



**XALI**  
GOLD CORP

**NEWS RELEASE**

## **Xali Gold Signs New Exploration and Production Agreement on El Dorado**

Vancouver, British Columbia, May 20, 2021. Xali Gold Corp. (TSXV:XGC) ("Xali Gold" and/or the "Company") is pleased to advise that the company has signed a new Exploration and Production Agreement ("EPA") with Ingenieros Mineros, S.A. de C.V. ("IMSA") on the El Dorado Gold-Silver Project, located in Nayarit State, Mexico. The EPA gives Xali Gold the right to explore and produce gold, silver and other metals for life of mine.

Under the EPA, Xali Gold has the obligation to pay IMSA the following (all amounts are in US\$):

- \$30,000 per year until the commencement of commercial production, maximum of 5 years;
- A minimum of US\$60,000 per year after 5 years or upon commencement of production;
- During commercial production a net smelter royalty ("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 XGC shares (using a 30 day VWAP (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/Operations
- All annual payments are to be credited towards the NSR payments

Once in production, mineralization is planned to be processed in the nearby SDA plant under acquisition from Magellan Acquisitions. In preparation for production, Xali Gold is actively preparing the requisite permit applications as well as those required to conduct precursor exploration activities. Planned exploration activities will include re-establishing underground access for mapping, rock chip and bulk sampling with a goal of defining high grade zones.

The EPA replaces Xali Gold's right to assume the rights and obligations of a previous Lease Agreement between Magellan Acquisitions and IMSA which had a fixed 5 year term and a 3.5% NSR payable for all years to IMSA.

## **Ongoing and Completed Activities**

### *3D Modelling*

A 3D geological model has been constructed in Leapfrog to assist in drill planning. The model has identified high grade mineralization occurring in multiple parallel veins at a spacing close enough to potentially access several veins via common development workings. This could significantly reduce costs of development work. Drilling along with underground sampling is planned to test potential lateral extensions to the high-grade zones and to better define plunging mineralization shoots. Please see <https://xaligold.com/projects/mexico/western-mexico/el-dorado-western-mexico/overview-1/> to view the model.

### *Permitting*

Drill Permit applications are in progress and are expected to take 3 to 4 months to receive from the date of submission. Permit applications are also being prepared for the reopening of the historical El Hundido Mine and should take 6 to 10 months from the date of submission to receive. With the signing of the EPA, we look forward to re-establishing surface rights agreements to complete the permitting process.

## **Planned Activities**

### *Underground Rehabilitation, Mapping and Sampling*

With the EPA in place and renewal of surface rights agreements forthcoming, Xali Gold will now be able to re-establish access to old workings in the historic El Hundido and El Dorado Mines for the purposes of mapping, sampling and eventual operations. The planning and implementation of this work has been augmented by the company's development of a Leapfrog model which will allow for a more targeted approach to defining high grade zones underground. Sampling results will then be integrated back into the implicit Leapfrog model which will seamlessly update according to the new data and form the basis for drill planning.

## **The El Dorado Property**

### *Location, Geology and Mineralization*

The El Dorado Gold-Silver Project is located in the Pacific Coastal Plain, State of Nayarit, 50 km south of the SDA Plant, which Xali Gold has an option to purchase from Magellan Acquisition Corp., 70 km north-northwest of Tepic, the state capital, and 180 km southeast of Mazatlan, Sinaloa. The project has excellent road and rail infrastructure.

The El Hundido and El Dorado mines occur within The El Dorado vein trend which extends over a strike length of 3.5 km with widths exceeding tens of meters containing numerous parallel veins and vein breccias. In addition, high level silicification and argillic alteration on surface indicate depth potential to the mineralizing system. For these reasons, exploration potential outside of the area of historical mining and Prospero Silver Corp.'s ("Prospero") (previous operator) drilling is believed to be excellent. ("Magellan Gold Corporation, Form 10-K Annual Report US SEC dated Dec 31, 2018, File No. 333-174287") Available in <https://xaligold.com/site/assets/files/5806/sda-plant-and-el-dorado-annual-report-magellan-copy.pdf>

Both the north-easterly striking as well as east-west striking splits of the main structure exhibit structural complexity and potential for multi-meter wide precious metal mineralization. Anomalous base metal assays (100's to 1000's of parts per million lead, zinc and copper) are ubiquitous as evidenced by the common occurrence of visible galena, sphalerite and chalcopyrite in outcrop and dumps.

