



Consolidated Financial Statements
For the years ended March 31, 2023 and 2022
(Expressed in United States dollars, unless otherwise noted)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Xali Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Xali Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that as at March 31, 2023 the Company incurred a net loss of \$1,529,073, and as of that date, the Company's current liabilities exceed current assets by \$4,383,662, and the Company had cumulative losses of \$35,437,267. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters ("KAMs") are those matters that in the auditor's professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of Impairment Indicators of Equipment

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's equipment was \$692,375 as of March 31, 2023. As more fully described in Note 3 to the consolidated financial statements, management assesses equipment for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of equipment is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to use these assets to generate future economic benefits. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the equipment.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the equipment through discussion and communication with management.
- Assessing compliance with agreements including reviewing option agreements and vouching share issuances.
- Assessing the Company's rights to the equipment including sending a confirmation request to the optionor to ensure good standing of agreement.

Assessment of Asset Retirement Obligation

As described in Note 5 to the consolidated financial statements, the Company recognized an asset retirement obligation was \$80,353 as at March 31, 2023. As more fully described in Note 3 to the consolidated financial statements, accounting for the Company's asset retirement obligation requires management to exercise judgment and make estimates on the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations.

The principal considerations for our determination that the asset retirement obligation is a key audit matter are that there were judgments made by management when assessing the reclamation work to be performed, and estimation uncertainty as to the amount and timing of costs to be incurred. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the estimates and judgments made by management in their assessment of the asset retirement obligation

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating and testing key assumptions, estimates and judgments applied by management in preparing the calculations.
- Evaluating the independence, objectivity and competence of management's specialist who assisted management with cost estimates.
- Assessing the appropriateness and accuracy of the rehabilitation model and changes in the cost estimates against the prior year calculation.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

July 31, 2023

Xali Gold Corp.

Consolidated Statements of Financial Position

(expressed in United States dollars unless otherwise noted)

As at	Notes	March 31, 2023	March 31, 2022
Assets			
Current assets			
Cash		\$ 37,026	\$ 33,522
Receivables		9,010	13,208
Prepaid expenses and deposits		8,143	31,000
		54,179	77,730
Non-current assets			
Unproven mineral right interests	4	2	87,497
Equipment	5	692,375	466,462
Total non-current assets		692,377	553,959
Total assets		\$ 746,556	\$ 631,689
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4,6,8	\$ 4,391,818	\$ 3,029,802
Loan payable	6	20,000	-
Loan from related party	8	26,023	8,178
		4,437,841	3,037,980
Non-current liabilities			
Asset retirement obligation	5	80,353	36,263
Total non-current liabilities		80,353	36,263
Total liabilities		4,518,194	3,074,243
Shareholders' deficiency			
Share capital	7	25,673,260	25,404,687
Obligation to issue shares	7	-	21,703
Reserves	7	5,992,369	6,039,250
Accumulated deficit		(35,437,267)	(33,908,194)
Total shareholders' deficiency		(3,771,638)	(2,442,554)
Total liabilities and shareholders' deficiency		\$ 746,556	\$ 631,689
Nature of operations and going concern	1		
Subsequent event	13		
Approved on behalf of the Board of Directors on July 31, 2023			
(signed) Larry Kornze Director		(signed) George Elliot Director	

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

Xali Gold Corp.

Consolidated Statements of Loss and Comprehensive Loss

For years ended March 31, 2023 and 2022

(expressed in United States dollars unless otherwise noted)

		Year ended March 31,	
	Note	2023	2022
Expenses			
Exploration expenses	10	\$ 760,090	\$ 428,340
General and administrative expenses	10	457,542	542,445
		1,217,632	970,785
Other expenses			
Impairment of unproven mineral right interests	4	113,652	117,565
Loss on foreign exchange		197,789	151,825
Loss on settlement of debt	7	-	55,103
Loss for the year		\$ (1,529,073)	\$ (1,295,278)
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Foreign currency translation		(80,263)	160,415
Comprehensive loss for the year		\$ (1,609,336)	\$ (1,134,863)
Loss per share attributable to shareholders, basic and diluted		\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted		136,222,933	124,869,463

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

Xali Gold Corp.

Consolidated Statements of Changes in Shareholders' Deficiency

For years ended March 31, 2023 and 2022

(expressed in United States dollars unless otherwise noted)

	Notes	Share Capital		Reserves					Deficit	Total
		Total common shares	Share capital	Equity settled employee compensation and warrants	Other reserve	Foreign currency reserve	Total reserves	Obligation to issue shares		
Balance at March 31, 2021		119,206,923	\$ 24,617,507	\$ 5,972,131	\$ 52,046	\$ (204,876)	\$ 5,819,301	\$ 26,861	\$ (32,612,916)	\$ (2,149,247)
Shares issued for property	4,7	5,420,934	289,207	-	-	-	-	(26,861)	-	262,346
Shares issued for cash	7	7,048,333	335,003	-	-	-	-	-	-	335,003
Share issuance costs	7	-	(1,728)	-	-	-	-	-	-	(1,728)
Shares issued, exercise of options	7	875,000	34,633	-	-	-	-	-	-	34,633
Reallocate FMV of options exercised	7	-	22,267	(22,267)	-	-	(22,267)	-	-	-
Shares issued for services	7	1,140,430	107,798	-	-	-	-	21,703	-	129,501
Share-based payments	7	-	-	81,801	-	-	81,801	-	-	81,801
Net loss		-	-	-	-	-	-	-	(1,295,278)	(1,295,278)
Foreign currency translation		-	-	-	-	160,415	160,415	-	-	160,415
Balance at March 31, 2022		133,691,620	25,404,687	6,031,665	52,046	(44,461)	6,039,250	21,703	(33,908,194)	(2,442,554)
Shares issued for property	4,7	250,000	12,889	-	-	-	-	-	-	12,889
Share issuance costs	7	-	(542)	-	-	-	-	-	-	(542)
Shares issued for services	7	1,162,933	74,404	-	-	-	-	(21,703)	-	52,701
Shares issued for asset under acquisition (SDA Plant)	5,7	4,125,758	181,822	-	-	-	-	-	-	181,822
Share-based payments	7	-	-	33,382	-	-	33,382	-	-	33,382
Net loss for the year		-	-	-	-	-	-	-	(1,529,073)	(1,529,073)
Foreign currency translation		-	-	-	-	(80,263)	(80,263)	-	-	(80,263)
Balance at March 31, 2023		139,230,311	\$ 25,673,260	\$ 6,065,047	\$ 52,046	\$ (124,724)	\$ 5,992,369	\$ -	\$ (35,437,267)	\$ (3,771,638)

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

Xali Gold Corp.

