

MUZHU MINING LTD.

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended December 31, 2024 and 2023

Unaudited- Expressed in Canadian dollars

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

MUZHU MINING LTD.

Unaudited Condensed Consolidated Interim Statements of Financial Position (Expressed in Canadian dollars)

	As at December 31, 2024	As at March 31, 2024
	\$	\$
ASSETS		
Current assets		
Cash	244,860	77,042
Accounts receivable (Note 7)	11,549	187,700
Prepaid expenses	13,611	23,742
Deposit (Note 9)	157,680	-
	427,700	288,484
Equipment (Note 6)	11,861	18,257
Exploration and evaluation assets (Note 7)	990,730	776,134
	1,430,291	1,082,875
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	690,067	162,389
Loan payable (Note 5)	5,000	-
Flow-through share premium liability (Note 8)	22,230	43,400
	717,297	205,789
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	2,672,104	2,489,248
Reserves (Note 4)	819,455	653,486
Share subscriptions received in advance (Note 4)	85,330	-
Deficit	(2,863,895)	(2,265,648)
	712,994	877,086
	1,430,291	1,082,875

Nature of business and going concern (Note 1)
Subsequent event (Note 13)

Approved and authorized for issue on behalf of the Board on March 3, 2025:

"Dwayne Yaretz"

Director

"Jim Stanley"

Director

- See accompanying notes -

MUZHU MINING LTD.

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	Dec 31,	Dec 31,	Dec 31,	Dec 31,
	2024	2023	2024	2023
	\$	\$	\$	\$
Expenses				
Advertising and promotion	-	2,875	2,500	11,250
Consulting and directors' fees (Note 5)	35,445	(32,500)	94,410	130,878
Depreciation (Note 6)	2,168	2,100	6,396	4,201
Filing fees & transfer agent	4,054	4,776	35,038	15,433
Foreign exchange (gain)/loss	3,501	(1,280)	379	13,849
Insurance expense	4,029	4,226	12,089	12,677
Office and general	7,224	8,557	13,409	20,547
Professional fees	10,687	9,254	34,027	37,567
Property investigation costs (Note 7 & 9)	172,575	-	302,567	150,720
Share-based compensation (Notes 4 & 5)	-	-	55,055	-
Travel, meals, and entertainment	4,529	315	18,535	39,022
Wages and benefits	21,324	32,350	67,242	91,071
Total Expenses	(265,536)	(30,673)	(641,647)	(527,215)
Interest income	-	1,625	-	1,625
Flow-through premium recovery (Note 8)	43,400	24,000	43,400	51,600
Resource tax credit (Note 7)	-	168,685	-	168,685
Write off of accounts payable	-	6,693	-	6,963
Income/(loss) and comprehensive income/(loss)	(222,136)	170,330	(598,247)	(298,342)
Income/(loss) per share – basic and diluted	\$0.00	\$0.00	\$(0.01)	\$(0.01)
Weighted average number of common shares outstanding – basic and diluted	38,557,211	35,825,549	38,019,323	35,077,643

- See accompanying notes -

MUZHU MINING LTD.

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

For the nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

	Common shares		Subscription received in advance	Reserves	Deficit	Total
	#	\$	\$	\$	\$	\$
Balance, March 31, 2023	32,403,878	2,298,916	65,485	576,447	(1,860,951)	1,079,897
Private placement – non flow-through	3,421,670	273,734	(65,485)	-	-	208,249
Relative fair value of warrants	-	(110,734)	-	110,734	-	-
Fair value of brokers' warrants	-	(533)	-	533	-	-
Share issue costs	-	(6,363)	-	-	-	(6,363)
Loss for the period	-	-	-	-	(298,342)	(298,342)
Balance, December 31, 2023	35,825,548	2,455,020	-	687,714	(2,159,293)	983,441
Balance, March 31, 2024	35,825,549	2,489,248	-	653,486	(2,265,648)	877,086
Private placement – flow through	2,223,000	200,070	-	-	-	200,070
Flow-through liability	-	(22,230)	-	-	-	(22,230)
Relative fair value of warrants	-	(68,840)	-	68,840	-	-
Fair value of brokers' warrants	-	(5,699)	-	5,699	-	-
Private placement – non flow-through	2,707,500	135,375	-	-	-	135,375
Relative fair value of warrants	-	(36,375)	-	36,375	-	-
Share issue costs	-	(19,445)	-	-	-	(19,445)
Share subscriptions received in advance	-	-	85,330	-	-	85,330
Share-based compensation	-	-	-	55,055	-	55,055
Loss for the period	-	-	-	-	(598,247)	(598,247)
Balance, December 31, 2024	40,756,049	2,672,104	85,330	819,455	(2,863,895)	712,994

