Acquisition Company Limited, entered into a Stock Purchase Agreement to acquire all outstanding shares of Predictive Black Ltd, a United Kingdom limited company ("PB Ltd").

The Company accounted for these acquisitions as business combinations using the purchase method of accounting as prescribed in Accounting Standards Codification 805, *Business Combinations* ("ASC 805") and ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). In accordance with ASC 805 and ASC 820, the Company used its best estimates and assumptions to accurately assign fair value to the tangible assets acquired, identifiable intangible assets and liabilities assumed as of the acquisition dates. Goodwill as of the acquisition date is measured as the excess of purchase consideration over the fair value of tangible and identifiable intangible assets acquired and liabilities assumed. The results of operations of the acquired businesses since the date of acquisition are included in the consolidated financial statements of the Company for the nine months ended February 28, 2023. The total purchase consideration was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of acquisition, as determined by management. The excess of the purchase price over the amounts allocated to assets acquired and liabilities assumed has been recorded as goodwill. The value of the goodwill from the acquisitions described below can be attributed to a number of business factors including, but not limited to, cost synergies expected to be realized, the intellectual property acquired, and a trained technical workforce.

In conjunction with acquisitions, the Company uses various valuation techniques to determine fair value of the assets acquired, with the primary techniques being discounted cash flow analysis, relief-from-royalty, a form of the multi-period excess earnings and the with-and-without valuation approaches, which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. Inputs to these valuation approaches require significant judgment including: (i) forecasted sales, growth rates and customer attrition rates, (ii) forecasted operating margins, (iii) royalty rates and discount rates used to present value future cash flows, (iv) the amount of synergies expected from the acquisition, (v) the economic useful life of assets and (vi) the evaluation of historical tax positions. In certain acquisitions, historical data is limited, therefore, we base our estimates and assumptions on budgets, business plans, economic projections, anticipated future cash flows and marketplace data. We have engaged outside consultants to assist us with the valuation of our acquisition. As of February 28, 2023, the results of the valuations are not yet available.

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The purchase price and purchase price allocation cost as of the acquisition completion date follows:

	Prime Source Companies	SO Tech	PB LTD
Purchase Price:			
Cash, net of cash acquired	\$ 5,723,388	\$ 901,380	\$ 80,000
Note Payable	12,000,000	700,000	520,000
170,000 shares of common stock, values at \$6.25/share	-	1,062,500	-
540,000 shares of common stock, values at \$5.00/share	-	-	2,700,000
Total Purchase Price, net of cash acquired	\$ 17,723,388	\$ 2,663,880	\$ 3,300,000
	Prime Source Companies	SO Tech	PB LTD
Assets Acquired:			
Cash	\$ -		\$ 14,013
Accounts Receivable, Trade, net of allowance	\$ 3,653,805	\$ 208,476	\$ 2,938
Other Receivables	8,023	26,254	283,356
Customer Supplies	361,455		-
Other Current Assets	7,118,181		1
Fixed Assets	94,453	993	224
Intangible Assets	1,009,336		-
Other Long-Term Assets	39,471		-
Total Assets Acquired	12,284,724	235,723	300,532
Liabilities Assumed:			
Accounts Payable	2,631,847	-	90,977
Accrued Expenses	49,456	53,716	-
Deferred Revenue	8,596,996		-
Other Current Liabilities	2,418,468	72,647	
Creditor Loans	-	43,184	212,981
Total Liabilities Assumed	13,696,767	115,831	303,958
Net Assets Acquired	(1,375,631)	119,893	(3,426)
Excess Purchase Price "Goodwill"	\$ 19,099,019	\$ 2,543,987	\$ 3,303,426

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The excess purchase price has been recorded as goodwill (\$19,099,019 for the Prime Source Companies, \$2,543,987 for SO Tech, and \$3,303,426 for PB LTD). In accordance with US GAAP for goodwill and other indefinite-lived intangibles, the Company tests Goodwill for impairment annually and whenever events or circumstances make it more likely than not that impairment may have occurred. For the purposes of that assessment, the Company has determined to assign assets acquired in business combinations to a single reporting unit including all goodwill and indefinite-lived intangible assets acquired in business combinations. The goodwill is amortizable for tax purposes.

