Interim Condensed Consolidated Financial Statements

As at and for the three and six months ended
September 30, 2022 and 2021
(Expressed in United States dollars, unless otherwise noted)

NOTICE

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim condensed consolidated financial statements, then these financial statements must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Xali Gold Corp.
Interim Condensed Consolidated Statements of Financial Position
At September 30, 2022 and March 31, 2022
(expressed in United States dollars unless otherwise noted)

	Note		September 30, 2022		March 31, 2022
Assets					
Current Assets					
Cash		$	21,591	$	33,522
Receivables			10,498		13,208
Prepaid expenses and deposits			13,049		31,000
			45,138		77,730
Non-current assets					
Unproven mineral right interests	4		36,413		87,497
Equipment	5		466,462		466,462
Total non-current assets			502,875		553,959
Total assets		$	548,013	$	631,689
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	4,6,8	$	3,205,094	$	3,029,802
Loan payable			20,000		-
Loan from related party	8		25,696		8,178
			3,250,790		3,037,980
Non-current liabilities					
Asset retirement obligation	5		36,263		36,263
Total non-current liabilities			36,263		36,263
Total Liabilities			3,287,053		3,074,243
Shareholders' deficiency					
Share capital	7		25,459,858		25,404,687
Obligation to issue shares	7		21,703		21,703
Reserves	7		6,278,846		6,039,250
Accumulated deficit			(34,499,447)		(33,908,194)
Total shareholders' deficiency			(2,739,040)		(2,442,554)
Total liabilities and shareholders' deficiency		$	548,013	$	631,689
Nature of operations and going concern	1				
Subsequent events	12				

Approved on behalf of the Board of Directors on November 28, 2022.

(signed) Larry Kornze
Director

(signed) George Elliot
Director

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

Xali Gold Corp.
Interim Condensed Consolidated Statements of Comprehensive Loss
For the three and six months ended September 30, 2022 and 2021
(expressed in United States dollars unless otherwise noted)

	Note		Three months ended September 30, 2022		2021		Six months ended September 30, 2022		2021
Expenses									
Exploration expenses	**10**	**$**	**81,716**	$	72,831	**$**	**156,367**	$	145,682
General and administrative expenses	**10**		**150,871**		96,516		**252,626**		224,620
			232,587		169,347		**408,993**		370,302
Other expenses									
Impairment of unproven mineral right interests	**4**		**49,878**		-		**49,878**		-
Loss (gain) on foreign exchange			**(21,642)**		(4,187)		**145,770**		195,760
Gain on settlement of debt	**7**		**(13,388)**		-		**(13,388)**		-
Net loss		**$**	**(247,435)**	$	(165,160)	**$**	**(591,253)**	$	(566,062)
Other comprehensive loss									
Items that will not be reclassified to profit or loss:									
Foreign currency translation			**41,560**		30,462		**216,154**		171,997
Comprehensive loss		**$**	**(205,875)**	$	(134,698)	**$**	**(375,099)**	$	(394,065)
Loss per share attributable to shareholders, basic and diluted		**$**	**(0.00)**	$	(0.00)	**$**	**(0.00)**	$	(0.00)
Weighted average number of common shares outstanding: basic and diluted			**134,143,063**		121,477,187		**133,918,575**		120,348,258

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

Xali Gold Corp.
Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency
For the six months ended September 30, 2022 and 2021
(expressed in United States dollars unless otherwise noted)