- See accompanying notes -

MUZHU MINING LTD.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

	2024	2023
	\$	\$
Cash provided by (used in):		
Operating activities		
Net loss for the period	(598,247)	(298,342)
Items not affecting cash:		
Share-based compensation	55,055	-
Depreciation	6,396	4,201
Flow-through premium recovery	(43,400)	(51,600)
Net Change in non-cash working capital balances related to operations:		
Accounts receivable	176,151	38,602
Prepaid expenses	10,131	6,812
Accounts payable and accrued liabilities	337,676	(8,607)
	(56,238)	(308,934)
Investing activities		
Exploration and evaluation asset additions	(28,705)	(134,084)
Deposit paid	(157,680)	
Mining tax credit received	3,111	
Purchase of property and equipment	-	(24,552)
	(183,274)	(158,636)
Financing activities		
Shares issued for cash	335,445	208,249
Share issue costs	(18,445)	(6,363)
Loan received	5,000	-
Share subscriptions received in advance	85,330	-
	407,330	201,886
Net change in cash	167,818	(265,684)
Cash, beginning of period	77,042	543,668
Cash, end of period	244,860	277,984
Supplemental cash flow info:		
Non-cash transactions	\$	\$
Exploration and evaluation asset additions included in accounts payable	189,002	86,434
Fair value of warrants	105,215	110,734
Fair value of finder's warrants	5,699	533
Fair value of shares for subscriptions received in advance	85,330	65,485
Share issue costs included in accounts payable	1,000	-
Flow-through share liability	22,230	-

- See accompanying notes -

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

NOTE 1 – NATURE OF BUSINESS AND GOING CONCERN

Muzhu Mining Ltd. (“MUZHU” or the “Company”) was incorporated under the Business Corporations Act of British Columbia on January 24, 2018. The Company’s common shares are listed for trading on the Canadian Securities Exchange. The address of the Company’s head office is 240 Sherbrooke Street, Suite 3206, New Westminster, BC, V3L 0A4, Canada and the registered office is 1125 Howe Street, Suite 1400, Vancouver, BC, V6Z 2K8, Canada.

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

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. The Company has experienced losses and negative cash flow from operations since incorporation. As at December 31, 2024, the Company had not yet generated revenues and had an accumulated deficit of \$2,863,895. These factors indicate the existence of a material uncertainty that may cast 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 condensed consolidated 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. Such adjustments could be material.

Recent global issues, including the ongoing COVID-19 pandemic and geo-political conflicts have adversely affected workplaces, economies, supply chains, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of these issues and their effects on the Company’s business or results of operations this time.

NOTE 2 – BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards using accounting policies consistent with the IFRS Accounting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They are prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

These condensed consolidated interim financial statements are presented in Canadian dollars which is the Company’s and its subsidiary’s functional currency.

The board of directors approved these financial statements on March 3, 2025.

a) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its direct wholly-owned subsidiary. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated interim financial statements.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

Note 2 – BASIS OF PRESENTATION (continued)

(a) Principles of consolidation (continued)

Name of Subsidiary	Country of Incorporation	Percentage of Ownership	Principal Activity
Luoyang Sow International Mining Company Ltd.	China	100%	Exploration in China

(b) Significant accounting policies

These condensed consolidated interim financial statements do not include all of the significant accounting policies required by IFRS for complete financial statements for year-end reporting purposes. These financial statements should be read together with the audited financial statements for year ended March 31, 2024 which in Note 2 detail all significant accounting policies adopted by the Company. The Company's accounting policies have been applied consistently to all periods presented in these unaudited condensed consolidated interim financial statements.

(c) Significant accounting judgments and estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgements are choices in accounting policies and disclosures which management believes are supported by facts and circumstances existing at the date of the consolidated financial statements.

The Company's significant estimates and judgements are as follows:

- Going concern - significant judgments are used in the Company's assessment of its ability to continue as a going concern as described in Note 1.
- Valuation and recoverability of exploration and evaluation assets. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project.
- Valuation of share-based payments – the Company records all share-based payments and warrants using the fair value method. The Company uses the Black-Scholes model to determine the fair value of stock options, warrants and finders' warrants. The main factor affecting the estimates is the stock price expected volatility used.