Consolidated Statements of Cash Flows

For years ended March 31, 2023 and 2022

(expressed in United States dollars unless otherwise noted)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash provided by (used) in		
Operating		
Loss for the year	\$ (1,529,073)	\$ (1,295,278)
Items not affecting cash		
Impairment of unproven mineral right interests	113,652	117,565
Depreciation	-	274
Share-based payments	33,382	81,801
Loss on settlement of debt	-	55,103
Shares issued for consulting services	52,701	-
Foreign exchange	124,617	243,829
Changes in non-cash working capital items:		
Decrease (increase) in receivables	4,198	(11,662)
Decrease (increase) in prepaid expenses and deposits	26,621	(20,758)
Increase in accounts payable and accrued liabilities	1,152,314	563,155
Net cash change in operating activities	(21,588)	(265,971)
Investing		
Value added tax	-	(24,494)
Option payments	-	(45,000)
Option payments received	-	12,000
Addition to unproven mineral right interests	(13,268)	(70,258)
Net cash used in investing activities	(13,268)	(127,752)
Financing activities		
Proceeds from private placement	-	279,223
Share issuance costs	(542)	(1,728)
Obligation to issue shares	-	21,703
Loan payable	20,000	-
Loan from related party	18,902	60,743
Issue of common shares for:		
Exercise of options	-	34,633
Net cash provided by financing activities	38,360	394,574
Net change in cash	3,504	851
Cash at beginning of year	33,522	32,671
Cash at end of year	\$ 37,026	\$ 33,522
Significant non-cash transactions:		
Common shares issued for unproven mineral rights interests	\$ 12,889	\$ 58,188
Common shares issued for SDA plant	\$ 181,822	\$ 231,020
Asset retirement obligation	\$ 44,090	\$ 36,263
Obligation to issue shares fulfilled	\$ 21,703	\$ -
Common shares issued for debt settlement	\$ -	\$ 107,798
Reallocate FMV of options exercised from reserves to share capital	\$ -	\$ 22,267

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

Xali Gold Corp.

Consolidated financial statements

For years ended March 31, 2023 and 2022

(Expressed in United States dollars unless otherwise noted)

1. Nature of operations and going concern

Xali Gold Corp. and its subsidiaries (the "Company") are engaged in the exploration of mineral right interests in Mexico, Peru, and Canada. The Company was incorporated on April 24, 2009 under the Business Corporation Act of British Columbia.

The principal subsidiaries of the Company as at March 31, 2023 are as follows:

Subsidiary	Interest	Functional Currency
Candente Mexico Resource Corp.	100%	CDN Dollars
EI Oro (BC) Exploration Inc.	100%	CDN Dollars
Candente Gold Peru S.A.	100%	US Dollars
Minera CCM, S.A. de C.V. ("CCM")	100%	US Dollars
Minera CCM EI Oro Jales S.A. de C.V.	100%	US Dollars
Candente Mexico Servicios S.A. de C.V.	100%	US Dollars
Minera Xali Oro S.A. de C.V.	100%	US Dollars
Candente Gold Mexico Jales (BVI) Ltd.	100%	US Dollars
EI Oro Jales I (BVI) Ltd.	100%	US Dollars
EI Oro Jales II (BVI) Ltd.	100%	US Dollars

The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol XGC.V. The Company's share options and warrants are not listed.

As of the date of these consolidated financial statements, the Company has not yet determined whether any of its mineral right interests contain economically recoverable mineral reserves. Accordingly, the value of mineral right interests represents cumulative acquisition costs incurred to date and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to complete their exploration and development and to resolve any environmental, regulatory, or other constraints.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the year ended March 31, 2023, the Company had a loss of \$1,529,073 and, as at March 31, 2023, current liabilities exceed current assets by \$4,383,662, and the Company had cumulative losses of \$35,437,267. The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds through the issuance of securities, resource secured debt or joint venture projects. Although, the Company has been successful in raising funds in the past there can be no assurance that the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. In addition, the Company is subject to sovereign risk, including political and economic instability, changes in existing government regulations relating to mining, as well as currency fluctuations and local inflation. These factors indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

Xali Gold Corp.

Consolidated financial statements

For years ended March 31, 2023 and 2022

(Expressed in United States dollars unless otherwise noted)

1. Nature of operations and going concern (continued)

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

2. Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board in effect as of March 31, 2023.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

3. Significant accounting policies

a. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements. These estimates and judgments have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Critical accounting estimates and judgements

i. Valuation of share-based payments and warrants

When options and warrants are issued, the Company calculates their estimated fair value using the Black-Scholes valuation model. The Company uses its historical stock prices to determine volatility and historical exercise terms to determine expected lives to arrive at the inputs that are used in the valuation model to calculate the fair value of the option or warrant.

ii. Asset retirement obligation

The Company's rehabilitation provision represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

iii. Going concern

Management assesses the Company's ability to continue as a going concern in relation to its ability to raise funds.

Xali Gold Corp.