Identifiable intangible assets acquired by the business combinations are amortized over the estimated useful lives of the assets as determined by management based on an assessment of the period over which the asset is expected to contribute to future cash flows. The estimated useful life of the identifiable intangible assets is five years.

NOTE 3 – REVENUES

Deferred revenue is recorded when cash payments are received or due in advance of the Company's performance, including amounts which are refundable. The Company typically sells software and services with a term from one month up to 1 year. Payments may be made by customers in advance, at the time of sale. As such, the company may receive up to 1 year of revenue in advance.

The transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which may include unearned revenue and unbilled amounts that will be recognized as revenue in future periods. The transaction price allocated to the remaining performance obligations is influenced by several factors, including the timing of renewals, the timing of delivery of software licenses, average contract terms, and foreign currency exchange rates. Unbilled portions of the remaining performance obligations are subject to future economic risks including bankruptcies, regulatory changes, and other market factors.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

(a) Commitments

Effective 10/01/2022, the Company began leasing office space under a lease commitment that expires on September 30, 2024. Future minimum lease payments for the twelve months ended February 28, 2023, are as follows:

2023	\$ 48,854
2024	43,969
Total Future Lease Payments	<u>\$ 92,823</u>

The following table summarizes the components of the gross operating lease costs incurred for the nine months ended February 28, 2023:

For the Nine Months Ended February 28, 2023	
Operating Lease Cost:	
Current Lease Cost	\$ 73,342
Long Term Lease Cost	43,969
Total Operating Lease Cost	<u>\$ 117,311</u>

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(b) Contingencies

In the normal course of business, from time to time, the Company could be involved in legal actions relating to the ownership and operations of the Company. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

NOTE 5 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred losses since inception and has revenue-generating activities that do not exceed operational expenses. Historically, its activities have been limited and have been dependent upon financing to continue operations. These factors raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to further develop and market its technology and acquire revenue generating companies.

NOTE 6 – RELATED PARTY TRANSACTIONS

As of February 28, 2023, the financial statements included a related party payable in the amount of \$4,832,654. As of May 31, 2022 the Company had a related party receivable in the amount of \$9,925,155. The stockholders of the related party also own stock in the Company.

On May 11, 2022, the Company assumed a promissory note from a related party in connection with an asset acquisition. The \$3,000,000 note bears interest at 8% per annum and is payable on Demand, no later than July 5, 2023. There have been no payments of principle or interest for the loan as of February 28, 2023. Accrued interest at February 28, 2023 is \$191,836.

To assist with the orderly transition of management and operations, the Company entered into a Management Services Agreement with FatBrain LLC, a related party, effective 10/23/21. The Company has retained FatBrain LLC to provide consulting and logistical support when needed to support operating the business for a period of up to two years.

NOTE 7 – NOTES PAYABLE

On June 17, 2022 in connection with the Prime Source Acquisition, the Company issued two promissory notes of \$6,000,000 to each of the former owners of Prime Source. Each loan bears interest of 8% and is payable on prescribed dates per a payment schedule. The final payment is due December, 31, 2023. As of February 28, 2023, the remaining balance due is \$9,000,000 of which none is considered long term. Accrued interest on February 28, 2023 is \$481,133.

