

MUZHU MINING LTD.

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended December 31, 2023 and 2022

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, 2023 | As at March 31, 2023 |
|---|----------------------------|-------------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash | 277,984 | 543,668 |
| GST receivable | - | 38,602 |
| Prepaid expenses | 16,903 | 23,715 |
| | 294,887 | 605,985 |
| Property and equipment (Note 6) | 20,351 | - |
| Exploration and evaluation assets (Note 7) | 944,819 | 724,301 |
| | 1,260,057 | 1,330,286 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 233,216 | 155,389 |
| Flow through share premium liability (Note 8) | 43,400 | 95,000 |
| | 276,616 | 250,389 |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | |
| Share capital (Note 4) | 2,455,020 | 2,298,916 |
| Reserves (Note 4) | 687,714 | 576,447 |
| Subscriptions received in advance (Note 4) | - | 65,485 |
| Deficit | (2,159,293) | (1,860,951) |
| | 983,441 | 1,079,897 |
| | 1,260,057 | 1,330,286 |

Nature of business and going concern (Note 1)

Approved and authorized for issue on behalf of the Board on February 28, 2024:

"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, 2023 and 2022

(Expressed in Canadian dollars)

| | Three months ended | | Nine months ended | |
|--|--------------------|------------------|-------------------|------------------|
| | Dec 31, | Dec 31, | Dec 31, | Dec 31, |
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ |
| Expenses | | | | |
| Advertising and promotion | 2,875 | 34,875 | 11,250 | 75,900 |
| Consulting and directors' fees (Note 5) | (32,500) | 53,567 | 130,878 | 161,902 |
| Depreciation (Note 6) | 2,100 | - | 4,201 | - |
| Filing fees & transfer agent | 4,776 | 3,351 | 15,433 | 14,141 |
| Foreign exchange (gain)/loss | (1,280) | - | 13,849 | - |
| Insurance expense | 4,226 | 3,888 | 12,677 | 11,664 |
| Office and general | 8,557 | 9,734 | 20,547 | 11,124 |
| Professional fees | 9,254 | 24,415 | 37,567 | 65,106 |
| Property investigation costs (Note 7) | - | 306,578 | 150,720 | 443,824 |
| Share-based compensation (Notes 4 & 5) | - | - | - | 28,800 |
| Travel, meals, and entertainment | 315 | 8,257 | 39,022 | 14,266 |
| Wages and benefits | 32,350 | 39,876 | 91,071 | 39,876 |
| Total Expenses | (30,673) | (487,541) | (527,215) | (866,603) |
| Interest income | 1,625 | - | 1,625 | - |
| Flow-through premium recovery (Note 8) | 24,000 | 52,030 | 51,600 | 52,030 |
| Resource tax credit | 168,685 | - | 168,685 | - |
| Write off of accounts payable | 6,693 | - | 6,963 | - |
| Income/(loss) and comprehensive income/(loss) | 170,330 | (435,511) | (298,342) | (814,573) |
| Income/(loss) per share – basic and diluted | \$0.00 | \$ (0.02) | \$(0.01) | \$ (0.03) |
| Weighted average number of common shares outstanding – basic and diluted | 35,825,549 | 24,931,216 | 35,077,643 | 23,564,581 |

- See accompanying notes -

MUZHU MINING LTD.

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

For the nine months ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

| | Common shares | | Subscription received in advance | Reserves | Deficit | Total |
|---------------------------------------|-------------------|------------------|----------------------------------|----------------|--------------------|------------------|
| | # | \$ | \$ | \$ | \$ | \$ |
| Balance, March 31, 2022 | 22,328,461 | 1,711,722 | - | 224,000 | (1,140,342) | 795,380 |
| Shares issued under private placement | 4,776,667 | 485,700 | - | - | - | 485,700 |
| Valuation of broker warrants | - | - | - | 80,100 | - | 80,100 |
| Share issue costs | - | (103,200) | - | - | - | (103,200) |
| Flow through share premium | - | (50,000) | - | - | - | (50,000) |
| Share-based compensation | - | - | - | 28,800 | - | 28,800 |
| Loss for the period | - | - | - | - | (814,573) | (814,573) |
| Balance, December 31, 2022 | 27,105,128 | 2,044,222 | - | 332,900 | (1,954,915) | 422,207 |
| Balance, March 31, 2023 | 32,403,878 | 2,298,916 | 65,485 | 576,447 | (1,860,951) | 1,079,897 |
| Shares issued under private placement | 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 |

- See accompanying notes -

MUZHU MINING LTD.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended December 31 2023 and 2022

(Expressed in Canadian dollars)