Consolidated financial statements

For years ended March 31, 2023 and 2022

(Expressed in United States dollars unless otherwise noted)

3. Significant accounting policies (continued)

iv. Unproven mineral right interests and impairment

Unproven mineral right interests consist of the cost of acquiring licenses. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current, and it is considered probable that the costs will be recouped through successful development and exploitation of the area or alternatively by sale of the property. Management is required to exercise significant judgment in determining the timing of the determination of the technical and economic feasibility of the mineral resource. The Company considers both external and internal sources of information in assessing whether there are any indicators that unproven mineral right interests are impaired.

v. Functional currency

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment in which the entity operates, and the Company reconsiders its functional currency and that of its subsidiaries if there is a change in events and conditions which determined the primary economic environment.

vi. Property and equipment

The carrying amounts of assets included in property and equipment are reviewed for impairment whenever facts and circumstances indicate that the carrying amounts are less than the recoverable amounts. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in the quantity and grade of the recoverable reserves or resources; (iii) changes in commodity prices, capital and operating costs; and (iv) changes in foreign exchange and interest rates, are evaluated by management in determining whether there are any indicators of impairment.

b. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following: power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

Inter-company transactions, balances and income and expenses on transactions between the Company and its subsidiaries are eliminated.

Xali Gold Corp.

Consolidated financial statements

For years ended March 31, 2023 and 2022

(Expressed in United States dollars unless otherwise noted)

3. Significant accounting policies (continued)

c. Foreign currency translation

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates, which has been determined to be the US or Canadian dollar ("CAD"). Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the period end date exchange rates. Non-monetary items are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The presentation currency of the Company is the US dollar. The accounts of group companies with a functional currency other than the US dollar are translated from their functional currency into US dollars on consolidation. Items in profit or loss are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the statement of financial position are translated at the exchange rate at the financial position date. Exchange differences on the translation of the net assets of the entities are recognized in a separate component of equity.

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in profit and loss.

d. Unproven mineral right interests

The Company capitalizes all costs, net of any recoveries, of acquiring an unproven mineral right interest, until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property or written-off if the rights are disposed of, impaired or abandoned. Exploration costs prior to the discovery of commercially viable reserves and resources are expensed as incurred.

Management reviews the carrying amounts of mineral rights interest annually or when there are indicators of impairment and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. An indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, or if the entity has decided to discontinue exploration activity in a specific area.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights interest. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the costs of the related mineral rights interest, with any excess being included in operations.

Expenses incurred by the Company in Peru, including exploration expenses, are subject to Peruvian Value Added Tax ("VAT"). Given that the Company is in the exploration stage and has no sources of revenue, the VAT is not currently refundable to the Company, but can be used in the future to offset amounts due to the Peruvian taxation authorities by the Company resulting from VAT charged to clients on future sales. The VAT has been included as part of unproven mineral right interests.

Xali Gold Corp.

Consolidated financial statements

For years ended March 31, 2023 and 2022

(Expressed in United States dollars unless otherwise noted)

3. Significant accounting policies (continued)

e. Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and 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.

Equipment items are depreciated over their estimated useful lives on a straight-line basis over their estimated useful lives, at the following rates: 3 to 10 years for equipment and 4 years for vehicles and field equipment.

An item of equipment 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 profit or loss.

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

f. Asset retirement obligation

Asset retirement obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, final mill closure or site reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

The present value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date the cost is charged to profit or loss.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profit or loss as extraction progresses.

Xali Gold Corp.

Consolidated financial statements

For years ended March 31, 2023 and 2022

(Expressed in United States dollars unless otherwise noted)

3. Significant accounting policies (continued)

g. Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(i) Classification (continued)

The following table shows the classification under IFRS 9:

Financial Assets	
Cash	Amortized cost
Receivables	Amortized cost
Financial Liabilities	
Accounts payable and accrued liabilities	Amortized cost
Due to related party	Amortized cost
Loan payable	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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3. Significant accounting policies (continued)

g. Financial instruments (continued)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

h. Income taxes

Current taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred taxation

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax

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3. Significant accounting policies (continued)

h. Income taxes (continued)

benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where, the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

i. Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the fair value of the goods and services received cannot be reliably estimated, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

j. Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve the issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending upon the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued using the residual value method and are included in equity with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transaction cost are accounted for as share-based payments.

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3. Significant accounting policies (continued)

k. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

l. Impairment of non-financial assets

Impairment of non-financial assets

At each date of the statement of financial position or whenever the facts and circumstances indicate that the asset may exceed its recoverable amount, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

m. Loss per share

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings (loss) per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. For the years presented, this calculation provides to be anti-dilutive.

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3. Significant accounting policies (continued)

n. Future accounting standards

As the date of authorization of these consolidated financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments are not expected to have a material impact on the Company's consolidated financial statements.

4. Unproven mineral right interests

As at March 31, 2023 and 2022, the Company's capitalized unproven mineral right interests costs are as follows:

	Balance at March 31, 2022	Acquisition costs and additions	Impairment	Balance at March 31, 2023
Canadian Properties				
Victoria project	\$ 51,084	\$ 11,354	\$ (62,438)	\$ -
Mexican Properties				
El Oro - Hardrock	1	-	-	1
Peruvian Properties	1	-	-	1
Value-added tax	36,411	14,803	(51,214)	-
Closing balance	\$ 87,497	\$ 26,157	\$ (113,652)	\$ 2

	Balance at March 31, 2021	Acquisition costs and additions	Impairment	Balance at March 31, 2022
Canadian Properties				
Victoria project	\$ -	\$ 51,084	\$ -	\$ 51,084
Mexican Properties				
El Oro - Hardrock	1	-	-	1
Cocula Project	32,400	85,165	(117,565)	-
Peruvian Properties	1	-	-	1
Value-added tax	13,581	22,830	-	36,411
Closing balance	\$ 45,983	\$ 159,079	\$ (117,565)	\$ 87,497

Mexican Properties:

El Oro – Hardrock

On January 31, 2017, the Company acquired the remaining 30% interest in the El Oro Project (the "El Oro Project") in Mexico (the "Transferred Interest") from Desarrollos Mineros San Luis, S.A. de C.V. ("DMSL"), a subsidiary of Goldcorp Inc. ("Goldcorp", which is merged with Newmont Mining Corporation). The Company now holds a 100% interest in the El Oro Project as it had previously earned a 70% interest in the El Oro Project from Goldcorp. As consideration for the acquisition of the Transferred Interest, the Company agreed to issue to DMSL (or its nominee) an aggregate of 5,000,000 common shares of the Company with a value of \$1,343,305.