The El Dorado vein system has a history of small-scale mining from two veins in the El Hundido and El Dorado mines (see News Release April 28, 2020 <https://xaligold.com/news-releases/candente-gold-announces-new-growth-strategy-2632/>) but four veins with parallel high-grade zones have been delineated in the new Leapfrog model. Additionally, several vein targets have been identified along trend for follow-up exploration.

## **Historical Work**

Prospero explored the El Dorado property between 2010 and 2011. Their drilling intersected multiple steeply-dipping silicified mineralized zones extending from near-surface to the 180 metre (“m”) drilled depth and over a strike length of 440m. Prospero intersected grades ranging from 3 to 40 grams per tonne (“gpt”) gold and 57 to 500 gpt silver over true widths ranging from 0.52 to 11.2 m. (<https://xaligold.com/site/assets/files/5802/sedardoc4391012.pdf>)

Significant results reported by Prospero on Dec 10, 2010 included: 16.17m grading 4.03 g/t gold, 204 g/t silver, 4.0% lead, and 1.75% zinc; and 2.32m grading 6.04 g/t gold and 140 g/t silver in hole DOR-10-11. (<https://xaligold.com/site/assets/files/5805/prospero-nr--december-10--2010.pdf>)

Mineralization in the El Hundido historical mine area was reported to range from 1.45 to 11.22m (true widths) and given economics at the time (1900 to 1983) grades mined are assumed to have exceeded 10 gpt gold. Drill intersections near the edges of the mined areas show grades of 49.8 gpt gold over 3m; 13.9 gpt gold over 1.45m and 8.6 over 2.3m.

The following longitudinal section by Prospero shows the drilling pattern along the El Dorado vein in the area of the Hundido and El Dorado mines, along with summary drill hole intersection grades and widths. (Prospero News Release dated June 22, 2011 <https://xaligold.com/site/assets/files/5804/prospero-nr-june-22--2011.pdf>). Figure 1 is available at <https://xaligold.com/site/assets/files/5494/el-dorado-vein-long-section.pdf>

## **About Xali Gold**

Xali Gold has launched a comprehensive growth strategy to build a cash flowing business platform and gain access to properties with near surface exploration potential while maintaining El Oro as its flagship asset and an integral part of the overall growth strategy. The acquisition of the SDA Plant, the El Dorado historic mines and the Cocula Project signify important initial steps.

The Company is currently evaluating other properties that are complementary to the SDA plant, El Dorado and the Cocula Project.

Joanne C. Freeze, P.Geo., President, CEO and Director and Matthew Melnyk, CPG., Director Operations and Director are Qualified Persons as defined by National Instrument 43-101 for the projects discussed above, however, they have not been able to visit the El Dorado Project nor the SDA Plant recently due to COVID virus travel restrictions. The work discussed in the News Release is either historical and documented by public records or conducted by Mexican professionals with qualifications similar to those of QP's registered in Canada. Ms. Freeze and Mr. Melnyk have reviewed and approved the contents of this release.

Neither the TSX Venture Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.

Xali Gold is dedicated to being a responsible Community partner.

### ***Forward-looking Information***

*This news release may contain forward-looking information (as such term is defined under Canadian securities laws) including but not limited to the mineral resource estimate for the Mexico Mine Tailings and information regarding references to historical resource estimates, the potential for discovery on the El Dorado Property and in the El Oro district and other statements that are not historical facts. While such forward-looking information is expressed by Xali Gold in good faith and believed by Xali Gold to have a reasonable basis, they address future events and conditions and are therefore subject to inherent risks and uncertainties including those set out in Xali Gold's MD&A. Factors that cause the actual results to differ materially from those in forward-looking information include, without limitation, gold prices, results of exploration and development activities, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, potential environmental issues, availability of capital and financing and general economic, market or business conditions. Xali Gold expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.*

### **On behalf of the Board of Xali Gold Corp.**

*“Joanne Freeze” P.Geo.*  
President, CEO and Director

*For further information please contact:*

Joanne Freeze  
President & CEO  
Tel: + 1 (604) 689-1957  
[info@xaligold.com](mailto:info@xaligold.com)

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