NOTE 3 – RECENT ACCOUNTING PRONCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. Many are not applicable or do not have a significant impact on the company and have been excluded.

IAS 1 - In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023. The amendment was adopted by the Company and does not have a material impact on the Company's financial position, results of operations or cash flows.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024. Management believes that this amendment will not have a material impact on the Company's present or future financial position, results of operations or cash flows.

IFRS 18 – Presentation and Disclosure in Financial Statements, which will replace IAS 1, aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date. Management believes that IFRS 18 will likely have a material impact on the Company's future presentation of consolidated financial statements.

NOTE 4 – SHARE CAPITAL

a) Common shares

The Company's authorized capital consists of an unlimited number of common shares without par value.

Fiscal 2025 Transactions:

- (i) On May 21, 2024, the Company completed a non-brokered private placement by issuing 2,707,500 units at \$0.05 per unit for gross proceeds of \$135,375. Each unit consists of one common share and one warrant. Each warrant is exercisable for a period of one year at \$0.07 per share.
- (ii) On December 30, 2024, the Company completed a non-brokered private placement by issuing 2,223,000 flow-through units at \$0.09 per unit for gross proceeds of \$200,070. Each unit consists of one flow-through common share and one warrant. Each warrant is exercisable for a period of three years at \$0.12 per share. The amount of the flow-through share liability associated with the flow-through shares was determined to be \$22,230 based on the difference between the fair value price per share of the flow-through and the non flow-through private placement announced concurrently (closed subsequent to December 31, 2024 – see Note 13). In connection with the private placement, the Company issued 155,610 brokers' warrants, with each warrant being exercisable for a period of 3 years at \$0.12 per share. The Company incurred \$15,005 of share issue costs associated with the private placement.

Fiscal 2024 Transactions:

- (i) On May 10, 2023, the Company issued 3,421,670 units at \$0.08 per unit, each unit comprises one share and one whole warrant exercisable at \$0.12 for a period of two years for gross proceeds of \$273,734, of which \$65,485 was received on or before March 31, 2023 and recorded in subscriptions received in advance.

b) Stock options

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

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

NOTE 4 – SHARE CAPITAL (continued)

b) Stock options (continued)

The following table summarizes the stock option activity for the nine months ended December 31, 2024 and the year ended March 31, 2024:

March 31, 2024	Granted	Exercised	Expired Unexercised	Cancelled	December 31, 2024	Exercise Price	Expiry Date
400,000	-	-	-	-	400,000	\$0.14	January 5, 2027
250,000	-	-	-	-	250,000	\$0.14	January 5, 2027
250,000	-	-	-	-	250,000	\$0.14	February 10, 2027
850,000	-	-	-	-	850,000	\$0.10	February 22, 2028
-	1,450,000	-	-	-	1,450,000	\$0.05	April 4, 2029
1,750,000	1,450,000	-	-	-	3,200,000	\$0.09	

March 31, 2023	Granted	Exercised	Expired Unexercised	Cancelled	March 31, 2024	Exercise Price	Expiry Date
1,005,000	-	-	-	(605,000)	400,000	\$0.14	January 5, 2027
250,000	-	-	-	-	250,000	\$0.14	January 5, 2027
250,000	-	-	-	-	250,000	\$0.14	February 10, 2027
1,175,000	-	-	-	(325,000)	850,000	\$0.10	February 22, 2028
2,680,000	-	-	-	(930,000)	1,750,000	\$0.12	

- (i) On April 4, 2024, the Company granted 1,450,000 stock options to directors, officers, and consultants of the Company at an exercise price of \$0.05. The options expire on April 4, 2024 and vested immediately. A fair value of \$55,055 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: risk-free interest rate – 3.58%; expected volatility - 100%; dividend yield - nil; expected life - five years; and share price at date of grant - \$0.05.