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Cash provided by (used in): | | |
| Operating activities | | |
| Net loss for the period | (298,342) | (814,573) |
| Items not affecting cash: | | |
| Share-based compensation | - | 28,800 |
| Depreciation | 4,201 | - |
| Flow-through premium recovery | (51,600) | (52,030) |
| Net Change in non-cash working capital balances related to operations: | | |
| GST receivable | 38,602 | (31,991) |
| Prepaid expenses | 6,812 | (41,442) |
| Accounts payable and accrued liabilities | (8,607) | 217,240 |
| | (308,934) | (693,996) |
| Investing activities | | |
| Exploration and evaluation asset additions | (134,084) | 1,039 |
| Purchase of property and equipment | (24,552) | - |
| | (158,636) | 1,039 |
| Financing activities | | |
| Shares issued for cash | 208,249 | 485,700 |
| Share issue costs | (6,363) | (103,200) |
| | 201,886 | 382,500 |
| Net change in cash | (265,684) | (310,457) |
| Cash, beginning of period | 543,668 | 555,149 |
| Cash, end of period | 277,984 | 244,692 |

Supplemental cash flow info:

| | \$ | \$ |
|---|---------|--------|
| Non-cash transactions | | |
| Exploration and evaluation asset additions included in accounts payable | 86,434 | - |
| Fair value of warrants | 110,734 | 80,100 |
| Fair value of finder's warrants | 533 | - |
| Fair value of shares for subscriptions received in advance | 65,485 | - |

- See accompanying notes -

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2023 and 2022

(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 4353 Halifax Street, Suite 904, Burnaby, BC, V5C 5Z4 and the registered office is 777 Hornby Street, Suite 600, Vancouver, BC, V6Z 1S4, Canada.

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

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 of December 31, 2023, the Company had not yet generated revenues and had an accumulated deficit of \$2,159,293. 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. In late February 2022, Russia launched a large-scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, China, NATO and the West, including Canada. Consequently, the Company has limited access to capital and financing, which is the primary source of cash for the Company. While the Company continues to monitor the investment portfolio and assess the impact that these events will have on its business activities, the extent of the effect of these events on the Company’s future activities is uncertain.

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 February 29, 2024.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements For the nine months ended December 31, 2023 and 2022 (Expressed in Canadian dollars)

Note 2 – BASIS OF PRESENTATION (continued)

(b) Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its direct wholly-owned subsidiary: Luoyang Sow International Mining Company Ltd., located in the People's Republic of China.

(c) 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 the fifteen months ended March 31, 2023 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.

(d) Significant accounting policies adopted

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price, any costs of parts over \$5,000 directly attributable to bringing the asset to the condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Any other costs are expensed as incurred.

The Company amortizes the cost less estimated residual values on a straight-line method over the estimated useful life of the asset. The estimated useful lives of the assets are as follows:

| | |
|----------|---------|
| Vehicles | 3 years |
|----------|---------|

An asset is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of loss and comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

(e) Significant accounting judgments and estimates

The preparation of consolidated 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.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

Note 2 – BASIS OF PRESENTATION (continued)

(e) Significant accounting judgments and estimates (continued)

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 broker/finder warrants. The main factor affecting the estimates is the stock price expected volatility used. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options.

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.

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.

NOTE 4 – SHARE CAPITAL

a) Common shares

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

Fiscal 2023 Transactions:

- On June 29, 2022, the Company issued 2,276,667 units at \$0.12 per unit. Each unit was comprised of one share and one half warrant, with each whole warrant exercisable at \$0.20 for a period of one year for gross proceeds of \$273,200.
- On December 19, 2022, the Company issued 2,500,000 flow through units at \$0.085 per unit. Each unit was comprised of one share and one half warrant, with each whole warrant exercisable at \$0.12 for a period of two years for gross proceeds of \$212,500 with flow through share premium of \$50,000.
- On March 24, 2023, the Company issued 3,048,750 units at \$0.08 per unit, with each unit comprised of one share and one whole warrant exercisable at \$0.12 for a period of two years for gross proceeds of \$243,900.
- On March 30, 2023, the Company issued 2,250,000 flow through units at \$0.10 per unit for gross proceeds of \$225,000 with flow through share premium of \$45,000. Each unit was comprised of one share and one whole warrant exercisable at \$0.15 for a period of one year.

MUZHU MINING LTD.**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

For the nine months ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

NOTE 4 – SHARE CAPITAL (continued)**a) Common shares (continued)****Fiscal 2024 Transactions:**

- (i) On May 10, 2023, the Company issued 3,421,670 units at \$0.08 per unit 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. Each unit was comprised of one share and one whole warrant exercisable at \$0.12 for a period of two years.

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.