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4. Unproven mineral right interests (continued)

El Oro – Hardrock (continued)

The property consists of twenty-six claims and is subject to two 3% net smelter return (“NSR”) royalty agreements. One agreement is on twenty of the twenty-six claims and the other is on twelve of the twenty-six claims.

For the year ended March 31, 2017, bi-annual land holding payments were made by Goldcorp. When the Company acquired the remaining 30% of the El Oro property in January 2017, these payments became the responsibility of the Company, and, as at March 31, 2023, \$2,839,449 (March 31, 2022 - \$1,638,961) has been accrued as a liability to the Mexican government for land holding costs. During the year ended March 31, 2019, management decided to not to continue exploring the El Oro Project at which time the carrying value was impaired to \$1.

El Oro Mine Tailings

During the year ended March 31, 2014, the Company signed an agreement with the Municipality of El Oro (“Municipality”) that provides the Company with the access and processing rights to tailings deposits in El Oro, Mexico (the “Tailings Project”). Upon signing the agreement, \$25,000 was due and paid with monthly contributions of \$3,000 for community projects. The Municipality cancelled the obligation to pay \$3,000 per month in April 2015, when their tourist activities in the San Juan tunnel started interfering with normal usage of the tunnel by the Company. Under the terms of the agreement, the Company will pay an 8% net profits interest (“NPI”) royalty to the Municipality on any products produced from the tailings properties. The Company is entitled to retain the first \$1,500,000 of the 8% NPI payable to the Municipality.

On March 8, 2016, the Company entered into an agreement with Sun River Gold Corp. (“SRG”) to grant SRG the option to earn a 51% interest in the Company’s tailings project through an indirect ownership of the Company’s Mexican subsidiary, Minera CCM EL Oro Jales, S.A. de C.V. (“CCM El Oro Jales”). On November 9, 2018, the 2016 agreement was superseded by a definitive agreement with the following terms: SRG was required to make staged payments totaling \$300,000 (paid), over a period of fifteen months; bring the mine tailings properties into commercial production within 36 months of the effective date of the option agreement; and grant to the Company a 10% of NPI royalty on production from the properties. The definitive agreement allows SRG to reduce the NPI payable to the Company from 10% to 5% by paying an additional \$200,000 (paid) in increments of \$50,000 at the end of each quarter.

During the year ended March 31, 2021, the Company received the final payments of \$110,325 of which \$5,325 was applied directly against certain general and administrative fees from SRG required to reduce the NPI to 5%. On making all required payments and, if commercial production has been achieved by October 31, 2021, Sun River will indirectly acquire a 100% interest in the subsidiary CCM El Oro Jales.

On March 31, 2022, the Company renewed both the tailings agreement and the tourism agreement with Municipality. The terms of the agreements have no substantial changes but do include the obligation to employ persons from El Oro on a preferential basis.

Renewing the tailings agreement is the final item required for SRG, who have the option to acquire 100% of the Tailings Project from CCM El Oro Jales, to receive permits to operate the tailings reprocessing facility at El Oro, Mexico.

On January 4, 2022, the Company amended the earn-in option agreement with SGR as follows:

1. An initial extension of the option expiry date from October 31, 2021 to April 30, 2022 under the following terms for monthly payments of \$2,000 starting November 2021 and a one time payment of \$5,400. During the year ended March 31, 2023, \$5,400 was received (2022 - \$12,000).

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4. Unproven mineral right interests (continued)

El Oro Mine Tailings (continued)

2. If commercial production is not achieved by May 1, 2022, the Company will grant a second extension of the option expiry date to December 31, 2022 for monthly payments of \$15,000 starting May 1, 2022. Once commercial production has been achieved SRG must make monthly payments of \$50,000 for the first year, and 5% of NPI thereafter. In addition, SRG will make the first \$1,500,000 of the municipality NPI payment during the first three years of operations. This agreement has been extended to August 31, 2022 such that payments of \$15,000 should start after that unless otherwise agreed to.

On December 30, 2022, Xali granted SRG a third extension of the Option expiry date to December 31, 2023 under the following terms:

- a) Continuation of advance NPI payment of \$15,000 per month per amended earn-in option agreement. As at March 31, 2023, cumulative monthly payments of \$120,000 have been received (2022 - \$Nil).
- b) Advance NPI payments of
 - i) \$35,000 by January 6, 2023 (received \$19,000 as at March 31, 2023);
 - ii) \$50,000 by June 30, 2023 (not received);
 - iii) \$75,000 within 20 days of receiving the Financing for construction.
- c) If any additional 6 months is required to get into Operation and the Company is satisfied with permitting status then an additional 6 months extension for commencing operations will be granted if the following payment is made:
 - i) \$75,000 on December 31, 2023.

Cocula property

On November 25, 2020 the Company entered into an agreement with concession holders for the right to explore certain concessions, referred to as the Cocula Gold Project ("Cocula Project"), in Jalisco State, Mexico. Under the terms of the agreement, the Company will have three years to bring the project to commercial production and must make the following payments in cash:

- i) \$10,000 upon signing of the Letter of Intent (paid);
- ii) \$20,000 upon signing of a Definitive Agreement ("DA") and completion of due diligence within 60 days (paid);
- iii) A payment of \$20,000 on the execution date (paid);
- iv) A payment of \$20,000 six months following the execution date (paid);
- v) A payment of \$25,000 twelve months following the execution date (paid);
- vi) A payment of \$30,000 eighteen months following the execution date (extended to June 2022);
- vii) A payment of \$35,000 twenty-four months following the execution date;
- viii) A payment of \$45,000 thirty months following the execution date; and
- ix) A payment of \$55,000 thirty-six months following the execution date.
- x) Upon commencement of production, the owner of the Property will receive a minimum consideration of \$25,000 per quarter deductible from mining profits for each quarter.

It will be the Company's responsibility to put the property into production and the concession holders will retain 25% of the profits derived from mining, processing, and product sales.