The following weighted average assumptions were used for calculating the share-based compensation in the nine months ended December 31, 2024 and 2023:

	2024	2023
Stock price volatility	100.00%	-
Risk-free interest rate	3.58%	-
Expected life of options	5.00 years	-
Expected dividend yield	0.00%	-

c) Warrants

Details of warrants activity for the nine months ended December 31, 2024 and the year ended March 31, 2024 are as follows:

March 31, 2024	Issued	Exercised	Expired unexercised	December 31, 2024	Exercise Price	Expiry Date
1,450,000	-	-	(1,450,000)	-	\$0.12	December 19, 2024
3,088,750	-	-	-	3,088,750	\$0.12	March 24, 2025
3,433,670	-	-	-	3,433,670	\$0.12	May 10, 2025
-	2,707,500	-	-	2,707,500	\$0.07	May 21, 2025
-	2,378,610	-	-	2,378,610	\$0.12	December 30, 2027
7,972,420	5,086,110	-	(1,450,000)	11,608,530	\$0.11	

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

NOTE 4 – SHARE CAPITAL (continued)

c) Warrants (continued)

March 31, 2023	Issued	Exercised	Expired	March 31, 2024	Exercise Price	Expiry Date
1,138,333	-	-	(1,138,333)	-	\$0.20	June 29, 2023
1,450,000	-	-	-	1,450,000	\$0.12	December 19, 2024
3,088,750	-	-	-	3,088,750	\$0.12	March 24, 2025
2,407,500	-	-	(2,407,500)	-	\$0.15	March 30, 2024
-	3,433,670	-	-	3,433,670	\$0.12	May 10, 2025
8,084,583	3,433,670	-	(3,545,833)	7,972,420	\$0.12	

The following weighted average assumptions were used in calculating the fair value of warrants issued in the nine months ended December 31, 2024 and 2023:

	2024	2023
Stock price volatility	100.00%	100.00%
Risk-free interest rate	2.90%	3.68%
Expected life of warrants	3.00 years	2.00 years
Expected dividend yield	0.00%	0.00%

NOTE 5 – RELATED PARTY TRANSACTIONS AND BALANCES

As of December 31, 2024, the Company has a balance due to directors and officers of \$83,505 (March 31, 2024 - \$69,438).

On August 13, 2024, the Company received a \$5,000 non-interest bearing, on-demand loan from a director and officer of the Company.

A family member of one of the Directors of the Company was paid \$Nil for consulting fees for the nine months ended December 31, 2024 (2023 – \$12,000).

Key management personnel compensation

Key management personnel consist of officers and directors, former officers and former directors of the Company. Remuneration of key management personnel was \$85,548 for the nine months ended December 31, 2024 (2023 - \$104,202).

During the nine months ended December 31, 2024, there were 850,000 options issued to key management and directors resulting in a non-cash share-based compensation expense of \$32,274. There were no options granted in the nine months ended December 31, 2023.

NOTE 6 – PROPERTY AND EQUIPMENT

During the year ended March 31, 2024, the Company purchased a vehicle. The vehicle was purchased for \$24,552, with depreciation expense of \$6,396 incurred during the nine months ended December 31, 2024 (2023 - \$4,201). The carrying value of the vehicle as of December 31, 2024 was \$11,861 (March 31, 2024 - \$18,257).

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the nine months ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

NOTE 7 - EXPLORATION AND EVALUATION ASSETS

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

	Sleeping Giant	
	South Property	Total
Balance, March 31, 2023	\$ 724,301	\$ 724,301
Drilling	103,572	103,572
Geology	116,946	116,946
Resource tax credit received	(168,685)	(168,685)
Balance, March 31, 2024	776,134	776,134
Geology	217,707	217,707
Resource tax credit received	(3,111)	(3,111)
Balance, December 31, 2024	\$ 990,730	\$ 990,730

NOTE 7 – EXPLORATION AND EVALUATION ASSETS (continued)

LMM Property

Muzhu Mining Ltd. has formed a strategic alliance through its wholly owned subsidiary, Luoyang Sow International Mining Company Ltd., 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 parties agreed to explore and develop the Niujuangou Mine area. During the year ended March 31, 2024, the Company paid 800,000 RMB (2023: 200,000 RMB) to a consulting company for property investigative work on the LMM Property, however the work was not completed and a total of 1,000,000 RMB was refunded to the Company in the nine months ended December 31, 2024. During the nine months ended December 31, 2024, the Company has expensed \$Nil (2023 - \$150,720) to property investigation costs related to the property.

XWG Property

On November 22, 2021, the Company entered into, renewed on November 23, 2022, and amended on November 21, 2023, an option agreement with Lingbao Yida Mining Co., Ltd., ("Lingbao") 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 amended option agreement, the Company is required to:

(a) incur minimum expenditures on the property of not less than an aggregate of \$3,000,000 according to the following schedule:

- (i) \$500,000 on or before November 22, 2024;
- (ii) an additional \$1,000,000 on or before November 22, 2025;
- (iii) an additional \$1,500,000 on or before November 22, 2026.