		Share Capital		Reserves						
	Notes	Total common shares	Share capital	Equity settled employee compensation and warrants	Other reserve	Foreign currency reserve	Total reserves	Obligation to issue shares	Deficit	Total
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	2,953,571	139,207	-	-	-	-	(26,861)	-	112,346
Share-based payments				57,574	-	-	57,574	-	-	57,574
Net loss		-	-	-	-	-	-		(566,062)	(566,062)
Foreign currency translation		-	-	-	-	171,997	171,997	-	-	171,997
Balance at September 30, 2021		122,160,494	24,756,714	6,029,705	52,046	(32,879)	6,048,872	-	(33,178,978)	(2,373,392)
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)**
Share issuance costs	**7**	**-**	**(542)**	**-**	**-**	**-**	**-**	**-**	**-**	**(542)**
Shares issued, debt settlements	**7**	**1,062,933**	**55,713**	**-**	**-**	**-**	**-**	**-**	**-**	**55,713**
Share-based payments	**7**	**-**	**-**	**23,442**	**-**	**-**	**23,442**	**-**	**-**	**23,442**
Net loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(591,253)**	**(591,253)**
Foreign currency translation		**-**	**-**	**-**	**-**	**216,154**	**216,154**	**-**	**-**	**216,154**
Balance at September 30, 2022		**134,754,553**	**$ 25,459,858**	**$ 6,055,107**	**$ 52,046**	**$ 171,693**	**$ 6,278,846**	**$ 21,703**	**$ (34,499,447)**	**$ (2,739,040)**

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

Xali Gold Corp.
Interim Condensed Consolidated Statements of Cash Flows
For the six months ended September 30, 2022 and 2021
(expressed in United States dollars unless otherwise noted)

		Six months ended September 30, 2022		2021
Cash provided by (used) in				
Operating				
Loss for the period	**$**	**(591,253)**	$	(566,062)
Items not affecting cash				
Impairment of unproven mineral right interests		**49,878**		-
Share-based payments		**23,442**		57,574
Gain on settlement of debt		**(13,388)**		-
Foreign exchange		**99,620**		197,773
Changes in non-cash working capital items:				
Decrease in receivables		**2,710**		(1,811)
Decrease (increase) in prepaid expenses and deposits		**15,367**		2,131
Increase in accounts payable and accrued liabilities		**364,717**		375,810
Net cash change in operating activities		**(48,907)**		**65,415**
Investing				
Option payments		**-**		(5,147)
Addition to unproven mineral right interests		**-**		(76,280)
Net cash used in investing activities		**-**	$	(81,427)
Financing				
Share issuance costs		**(542)**		-
Loan payable		**20,000**		-
Loan from related party		**17,518**		-
Net cash provided by financing activities		**36,976**		-
Effect on exchange rate changes on cash				
Net change in cash		**(11,931)**		(16,012)
Cash at beginning of period		**33,522**		32,671
Cash at end of period	**$**	**21,591**	$	16,659
Significant non-cash transactions:				
Common shares issued for property	**$**	**-**	$	58,008
Common shares issued for debt settlement	**$**	**55,713**	$	-

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

(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 September 30, 2022 are as follows:

Subsidiary	Interest	Functional Currency
Candente Mexico Resource Corp.	100%	CDN Dollars
El 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 El 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
El Oro Jales I (BVI) Ltd.	100%	US Dollars
El 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.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2022.

As of the date of these interim condensed 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 interim condensed 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 six months ended September 30, 2022, the Company had a net loss of $591,253, and, as at September 30, 2022, current liabilities exceed current assets by $3,205,652, and the Company had cumulative losses of $34,499,447. 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.

(Expressed in United States dollars unless otherwise noted)

1. Nature of operations and going concern (continued)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company's business or ability to raise funds.

2. Statement of compliance and basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2022, which have been prepared in accordance with IFRS issued by the IASB.

3. Significant accounting policies

Accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's interim condensed consolidated financial statements.