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4. Unproven mineral right interests (continued)

Cocula Property (continued)

Should the Company be unable to reach commercial production within three years of the execution date, it has the right to extend the term for an additional two years in the event it is demonstrated by one or more mining experts paid by the Company that such extension is needed for the commencement of the commercial production. During the year ended March 31, 2022, the Company impaired the Cocula Project to \$Nil as management had no immediate plans to continue pursuing the Project. On October 10, 2022 the agreement was formally terminated.

Victoria property

On July 12, 2021, the Company entered into an option agreement (the "Victoria Agreement") to acquire 100% interest in the Victoria property located in Newfoundland and Labrador. The Property comprises 79 claims.

To acquire 100% interest in the Victoria property, the Company must complete the following over three years:

- Issuing a total of 3.5 million shares;
- Making payments of a total of CAD \$100,000;
- Funding exploration activities of CAD \$650,000;
- Issue 175,000 shares (5% finders fees).

The Victoria Agreement is subject to a 2.0% NSR for which the Company has the right to buyback 1% of the NSR for CAD \$1,000,000 at any time.

During the year ended March 31, 2022, the Company paid CAD \$25,000 and issued 500,000 common shares on closing of the Victoria Agreement to the optionors. In addition, 25,000 finders' shares were issued.

During the year ended March 31, 2023, the Company terminated the Victoria Agreement and issued 250,000 shares in two tranches of 125,000 shares on October 31, 2022 with a fair value of CAD \$8,750 and 125,000 shares on November 30, 2022 with a fair value of CAD \$8,750 (Note 8b)). As at March 31, 2023, the Company recorded an impairment loss of \$62,438 as management has no immediate plans to continue pursuing the property.

EI Dorado property

On May 20, 2021, the Company announced it had signed a new Exploration and Production Agreement ("EPA") with Ingenieros Mineros, S.A. de C.V. ("IMSA") on the EI Dorado Property. The EPA gives the Company the right to explore and produce gold, silver, and other metals for the life of the mine.

Under the EPA, the Company has the obligation to pay IMSA the following:

- \$30,000 per year until the start of commercial production, up to a maximum of 5 years;
- A minimum of \$60,000 per year after 5 years or upon commencement of production; and
- During commercial production, a NSR of:
 - 3.5% until payments reach an aggregate amount of \$350,000; of which \$200,000 is payable in cash and \$150,000 in the Company's common shares (using a 30 day volume weighted average share price).
 - 3.0% to an aggregate of \$600,000.
 - 2.5% to an aggregate of \$850,000.
 - 1.0% through the life of mine.

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4. Unproven mineral right interests (continued)

El Dorado property (continued)

All annual payments are to be credited towards the NSR payments. As at March 31, 2023, no payments have been made under the EPA, management and IMSA are in negotiations to amend the EPA.

On April 6, 2022, the Company entered into a non-binding letter of intent (“LOI”) with Sierra Madre Gold and Silver Ltd. (“Sierra”) for a proposed acquisition. The Company received \$20,000 on signing of LOI which was recorded to other income. The LOI expired 60 days after signing as a definitive agreement was not executed.

Peruvian properties:

As at March 31, 2023, the Company has maintained in good standing a portion of the Tres Marias and Las Brujas properties. There is a legal mortgage over the mining concession associated with the Tres Marias property of \$50,000 and a 1.5% NSR royalty on the sale of mineral products extracted from the concession, both in favour of a third party. During the year ended March 31, 2021, the Company recorded an impairment loss of \$284,576, as the Company has no immediate plans to pursue the property; however, the Company will maintain the title to the property and will continue to seek opportunities.

5. Equipment

Mill

On September 23, 2020, the Company closed on a definitive agreement with Magellan Acquisition Corp. (“Magellan”) that gives the Company through its wholly owned subsidiary Minera Xali Oro S.A. de C.V. in Mexico the right to earn up to a 100% interest in an ore mill processing plant located in San Dieguito de Arriba, Mexico (the “SDA Plant”) and take over an option agreement on the El Dorado property.

On October 28, 2022, the Company increased its interest in the SDA plant from 30% to 50% by issuing 4,125,758 shares at a price of CAD\$0.066 to Magellan as per amended agreement dated October 28, 2022 that updated the terms of the third option to \$200,000 per 50% acquisition and the fifth option to \$575,000 per 100% ownership.

Under the terms of the agreements the Company is required to make the following payments in cash and common shares:

- i) A payment of \$5,000 upon signing (paid);
- ii) 5,000,000 common shares upon the completion of due diligence and the signing of a definitive agreement to earn a 10% interest (issued);
- iii) Common shares with a value of \$100,000 on or before March 23, 2021 to earn a 20% interest (1,428,571 shares issued on July 5, 2021);
- iv) Common shares with a value of \$150,000 on or before September 23, 2021 to earn a 30% interest ((2,467,363 shares issued on December 21, 2021));
- v) Common shares with a value of \$200,000 on or before March 23, 2022 to earn a 50% interest (4,125,758 common shares issued October 28, 2022);
- vi) Common shares with a value of \$400,000 on or before September 23, 2022 to earn a 70% interest and (extended to September 30, 2023 pursuant to an amendment agreement dated July 26, 2023)
- vii) Common shares with a value of \$575,000 on or before March 23, 2023 to earn a 100% interest. (extended to April 30, 2024 pursuant to an amendment agreement dated July 26, 2023)

The total number of shares to be issued for the 100% interest will not exceed 33,500,000 common shares. During year ended March 31, 2023, the Company has acquired 50% interest by complying with (i) to (v) noted above.

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5. Equipment (continued)

Mill (continued)

The Company can, at its discretion, elect to terminate this agreement either by serving a notice of termination in writing or by failure to complying with options (ii) through (vii) noted above within the prescribed time for each option. On such a termination event, the Company shall pay a penalty of US\$5 per tonne of ore processed for a period 24 months. This rate will be reduced in proportion to the Company's ownership interests prior to such termination.