Description	Current Portion (Due 2023)	Long Term Portion (Due 2024)
Promissory Note - Victor Nazarov	\$ 4,000,000	\$ 0
Promissory Note - Yevgeniy Chsherbinin	5,000,000	0
Total Note Payable	<u>\$ 9,000,000</u>	<u>\$ 0</u>

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In connection with its acquisition of SO Tech on September 22, 2022, the Company assumed a bank financed loan that originated on May 5, 2020. The original amount of the loan was GBP 50,000 and at the time of acquisition, the balance outstanding was GBP 36,597 (\$43,184). The loan bears annual interest at a rate of 2.5%. For the first 12 months of the loan, no principal payments are due and interest is paid by the United Kingdom government. Thereafter, principal and interest payments are the responsibility of the borrower. The loan is payable monthly over a six-year term with no penalty for pre-payment. As of February 28, 2023, the outstanding balance due is GBP 33,935 (\$40,933), of which GBP 11,651 (\$13,918) is current and GBP 24,946 (\$27,551) is long term.

In connection with its acquisition of Predictive Black on November 14, 2022, the Company assumed a bank financed loan that originated on November 4, 2020. The original amount of the loan was GBP 50,000 and at the time of acquisition, the balance outstanding was GBP 39,352 (\$47,467). The loan bears annual interest at a rate of 2.5%. For the first 12 months of the loan, no principal payments are due and interest is paid by the United Kingdom government. Thereafter, principal and interest payments are the responsibility of the borrower. The loan is payable monthly over a six-year term with no penalty for pre-payment. As of February 28, 2023, the outstanding balance due is GBP 37,577 (\$45,326), of which GBP 11,651 (\$13,918) is current and GBP 25,926 (\$31,408) is long term.

NOTE 8 – LONG TERM INCENTIVE PLAN (LTIP)

On August 1, 2022, the Board of Directors approved the establishment of a Long-Term Incentive Plan (the “Plan”) with 13,838,657 shares of common stock available for issuance. The Plan permits the granting of Nonqualified Stock Options, Incentive Stock Options, Restricted Stock, and Restricted Stock Units. The Plan is intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of Participants who make or are expected to make significant contributions to the Company’s success and to allow Participants to share in the success of the Company. From time to time, the Company may issue Incentive Awards pursuant to the Plan. Each of the awards will be evidenced by and issued under a written agreement.

If an incentive award granted under the Plan expires, terminates, is unexercised or is forfeited, or if any shares are surrendered to the company in connection with an incentive award, the shares subject to such award and the surrendered shares will become available for future awards under the Plan. The number of shares subject to the Plan, and the number of shares and terms of any Incentive Award may be adjusted in the event of any change in our outstanding common stock by reason of any stock dividend, spin-off, stock split, reverse stock split, recapitalization, reclassification, merger, consolidation, liquidation, business combination or exchange of shares, or similar transaction. For the nine months ended February 28, 2023, 7,837,672 shares have been assigned and will vest annually over a four-year period starting August 1, 2023. There are 6,000,985 shares available for future grants under the plan.

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A summary of the Company's stock activity and related information follows:

	# of Restricted Shares	Weighted Average Grant Date FMV
Balance, May 31, 2022	-	-
Restricted shares, assigned	7,837,672	\$ 2.22
Restricted shares forfeited	-	-
Balance, February 28, 2023	7,837,672	\$ 2.22
Vested and Exercisable	-	-

The restricted stocks vests over a four-year period which coincides with the requisite service period. Share-based expenses total \$17,399,632 and are amortized over the vesting period. The expense recognized for the nine months ended February 28, 2023, was \$2,537,446. The remaining expenses (\$14,862,186) will be amortized ratably over the remainder of the vesting period as follows:

Year ending May 31:	Amount
2023	\$ 1,087,477
2024	4,349,908
2025	4,349,908
2026	4,349,908
2027	724,985
Total	\$ 14,862,186

NOTE 9 – INCOME TAXES

As of February 28, 2023, the Company has available unused net operating loss carryforwards from its US based entities of approximately \$8,200,000 (\$1,210,000 at May 31, 2022) which may be applied against future taxable income, and which expire in various years from 2023 through 2040. Due to a substantial change in the Company's ownership during October 2021, there may be annual limitations on the amount of previous net operating loss carryforwards that can be utilized.