The following table summarizes the stock option activity for the nine months ended December 31, 2023 and the fifteen months ended March 31, 2023:

| December 31, 2021 | Granted | Exercised | Expired Unexercised | Cancelled | March 31 and December 31, 2023 | Exercise Price | Expiry Date |
|----------------------|------------------|-----------|------------------------|------------------|--------------------------------------|-------------------|-------------------|
| - | 1,330,000 | - | - | (325,000) | 1,005,000 | \$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 | - | - | - | 1,175,000 | \$0.10 | February 22, 2028 |
| - | 3,005,000 | - | - | (325,000) | 2,680,000 | \$0.12 | |

c) Warrants

Details of warrants activity for the nine months ended December 31, 2023 and the fifteen months ended March 31, 2023 are as follows:

| March 31, 2023 | Issued | Exercised | Expired | December 31, 2023 | 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 | - | (1,138,333) | 10,379,920 | \$0.13 | |

| December 31, 2021 | Issued | Exercised | Expired | March 31, 2023 | Exercise Price | Expiry Date |
|----------------------|------------------|-----------|------------------|-------------------|-------------------|-------------------|
| 195,113 | - | - | (195,113) | - | \$0.17 | December 21, 2022 |
| - | 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 |
| 195,113 | 8,084,583 | - | (195,113) | 8,084,583 | \$0.14 | |

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the nine months ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

NOTE 4 – SHARE CAPITAL (continued)

c) Warrants (continued)

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

| | December 31, 2023 | March 31, 2023 |
|---------------------------|----------------------|-------------------|
| Stock price volatility | 100.00% | 132.93% |
| Risk-free interest rate | 3.68% | 3.16% |
| Expected life of warrants | 2.00 years | 1.56 years |
| Expected dividend yield | 0.00% | 0.00% |

NOTE 5 – RELATED PARTY TRANSACTIONS AND BALANCES

As of December 31, 2023, the Company has a balance due to directors and officers of \$34,850 (March 31, 2023 - \$33,841).

A family member of one of the Directors of the Company was paid \$12,000 for consulting fees for the nine months ended December 31, 2023 (2022 – \$13,500).

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 \$104,202 for the nine months ended December 31, 2023 (2022 - \$73,500).

NOTE 6 – PROPERTY AND EQUIPMENT

During the nine months ended December 31, 2023, the Company purchased a vehicle. The vehicle was purchased for \$24,552, with depreciation expense of \$4,201 incurred during the nine months ended December 31, 2023. The carrying value of the vehicle as of December 31, 2023 was \$20,351 (March 31, 2023 - \$Nil).

NOTE 7 - EXPLORATION AND EVALUATION ASSETS

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

| | Sleeping Giant | | | Total |
|-----------------------------------|-------------------|--------------|-----------|----------------|
| | South Property | XWG Property | | |
| Balance, December 31, 2021 | \$ 281,946 | \$ - | \$ | 281,946 |
| Geology | 303,579 | - | | 303,579 |
| Geophysics | 131,737 | - | | 131,737 |
| Environmental & permitting | 7,039 | - | | 7,039 |
| Additions | 442,355 | - | | 442,355 |
| Balance, March 31, 2023 | 724,301 | - | | 724,301 |
| Drilling | 103,572 | - | | 103,572 |
| Geology | 116,946 | - | | 116,946 |
| Additions | 220,518 | - | | 220,518 |
| Balance, December 31, 2023 | \$ 944,819 | \$ - | \$ | 944,819 |

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

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 agree to explore and develop the Niujuangou Mine area where the Company has incurred \$150,720 for the nine months ended December 31, 2023 (2022 - \$Nil) in 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 31, 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;
 - (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.

The Company has expensed \$Nil (2022 - \$Nil) to property investigation costs related to the 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.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

NOTE 8 – FLOW-THROUGH SHARE PREMIUM LIABILITY

| | |
|---|------------------|
| Balance, December 31, 2021 | \$ 52,030 |
| Flow-through premium liability additions | 95,000 |
| Settlement of flow-through premium liability to qualifying expenditures | (52,030) |
| Balance, March 31, 2023 | 95,000 |
| Settlement of flow-through premium liability to qualifying expenditures | (51,600) |
| Balance, December 31, 2023 | \$ 43,400 |

NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as follows:

| Fair Value Measurements Using | | | | |
|--------------------------------------|---|---|--|-------------|
| | Quoted Prices in Active Markets For Identical Instruments (Level 1) \$ | Significant Other Observable Inputs (Level 2) \$ | Significant Unobservable Inputs (Level 3) \$ | Total \$ |
| December 31, 2023 | | | | |
| Cash | 277,984 | – | – | 277,984 |
| March 31, 2023 | | | | |
| Cash | 543,668 | – | – | 543,668 |

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.

(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 GST receivable. Cash is held with a major Canadian financial institution in Canada and the Bank of China in China and the receivables are due from Government entities. Management is of the view that all amounts are fully collectible.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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 10 – 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, 2023 and March 31, 2023 are as follows:

| | December 31, | | March 31, | |
|---------------------|--------------|------------------|-----------|------------------|
| Total Assets | 2023 | | 2023 | |
| Canada | \$ | 1,128,194 | \$ | 1,132,404 |
| China | | 131,863 | | 197,882 |
| Total | \$ | 1,260,057 | \$ | 1,330,286 |

NOTE 11 – 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 period ended December 31, 2023. 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.