A continuity schedule of the Company's equipment is as follows:

	Equipment	SDA Plant	Total
Cost			
As at March 31, 2021	\$ 5,745	\$ 198,675	\$ 204,420
Additions and changes in ARO estimates	-	267,283	267,283
As at March 31, 2022	5,745	465,958	471,703
Additions and changes in ARO estimates	-	225,913	225,913
As at March 31, 2023	\$ 5,745	\$ 691,871	\$ 697,616
Accumulated depreciation			
As at March 31, 2021	\$ (4,967)	\$ -	\$ (4,967)
Additions and changes in ARO estimates	(274)	-	(274)
As at March 31, 2022	(5,241)	-	(5,241)
Additions and changes in ARO estimates	-	-	-
As at March 31, 2023	\$ (5,241)	\$ -	\$ (5,241)
Net book value			
As at March 31, 2022	504	465,958	466,462
As at March 31, 2023	\$ 504	\$ 691,871	\$ 692,375

The SDA Plant requires certain restorations to be commissioned, accordingly, no depreciation was recorded as of March 31, 2023 since it is not yet available for use.

Agreement with Minera Cinco Reales

During the year ended March 31, 2023, the Company has signed a binding letter of intent (the Agreement) which defines terms for profit sharing with Minera Cinco Reales S.A. de C.V. ("MCR") on the SDA Plant.

Beginning in the first full month of production, or no later than the fourth month from the signing of this agreement, the Company will have the right to receive 15% of the net profits from any mineral that is processed at the SDA Plant, or minimum payments as follows:

- \$10,000 in fourth month from signing the Agreement;
- \$20,000 in the fifth month;
- \$30,000 in the sixth month;
- \$40,000 in the seventh to tenth months; and
- \$50,000 from month eleven on.

Before the fourth month, MCR will make advance payments of net profits to the Company of:

- \$6,500 dated January 30, 2023;
- \$6,500 dated February 27, 2023; and
- \$6,500 dated March 22, 2023.

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5. Equipment (continued)

Mill (continued)

Upon the execution of this Agreement, MCR will act as the only operator of the plant and will have the exclusive option to obtain permits and refurbish the plant and equipment to operational status and to manage and operate the SDA Plant for their benefit for an initial period of 14 months. MCR has the right to renew the agreement every 14 months unless the Company has reason to cancel the Agreement due to "non-performance" payments or misuse of the plant.

The Company did not receive any advances as at March 31, 2023 and subsequent to year end the Company is in the process of formally terminating the agreement.

Asset retirement obligation

The Asset Retirement Obligation ("ARO") represents the estimated costs for required future reclamation and restoration activities. These activities include removal of site structures and infrastructure, recontouring and revegetation of previously used areas and the management of water and water quality in and around the site. Most of the reclamation and site restoration expenditures occur near the end of, or after, the life of the asset which is yet to be determined.

During the year ended March 31, 2023, the Company recorded increase in ARO of \$44,090 (2022 - \$36,263). ARO balance as at March 31, 2023 is \$80,353 (2022 - \$36,263).

6. Accounts payable and accrued liabilities

	March 31, 2023	March 31, 2022
Trade payables	\$ 370,935	\$ 328,338
Due to directors and officers (Note 8)	492,079	435,404
Due to Candente Copper Corp. (Note 8)	595,023	622,213
Accrued liabilities - mining fees - El Oro (Note 4)	2,839,449	1,638,961
Accrued liabilities - other	94,332	4,886
	\$ 4,391,818	\$ 3,029,802

On February 17, 2022, the Company settled a debt with a vendor for CAD\$67,800 by issuing 1,140,430 common shares (Note 7). During the year the Company received a loan of \$20,000 (2022 - \$nil) from a third party. This loan bears no interest and is repayable on demand.

7. Capital and equity reserve

a. Shares authorized

The Company has an unlimited number of common shares with no par value.

b. Shares issued

At March 31, 2023, the Company had 139,230,311 (March 31, 2022 – 133,691,620) common shares issued and outstanding.

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7. Capital and equity reserve (Continued)

b. Shares issued (Continued)

During the year ended March 31, 2023, the Company issued:

- 500,000 common shares to a contractor with a value of CAD\$43,000.
- 662,933 common shares to a consultant for IT services with a value of CAD\$54,240 recorded to shareholder's communications on the consolidated statement of loss and comprehensive loss.

4,125,758 shares with a value of \$181,822 to Magellan (Note 5) and increased its interest in the SDA Plant from 30% to 50%.
- 250,000 common shares to optionor as part of the terminated option agreement on the Victoria property with a value of CAD\$17,500 (Note 4).

During the year ended March 31, 2022, the Company issued:

- 1,525,000 common shares were issued (August 3, 2022, 1,000,000 and August 16, 2022, 525,000) with a value of \$58,187 (CAD\$74,375) in accordance with the agreement for earn in in El Oro and Victoria projects (Note 4).
- 3,895,934 common shares were issued (July 5, 2022, 1,428,571 and December 10, 2022, 2,467,363) with a value of \$231,020 in accordance with the agreement with Magellan to earn in on the SDA plant (Note 5).
- 7,048,333 units in a non-brokered private placement were issued in two tranches (November 10, 2022, 3,665,000, and December 2, 2022, 3,833,333) for proceeds of \$335,003 (CAD\$422,900). Each unit consists of one common share and one common share purchase warrant (Note 7e). The Company paid \$1,728 of share issuance cost in connection to the private placement. 929,666 units were issued to settle payables of \$55,780 to a related party (Note 8).
- 875,000 common shares were issued (January 10, 2022, 450,000, January 11, 2022, 250,000, January 19, 2022, 100,000 and January 25, 2022, 75,000) pursuant to the exercise of 875,000 options for gross proceeds of \$34,633 (CAD\$43,750). In addition, a reallocation of \$22,267 (CAD\$28,121) from reserves to share capital was recorded on the exercise of these options.
- 1,140,430 common shares with a value of CAD\$136,852 (\$107,798) were issued (February 17, 2022) to settle a CAD\$67,800 debt (Note 6). The Company recorded a loss of CAD\$69,052 (\$55,103) in connection to the debt settlement.