The amount of and ultimate realization of the benefits from the net operating loss carryforwards for US income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company, and other future events, the effects of which cannot be determined. Because of the uncertainty surrounding the realization of the net operating loss carryforwards, the Company has established a US valuation allowance equal to the tax effect of the net operating loss carryforwards and, therefore, no deferred tax asset has been recognized in the accompanying financial statements. The net US deferred tax assets are approximately \$1,800,000 and \$254,900 as of February 28, 2023 and May 31, 2022, respectively, with an offsetting valuation allowance of the same amount resulting in a change in the valuation allowance of approximately \$1,545,100 and \$127,890 for the nine months ended February 28, 2023 and for the fiscal year ended May 31, 2022, respectively, (exclusive of effects of Federal tax rate changes).

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Deferred tax assets and the valuation account are as follows:

	February 28, 2023	May 31, 2022
Deferred Tax Asset:		
NOL Carryforward (at 21%)	\$ 1,800,000	\$ 254,900
Valuation Allowance	(1,800,000)	(254,900)
Deferred Tax Assets	\$ -	\$ -

A reconciliation of amounts obtained by applying the Federal tax rate of 21% to pretax income to income tax benefit is as follows:

	February 28, 2023	May 31, 2022
Federal Tax Benefit (at 21%)	\$ 1,560,000	\$ 194,000
Valuation Allowance	(1,560,000)	(194,000)
Deferred Tax Assets	\$ -	\$ -

The Company did not have any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

The Company includes interest and penalties arising from the underpayment of income taxes, if any, in the statements of operations in the provision for income taxes. As of May 31, 2022 and 2021, the Company had no accrued interest or penalties related to uncertain tax positions.

The tax years that remain subject to examination by major taxing jurisdictions are those for the years ended May 31, 2018 through May 31, 2022

NOTE 10 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 14, 2023 which is the date the financial statements were available to be issued and determined that there were no subsequent events or transactions, other than the matters described below, that required recognition or disclosure in the financial statements.

In this report references to “LZG International,” “the Company,” “we,” “us” or “our” refer to LZG International, Inc., a Florida corporation

FORWARD-LOOKING STATEMENTS

The U. S. Securities and Exchange Commission (“SEC”) encourages reporting companies to disclose forward-looking information so that investors can better understand future prospects and make informed investment decisions. This report contains these types of statements. Words such as “may,” “intend,” “expect,” “believe,” “anticipate,” “estimate,” “project,” or “continue” or comparable terminology used in connection with any discussion of future operating results or financial performance identify forward-looking statements. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. All forward-looking statements reflect our present expectation of future events and are subject to a number of important factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

LZG International, Inc. was a “blank check” company until acquired by the current management team on October 23, 2021 (“AI Recap”). Incorporated in the State of Florida on May 22, 2000, as LazyGrocer.Com, Inc., the company offered an online grocery solution, limited its operations in November 2001 and changed its name to LZG International, Inc., on August 28, 2009.

As part of the AI Recap, we capitalized the company with software and related IT Assets, including the Outcomes™ engine and the connected AI Solutions, that use artificial intelligence (“AI”) to help businesses automate and optimize enterprise decision cycles (“AI Solutions”).

Since 2015, our Outcomes™ engine and platform have enabled scores of innovations across dozens of F500 business cases, billions of transactions, and hundreds of millions of behavioral profiles.

In 2019, for example, our AI solution for Bank of America outperformed by over 60% the combined effectiveness and efficiency of BOA’s \$100M state of the art system and 800 of its investigative experts to fight financial crimes.

In November 2021, we launched a foreign exchange (“FX”) AI solution to tackle discriminatory pricing, especially with the start-up, small and mid-sized enterprises (“SMEs”) in the \$6.6 trillion-dollar daily FX market. The solution uses our Peer Intelligence technology to auto-match individual client’s purchase cycles with their currency and supply chain risk to optimize FX and minimize constraints, across thousands of peers, in hundreds of sectors.

On February 23, 2022, we acquired the software assets of Intellagents, LLC, to accelerate our insurance focus.

