

MUZHU MINING LTD.

Condensed Consolidated Interim Financial Statements

Three and Six Months Ended September 30, 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 September 30, 2024	As at March 31, 2024
	\$	\$
ASSETS		
Current assets		
Cash	16,521	77,042
Accounts receivable (Note 7)	5,328	187,700
Prepaid expenses	16,466	23,742
Deposit (Note 9)	154,000	-
	192,315	288,484
Equipment (Note 6)	14,029	18,257
Exploration and evaluation assets (Note 7)	773,023	776,134
	979,367	1,082,875
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	244,002	162,389
Loan payable (Note 5)	5,000	-
Flow-through share premium liability (Note 8)	43,400	43,400
	292,402	205,789
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	2,583,808	2,489,248
Reserves (Note 4)	744,916	653,486
Deficit	(2,641,759)	(2,265,648)
	686,965	877,086
	979,367	1,082,875

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

Approved and authorized for issue on behalf of the Board on November 29, 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 six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

	Three months ended		Six months ended	
	Sept 30, 2024	Sept 30, 2023	Sept 30, 2024	Sept 30, 2023
	\$	\$	\$	\$
Expenses				
Advertising and promotion	-	2,875	2,500	8,375
Consulting and directors' fees (Note 5)	24,747	98,408	58,965	163,378
Depreciation (Note 6)	2,121	2,101	4,228	2,101
Filing fees & transfer agent	5,675	6,348	30,984	10,657
Foreign exchange (gain)/loss	(2,086)	(933)	(3,122)	15,129
Insurance expense	4,030	4,225	8,060	8,451
Office and general	2,273	8,413	6,185	11,990
Professional fees	(11,377)	10,433	23,340	28,313
Property investigation costs (Note 7 & 9)	128,102	(2,372)	129,992	150,720
Share-based compensation (Notes 4 & 5)	-	-	55,055	-
Travel, meals, and entertainment	5,895	35,295	14,006	38,707
Wages and benefits	22,092	31,215	45,918	58,721
	181,472	196,008	376,111	496,542
Flow-through premium recovery (Note 8)	-	(27,600)	-	(27,600)
Loss and comprehensive loss	181,472	(168,408)	(376,111)	(468,942)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding – basic and diluted	38,533,049	35,825,549	37,748,909	35,077,643

- See accompanying notes -

MUZHU MINING LTD.

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

For the six months ended September 30, 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
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	-	-	-	-	(468,942)	(468,942)
Balance, September 30, 2023	35,825,548	2,455,020	-	687,714	(2,329,893)	812,841
Balance, March 31, 2024	35,825,549	2,489,248	-	653,486	(2,265,648)	877,086
Shares issued under private placement	2,707,500	135,375	-	-	-	135,375
Relative fair value of warrants	-	(36,375)	-	36,375	-	-
Share issue costs	-	(4,440)	-	-	-	(4,440)
Share-based compensation	-	-	-	55,055	-	55,055
Loss for the period	-	-	-	-	(376,111)	(376,111)
Balance, September 30, 2024	38,533,049	2,583,808	-	744,916	(2,641,759)	686,965

- See accompanying notes -

MUZHU MINING LTD.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

	2024	2023
	\$	\$
Cash provided by (used in):		
Operating activities		
Net loss for the period	(376,111)	(379,062)
Items not affecting cash:		
Share-based compensation	55,055	28,800
Depreciation	4,228	-
Net Change in non-cash working capital balances related to operations:		
Accounts receivable	182,372	(8,237)
Prepaid expenses	(146,724)	(102,384)
Accounts payable and accrued liabilities	81,613	(5,399)
	(199,567)	(466,282)
Investing activities		
Exploration and evaluation asset additions	-	1,039
Deposit paid	(154,000)	-
Mining tax credit received	3,111	-
	3,111	1,039
Financing activities		
Shares issued for cash	135,375	273,200
Share issue costs	(4,440)	(3,100)
Loan received	5,000	-
	135,935	270,100
Net change in cash	(60,521)	(195,143)
Cash, beginning of period	77,042	555,149
Cash, end of period	16,521	360,006
Supplemental cash flow info:		
Non-cash transactions	\$	\$
Exploration and evaluation asset additions included in accounts payable	-	65,537
Fair value of warrants	36,375	110,734
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 six months ended September 30, 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 September 30, 2024, the Company had not yet generated revenues and had an accumulated deficit of \$2,641,759. 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 November 29, 2024.

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 six months ended September 30, 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 six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

NOTE 3 – RECENT ACCOUNTING POUNDCEMENTS (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.

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.

The following table summarizes the stock option activity for the six months ended September 30, 2024 and the year ended March 31, 2024:

March 31, 2024	Granted	Exercised	Expired Unexercised	Cancelled	September 30, 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	

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

NOTE 4 – SHARE CAPITAL (continued)

b) Stock options (continued)

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 six months ended September 30, 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 six months ended September 30, 2024 and the year ended March 31, 2024 are as follows:

March 31, 2024	Issued	Exercised	Expired	September 30, 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
7,972,420	2,707,500	-	-	10,679,920	\$0.11	

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	

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the six months ended September 30, 2024 and 2023
(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 six months ended September 30, 2024 and 2023:

	2024	2023
Stock price volatility	100.00%	100.00%
Risk-free interest rate	4.21%	3.68%
Expected life of warrants	1.00 years	2.00 years
Expected dividend yield	0.00%	0.00%

NOTE 5 – RELATED PARTY TRANSACTIONS AND BALANCES

As of September 30, 2024, the Company has a balance due to directors and officers of \$105,397 (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 six months ended September 30, 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 \$55,905 for the six months ended September 30, 2024 (2023 - \$129,147).

During the six months ended September 30, 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 six months ended September 30, 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 \$4,228 incurred during the six months ended September 30, 2024 (2023 - \$Nil). The carrying value of the vehicle as of September 30, 2024 was \$14,029 (March 31, 2024 - \$18,257).

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
Resource tax credit received	(3,111)	(3,111)
Balance, September 30, 2024	\$ 773,023	\$ 773,023

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

(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 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 six months ended September 30, 2024. During the six months ended September 30, 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 February 19, 2024 (the Company was in process of renegotiating the share issuance terms with Lingbao as at September 30, 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.

During the six months ended September 30, 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%.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the six months ended September 30, 2024 and 2023
(Expressed in Canadian dollars)

NOTE 7 – EXPLORATION AND EVALUATION ASSETS (continued)

Sleeping Giant South Property (continued)

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 and September 30, 2024	\$	43,400

NOTE 9 – WULONGGUO GOLD MINE PROJECT

On September 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 September 30, 2024) and spend \$600,000 RMB in the first year of the agreement for investigative costs (\$685,610 RMB spent as property investigation costs during the six months ended September 30, 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.

(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.

MUZHU MINING LTD.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the six months ended September 30, 2024 and 2023
(Expressed in Canadian dollars)

NOTE 10 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Management of Risks Arising From Financial Instruments (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 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 September 30, 2024 and March 31, 2024 are as follows:

	September 30,		March 31,	
Total Assets	2024		2024	
Canada	\$	799,142	\$	796,838
China		180,225		286,037
Total	\$	979,367	\$	1,082,875

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 six months ended September 30, 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 EVENTS

Subsequent to September 30, 2024, the Company announced a non-brokered private placement of up to 3,750,000 units at \$0.08 per unit. Each unit consists of one 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.