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7. Capital and equity reserve (continued)

c. Share options

The Company has an incentive share option plan (the "Plan"). Under the Plan a total of 10% of the Company's outstanding common shares are reserved for the issuance of shares at discretion of the Board of Directors. Terms of each option award is fixed by the Board of Directors at time of grant. Share option awards have a maximum term of ten years.

Stock option transactions for the years ended March 31, 2023 and 2022 were as follows:

	Number of Options	Weighted Average Exercise Price (CAD\$)
Options outstanding March 31, 2021	10,700,000	0.05
Options granted	200,000	0.05
Options exercised	(875,000)	0.05
Options expired	(300,000)	0.05
Options outstanding March 31, 2022	9,725,000	0.05
Options granted	750,000	0.08
Options cancelled	(125,000)	0.10
Options outstanding March 31, 2023	10,350,000	0.05

During the year ended March 31, 2023, the Company granted 750,000 (2022 – 200,000) stock options to a director and a consultant of the Company. The Company recorded share-based payments of \$38,429 for stock options vested during the year ended March 31, 2023 (2022 - \$81,801) (Note 10). The total fair value of options granted was \$43,621 (2022 - \$7,352) or \$0.058 per option (2022 - \$0.037).

The fair value of the stock options granted was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended	
	2023	2022
Dividend yield	-	-
Risk-free interest rate	3.46%	0.93%
Expected life of options	5 years	5 years
Annualized volatility	150.49%	157.64%
Forfeiture rate	Nil	Nil

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7. Capital and equity reserve (continued)

c. Share options (continued)

As at March 31, 2023, the following options were exercisable and outstanding:

Grant date	Outstanding		Exercisable		Expiry date
	Exercise price (CAD\$)	Number of options	Exercise price (CAD\$)	Number of options	
20-May-16	0.05	4,400,000	0.05	4,400,000	20-May-26
28-Feb-17	0.05	250,000	0.05	250,000	28-Feb-27
07-May-18	0.05	1,250,000	0.05	1,250,000	07-May-23
01-Oct-18	0.05	250,000	0.05	250,000	01-Oct-23
09-Jun-22	0.10	125,000	0.10	125,000	10-Nov-23
29-Jul-19	0.05	250,000	0.05	250,000	29-Jul-24
18-Jan-21	0.05	3,125,000	0.05	3,125,000	18-Jan-26
01-Apr-21	0.05	200,000	0.05	200,000	01-Apr-26
19-Oct-22	0.07	500,000	0.07	125,000	19-Oct-27
	0.05	10,350,000	0.05	9,975,000	

The average remaining life of the stock options is 2.62 years as at March 31, 2023.

d. Warrants

As of March 31, 2023 and 2022, the Company has 3,524,167 outstanding warrants. Each warrant will be exercisable for one additional share of the Company's common stock at a conversion price of CAD \$0.12. 1,832,500 warrants will expire on November 10, 2023 and 1,691,667 will expire on December 2, 2023. The average remaining life of the warrants is 0.64 years as at March 31, 2023.

e. Reserves

Other reserve:

Other reserve records the reserve resulting from the acquisition of subsidiaries.

Equity settled employee compensation and warrants reserve:

Equity settled employee compensation and warrants reserve consists of share-based payments expense and other warrant payments. When stock options or warrants are exercised, the corresponding amount will be transferred from this reserve to share capital.

Foreign currency reserve:

Foreign currency reserve records unrealized exchange differences arising on translation of group companies that have a functional currency other than the Company's reporting currency.

f. Obligation to issue shares

During the year ended March 31, 2022, the Company entered into an agreement for marketing services where the contractor will be issued shares equal to CAD\$13,560 on commencement and shares equal to CAD\$13,650 every three months thereafter. As at March 31, 2022, 376,666 shares valued at \$21,703 in relation to this agreement was recorded to obligation to issue shares.

On July 19, 2022, the Company issued 400,000 common shares to settle its obligation.

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8. Related party disclosures

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes directors, executive officers, and entities controlled by such persons.

a. Related party transactions

The Company incurred the following compensation with companies controlled by members of management and with directors.

	Year ended March 31	
	2023	2022
Management fees	\$ 95,262	\$ 108,819
Share-based payments	20,649	50,250
	\$ 115,911	\$ 159,069

Share-based payments are the expensing of the fair value of options issued to directors and key management personnel during the year ended March 31, 2023 and 2022.

b. Balance owing

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2023 includes \$492,079 (2022 - \$435,404) owing to directors and officers for services rendered and \$595,023 (2022 - \$622,213) owing to a company with common directors and officers.

During the year the Company received loans from a company controlled by the CEO for \$18,472 (2022 - \$60,743) of which \$Nil (2022 - \$55,780) was settled by shares issued during the year (Note 7b). As at March 31, 2023, the Company owes this company a loan balance of \$26,023 (2022 - \$8,178).

c. Management, directors, and consulting agreements

The Company entered into consulting agreements with the CEO, CFO and Technical Officer for the provision of management, director and consulting services as follows:

- CAD\$4,000 per month for president and CEO services. Anytime that is 60 days from the date of change of control, either the Company or the officer may terminate the agreement, in which case the Company or the surviving corporation will pay a fee equal to CAD\$500,000 plus GST. On termination of services by the Company without cause, the Company must pay a termination fee of CAD\$200,000.
- CAD\$4,000 per month for geological consulting and technical officer services. Anytime that is 60 days from the date of change of control, either the Company or the officer may terminate the agreement, in which case the Company or the surviving corporation will pay a fee equal to CAD\$200,000 plus GST. On termination of services by the Company without cause, the Company must pay a termination fee of CAD\$50,000.
- CAD\$2,375 per month for CFO and financial consulting services, increased to CAD\$2,494 per month during the year ended March 31, 2023. Anytime that is 30 days per agreement from the date of change of control, either the Company or the officer may terminate the agreement, in which case the Company or the surviving corporation will pay a fee equal to CAD\$28,500. On termination of services by the Company without cause, the Company must pay a termination fee of CAD\$28,500.