On June 17, 2022, we acquired all of the capital stock of Prime Source, a Kazakhstani corporation (“Prime Source”) and Prime Source’s affiliates consisting of Prime Source Innovation, Prime Source – Analytical Systems, Digitalism, and InFin-IT Solution.

On September 22, 2022, we acquired all of the capital stock of SO Technology Ltd (“SO Tech”), a multiple award-winning digital agency in the UK.

On November 14, 2022, we acquired all of the capital stock of Predictive Black Ltd (“PB Ltd”), an innovative financial forecasting SaaS business in the UK.

We acquired Prime Source, SO Tech and PB Ltd to expand our international operations and further focus our efforts on software development and IT consulting. All three companies and are being integrated into the world-wide business of the Company.

We have streamlined our focus on delivering AI Solutions to the economic stars of tomorrow (SMEs), driving the majority of the global jobs and GDP growth. We are built on the five “P”-pillars comprising Purpose, Promise, Product, Predictability and People. Our distinctive competency works like WAZE to advance Peer Intelligence™ for SMEs, reflecting the dynamic wisdom of many across geo and industry sectors informed by relevant open-source and proprietary data signals. Our AI Solutions are supported by the Outcomes™ software platform and a 600-person team focused to help SMEs be more effective and efficient with top 5 problems ranked across 10M+ subscribers of Intuit’s QuickBooks.

Material Changes in Financial Condition

Since we are in the initial phases of marketing the FatBrain technology, we may not record significant revenues and may lack funding to cover our operating costs.

At February 28, 2023, we had cash of \$258,043 and total liabilities of \$26,124,075 compared to cash of \$81,567 and total liabilities of \$3,149,738 at May 31, 2022. We have not yet established ongoing sources of revenue sufficient to cover our operating costs at this time. During the nine-month period ended February 28, 2023 (“2023 nine-month period”) we generated \$19,837,547 of revenue but still relied upon advances from related parties to fund our operations. The current conditions continue to raise substantial doubt about our ability to continue as a going concern. We are currently devoting our efforts to obtaining capital from stockholders and/or third parties to cover expenses. We are also seeking to acquire additional companies with established revenue sources. Our ability to continue as a going concern is dependent upon our ability to produce and market the FatBrain technology.

Finalizing long-term, constant revenue generating technology contracts with our existing and other customers remains our greatest challenge because our on-going business is dependent on the types of revenues and cash flows generated by such contracts. Cash flow and cash requirement risks are closely tied to and are dependent upon our ability to attract significant long-term technology contracts

During the next 12 months we anticipate incurring costs related to producing and marketing our FatBrain technology and filing of Exchange Act reports. We believe we will be able to meet these costs through funds provided by management, significant stockholders and third parties until our revenues increase.

Material Changes in Results of Operations

During the 2023 nine-month period, we recorded revenues of \$19,837,547 and net loss of (\$7,229,237). For the nine-month period ended 02/28/22, we recorded revenues of \$86,894 and a net income of \$6,640.

Commitments or Obligations

On May 11, 2022, the Company assumed a promissory note from a related party in connection with an asset acquisition. The \$3,000,000 note bears interest at 8% per annum and is payable on Demand, no later than July 5, 2023. There have been no payments of principle or interest for the loan as of February 28, 2023. Accrued interest at February 28, 2023 is \$191,836.

On June 17, 2022 in connection with the Prime Source Acquisition, the Company issued two promissory notes of \$6,000,000 to each of the former owners of Prime Source. Each loan bears interest of 8% and is payable on prescribed dates per a payment schedule. The final payment is due December, 31, 2023. As of February 28, 2023, the remaining balance due is \$9,000,000 of which \$3,000,000 is considered long term. Accrued interest on February 28, 2023 is \$481,133.