(b) issuing and delivering to Lingbao an aggregate of 3,750,000 common shares according to the following schedule:

- (iv) 1,250,000 common shares on or before to February 19, 2024 (the Company was in process of renegotiating the share issuance terms with Lingbao as at December 31, 2024);
- (v) 1,000,000 common shares on or before February 20, 2025;
- (vi) 1,500,000 common shares on or before November 22, 2026.

Upon earning 60% in the XWG property, the Company can elect to earn in an additional 20% interest upon completion of a valuation report in exchange for cash and/or shares.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

During the nine months ended December 31, 2024, the Company has expensed \$Nil (2023 - \$Nil) to property investigation costs related to the XWG Property.

Sleeping Giant South Property

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"), in the Quevillon Mining Camp in Quebec. The Company has completed the purchase agreement in fiscal 2021.

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

- (i) Make a cash payment of \$7,888 on or before December 31, 2020 (paid);
- (ii) Issue 3,500,000 common shares of the Company on or before December 31, 2020 (issued at value of \$175,000); and
- (iii) Pay a net smelter returns royalty ("NSR") equal to 3%.

The Property is subject to:

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

NOTE 8 – FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance, March 31, 2023	\$ 95,000
Settlement of flow-through premium liability to qualifying expenditures	(51,600)
Balance, March 31, 2024	\$ 43,400
Additions	22,330
Settlement of flow-through premium liability to qualifying expenditures	(43,400)
Balance, December 31, 2024	22,330

NOTE 9 – WULONGGUO GOLD MINE PROJECT

On December 13, 2024, the Company, entered into a three-year agreement with Luoning County Qian Shan Mining Co., Ltd ("LCQS") to investigate a prospective gold project at the Wulongguo Gold Mine ("WGM"), located in Henan Province, China. As part of the agreement, the Company will pay a \$1M RMB refundable security deposit to LCQS (\$800,000 RMB paid as at December 31, 2024) and spend \$600,000 RMB in the first year of the agreement for investigative costs (\$1,582,463 RMB or \$302,567 incurred as property investigation costs during the nine months ended December 31, 2024). The fees will be renegotiated for the second and third years of the agreement.

NOTE 10 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The carrying value of these financial instruments approximates their fair values due to their immediate or short-term maturity.

Management of Risks Arising From Financial Instruments

The Company is exposed to various types of market risks including liquidity risk, credit risk, interest rate risk, political risk, foreign currency fluctuation risk, and commodity price risk. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

NOTE 10 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Management of Risks Arising From Financial Instruments (continued)

(i) 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 currently settles its financial obligations out of cash or through the issuance of common shares. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year. The Company is exposed to liquidity risk.

(ii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. Cash is held with a major Canadian financial institution in Canada and the Bank of China in China. The Chinese government exercises significant control over China's economic growth by controlling payment of foreign currency-denominated obligations. While management does not believe that there is significant credit risk arising from the concentration of credit risk from the Company's customers, the foreign exchange controls imposed by the Chinese government may have an impact on the Company's cash flows.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

(iv) Political Risk

The Company has a subsidiary in the People's Republic of China. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

(v) Foreign Currency Fluctuation Risk

The international nature of the Company's operations results in foreign exchange risk. The Company's operating costs and vendors are primarily in Canada and the People's Republic of China. Any fluctuations of the Canadian dollar in relation to the Chinese Yuan may affect the profitability of the Company and the value of the Company's assets and liabilities.

(vi) Commodity Price Risk

The Company's future success is linked to the price of minerals, because the value of mineral resources and the Company's future potential revenues are tied to prices of minerals. Worldwide production levels also affect the prices. The prices of minerals are occasionally subject to rapid short-term changes due to speculative activities.

NOTE 11 – SEGMENTED INFORMATION

a) Operating Segment

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada and the People's Republic of China.

The Company's geographic information as at December 31, 2024 and March 31, 2024 are as follows:

	December 31,		March 31,	
Total Assets	2024		2024	
Canada	\$	1,231,057	\$	796,838
China		199,234		286,037
Total	\$	1,430,291	\$	1,082,875

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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NOTE 12 – CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the nine months ended December 31, 2024. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the near future to meet its obligations.

NOTE 13 – SUBSEQUENT EVENT

On January 8, 2025, the Company closed a non-brokered private placement of 1,741,630 non flow-through units at \$0.08 per unit. Each unit consists of one non flow-through common share and one warrant entitling the holder to purchase one common share at \$0.12 per share for a period of one year after issuance date.