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9. Segmented information

The Company operates in one segment being the exploration of mineral properties. The Company operates in three geographical areas, being Peru, Mexico and Canada. Following is an analysis of the Company's non-current assets by geographical area:

	March 31, 2023			
	Canada	Mexico	Peru	Total
Unproven mineral right interests (Note 4)	\$ -	\$ 1	\$ 1	\$ 2
Equipment (Note 5)	-	692,375	-	692,375
	\$ -	\$ 692,376	\$ 1	\$ 692,377

	March 31, 2022			
	Canada	Mexico	Peru	Total
Unproven mineral right interests (Note 4)	\$ 51,084	\$ 1	\$ 36,412	\$ 87,497
Equipment (Note 5)	-	466,462	-	466,462
	\$ 51,084	\$ 466,463	\$ 36,412	\$ 553,959

10. Expenses

	Year ended March 31,	
	2023	2022
GENERAL AND ADMINISTRATIVE		
Audit and tax advisory fees	\$ 103,975	\$ 83,530
Bank charges and interest	154	154
Depreciation	-	274
Consulting	36,690	-
Legal	57,634	61,635
Management fees, office salaries and benefits (Note 8)	73,185	149,217
Office, rent and miscellaneous	42,275	26,887
Regulatory and filing fees	22,420	30,330
Share-based payments (Notes 7,8)	33,382	81,801
Shareholder communications	119,850	108,009
Interest and other expense (income)	(32,023)	608
Total general and administrative expenses	\$ 457,542	\$ 542,445

	Year ended March 31,	
	2023	2022
EXPLORATION		
Field support including project administration	\$ 67,989	\$ 54,262
Mining fees - El Oro	831,227	376,434
Exploration	1,131	9,644
Permits and Fees	4,743	-
Option payments received (Note 4)	(145,000)	(12,000)
Total exploration expenses	\$ 760,090	\$ 428,340

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11. Financial risk and capital management

The Company is exposed to certain financial risks in the normal course of its operations:

a. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The liquidity position of the Company is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost-efficient manner.

The Company's management continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. The Company plans to make payments of trade payables and commitments from its current working capital and future sources of equity financing. As at March 31, 2023, the Company has cash of \$37,026 which is not sufficient to settle current liabilities totalling \$3,702,568; accordingly, liquidity risk is considered to be high.

b. Currency risk

Currency risk is the risk that arises on financial instruments that are denominated in a currency, i.e., in a currency other than the functional currency in which they are measured.

The Company operates internationally and is exposed to risks from foreign currency rates. The functional currency of the Company's subsidiaries is the United States and Canadian dollars and some of the subsidiaries' transactions are denominated in Mexican Pesos and Nuevo Soles. The Company does not enter into any foreign exchange contracts to mitigate this risk. The Company and its subsidiaries do not have significant transactions or hold significant cash denominated currencies other than their functional currencies. The balance owing for mining fees at March 31, 2023 is \$2,839,449. Therefore, a 10% change in the value of the Mexican Peso versus the US dollar would change the Company's net loss by approximately \$284,000.

c. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risk arises from cash and receivables. Cash are deposited in highly rated corporations and the credit risk associated with these deposits is low.

The Company has little significant credit risk related to its trade receivables as amount is immaterial and all of them are owed by one customer. To date, all outstanding trade receivable amounts have been collected.

d. Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily gold and silver) to determine the appropriate course of action to be taken by the Company.

e. 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 is not exposed to significant interest rate risks.

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11. Financial risk and capital management (continued)

f. Fair value hierarchy

The consolidated statements of financial position carrying amounts for cash, receivables, accounts payable, loan payable and due from related parties, approximate fair value due to their short-term nature.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

The Company does not have any financial instruments measured at fair value.

g. Capital management

The Company's capital structure is comprised of the components of shareholders' deficiency. The Company's objectives when managing its capital structure is to, maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations.

The Company's corporate office is responsible for capital management. This involves the use of corporate forecasting models, which facilitate analysis of the Company's financial position including cash flow forecasts to determine the future capital management requirements.

In preparing its budgets and corporate forecasting models, the Company considers operating commitments imposed by its subsidiaries and the stability of the global capital markets.

Capital management is undertaken to ensure a secure, cost-effective supply of funds to ensure the Company's operating and capital expenditure requirements are met.

There were no changes in the Company's approach to capital management during the year and the Company is not subject to any restrictions on its capital.

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12. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2023		2022	
Loss for the year	\$	(1,529,073)	\$	(1,295,278)
Expected income tax (recovery)	\$	(413,000)	\$	(350,000)
Change in statutory, foreign tax, foreign exchange rates and other		(372,000)		(81,000)
Permanent differences		49,000		82,000
Share issue cost		-		(1,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		(62,000)		(132,000)
Change in unrecognized deductible temporary		798,000		482,000
Total income tax expense (recovery)	\$	-	\$	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2023		2022	
Deferred tax assets (liabilities)				
Exploration and evaluation assets	\$	2,102,000	\$	2,140,000
Property and equipment		3,000		16,000
Share issue costs		1,000		1,000
Asset retirement obligation		22,000		8,000
Non-capital losses available for future period		3,819,000		2,985,000
		5,947,000		5,150,000
Unrecognized deferred tax assets		(5,947,000)		(5,150,000)
Net deferred tax assets	\$	-	\$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2023		2022	
		Expiry Date Range		Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ 7,144,000	No expiry date	\$ 7,284,000	No expiry date
Property and equipment	9,000	No expiry date	59,000	No expiry date
Share issue costs	4,000	2043 to 2045	4,000	2043 to 2046
Asset retirement obligation	8,000	No expiry date	29,000	No expiry date
Non-capital losses available for future periods	13,433,000		10,459,000	
Canada	6,926,000	2031 to 2043	5,020,000	2030 to 2042
Peru	602,000	No expiry date	602,000	No expiry date
Mexico	5,905,000	2024 to 2033	4,837,000	2023 to 2032

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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13. Subsequent event

On May 7, 2023, 1,250,000 stock options which were granted on May 7, 2018 with an exercise price of \$0.05 expired.

On June 9, 2023, 159,529 common shares were issued to settled amounts owing to a consultant for IT services.