Emerging Growth Company

We qualify as an emerging growth company as that term is used in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). A company qualifies as an emerging growth company if it has total annual gross revenues of less than \$1.07 billion during its most recently completed fiscal year and, as of December 8, 2011, had not sold common equity securities under a registration statement. Under the JOBS Act we are permitted to, and intend to, rely on exemptions from certain disclosure requirements.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC. This information is accumulated to allow timely decisions regarding required disclosure.

Our President, who serves as our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report and he determined that our disclosure controls and procedures were ineffective because we had a control deficiency. During the period we did not have additional personnel to allow segregation of duties to ensure the completeness or accuracy of our information. Due to the size and operations of our Company we are unable to remediate this deficiency until we acquire or merge with another company with more personnel.

Changes to Internal Control over Financial Reporting

Management is responsible to establish and maintain adequate internal control over financial reporting. Our principal executive officer is responsible to design or supervise a process that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The policies and procedures include:

- maintenance of records in reasonable detail to accurately and fairly reflect the transactions and dispositions of assets,
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors, and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

For the nine-months ended February 28, 2023, management has relied on the Committee of Sponsoring Organizations of the Treadway Commission (COSO - 2013), “Internal Control - Integrated Framework,” to evaluate the effectiveness of our internal control over financial reporting. Based upon that framework, management determined that in the preparation of the financial statements we did not have additional personnel to allow segregation of duties to ensure the completeness or accuracy of our information. Accordingly, our President has concluded that our internal control over financial reporting is ineffective because lack of an adequate control environment constitutes a deficiency. Due to the size and operations of the Company we are unable to remediate this deficiency until we acquire or merge with another company with more personnel.

Our management determined that there were no changes made to our internal controls over financial reporting during the quarter ended February 28, 2023, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We know of no material, existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our company.

Item 1a. Risk Factors

A smaller reporting company is not required to provide the information required by this Item.

Item 2. Unregistered Sales Of Equity Securities And Use Of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Shawn Carey, Chief Operating Officer, has departed the Company.

Item 6. Exhibits.

Exhibit No.	Description
3.1	Articles of Incorporation dated May 17, 2000. (1)
3.1.2	Amendment to Articles of Incorporation dated August 28, 2009. (1)
3.2	Bylaws of LZG International, Inc., effective January 28, 2010. (1)
4.6	Description of Securities. (2)
10.1	FatBrain, LLC IT Asset Contribution Agreement, dated October 23, 2021. (3)
10.2	Subscription Agreement Form. (4)
10.3	FatBrain Master Services Agreement with Tempus, Inc., dated May 10, 2021. (5)
10.4	Stock Purchase Agreement dated as of September 22, 2022, by and among Dent Global Limited, Richard Burch, Stephen Gray, Mark Purdy, and Fatbrain Acquisition Company Limited and LZG International Inc. (6)
10.5	Share Purchase Agreement dated as of November 14, 2022, by and among the shareholders of Predictive Black Ltd, Predictive Black Ltd., and Fatbrain Acquisition Company Limited and LZG International Inc. (7)
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit).*

* Filed herewith

** Furnished herewith

- (1) Incorporated by reference to the Company's Form 10, filed on May 26, 2010.
- (2) Incorporated by reference to the Company's Form 10-K, filed on August 29, 2019.
- (3) Incorporated by reference to the Company's Form 8-K, filed on October 28, 2021.
- (4) Incorporated by reference to the Company's Form 8-K, filed on November 26, 2021.
- (5) Incorporated by reference to the Company's Form 10-Q, filed on January 20, 2022.
- (6) Incorporated by reference to the Company's Form 8-K, filed on September 27, 2022.
- (7) Incorporated by reference to the Company's Form 8-K, filed on November 14, 2022.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

April 14, 2023

LZG International, Inc.

By: /s/ Peter B. Ritz
Name: Peter B. Ritz
Title: Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ Peter B. Ritz</u> Peter B. Ritz	Chief Executive Officer (Principal Executive Officer)	April 14, 2023
<u>/s/ Peter B. Ritz</u> Peter B. Ritz	Chief Financial Officer (Principal Financial and Accounting Officer)	April 14, 2023