4. Unproven mineral right interests

As at September 30, 2022 and March 31, 2022, the Company's capitalized unproven mineral right interests costs are as follows:

	Balance at March 31, 2022	Impairment	Balance at September 30, 2022
Canadian Properties			
Victoria project	**$ 51,084**	**$ (51,084)**	**$ -**
Mexican Properties			
El Oro - Hardrock	**1**	**-**	**1**
Peruvian Properties	**1**	**-**	**1**
Value-added tax	**36,411**	**-**	**36,411**
Closing balance	**$ 87,497**	**$ (51,084)**	**$ 36,413**

	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

4. Unproven mineral right interests (continued)

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"). 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. 1,000,000 common shares were issued on the date of acquisition of the Transferred Interest (issued with a fair value of $26,861 (CAD$35,000)) and further tranches of 1,000,000 common shares are to be issued to DMSL (or its nominee) on the four successive anniversary dates, with the Company having the right but not the obligation to issue any or all of such 4,000,000 common shares in advance of such anniversary dates in its sole discretion. The 4,000,000 common shares were fair valued at $107,444 (CAD $140,000) and were recorded as an obligation to issue shares as at March 31, 2017. During the year ended March 31, 2020, 2,000,000 of the 4,000,000 common shares were issued and the obligation to issue shares was reduced to $53,722. During the year ended March 31, 2021, 1,000,000 common shares were issued and the obligation to issue shares was reduced to $26,861. On August 3, 2021, the Company issued the remaining 1,000,000 shares.

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 September 30, 2022, $1,809,052 (March 31, 2022 - $1,638,961) has been accrued as a liability to the Mexican government for land holding costs.

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. 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 right and option to earn a 51% interest in the Company's tailings project in El Oro Mexico. On November 9, 2018, the 2016 Agreement was superseded by a new Letter of Intent ("LOI") granting SRG the right and option to further test and, if proven economic, develop and operate the Company's tailings project in El Oro Mexico, through an indirect ownership of the Company's Mexican subsidiary, Minera CCM EL Oro Jales, S.A. de C.V. ("CCM El Oro Jales"), according to the agreement CCM EL Oro Jales executed with the Municipality of El Oro.

4. Unproven mineral right interests (continued)

El Oro Mine Tailings (continued)

The LOI was superseded by a definitive agreement signed in November 2018. In order to exercise the option, SRG was required to make staged payments totaling US$300,000 (paid), over a period of fifteen months, commencing upon the date of signing of the LOI; 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 also allows SRG to reduce the NPI payable to the Company from 10% to 5% by paying an additional US$200,000 in increments of $50,000 at the end of each quarter, commencing 18 months from the date of the LOI.

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%. Upon making the totality of the staged payments and, if commercial production has been achieved by October 31, 2021, Sun River will indirectly acquire a 100% interest in the subsidiary Minera 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 4th, 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. As at March 31, 2022, $12,000 was received with the remaining received subsequent to year end.

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.

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 subsequent to year end);
v) A payment of $25,000 twelve months following the execution date;

4. Unproven mineral right interests (continued)

Cocula property (continued)

vi) A payment of $30,000 eighteen months following the execution date;
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.

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.

On July 19, 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:

- Issuing a total of 3.5 million shares over 3 years;
- Making payments of a total of CAD $100,000 over 3 years;
- Funding exploration activities of CAD $650,000 over 3 years;Issue 175,000 shares (5% finders fees) over 3 years.

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.

Further payments of $25,000 cash and 750,000 common shares were due before the first anniversary of the closing date (July 27, 2022) but were not made by that date nor subsequent to year end. . Subsequent to period ended September 30, 2022, the Company terminated the Option agreement (Note 12).

El 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 El Dorado Property. The EPA gives the Company the right to explore and produce gold, silver, and other metals for the life of the mine.

4. Unproven mineral right interests (continued)

El Dorado property (continued)

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.

All annual payments are to be credited towards the NSR payments.

Peruvian properties:

As at September 30, 2022, 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. Under the terms of the agreement 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 $275,000 on or before March 23, 2022 to earn a 50% interest (4,125,758 common shares issued October 28, 2022) (Note 12d);
vi) Common shares with a value of $400,000 on or before September 23, 2022 to earn a 70% interest and
vii) Common shares with a value of $500,000 on or before March 23, 2023 to earn a 100% interest (Note 12d).

(Expressed in United States dollars unless otherwise noted)

5. Equipment (continued)

Mill (continued)

The total number of shares to be issued for the 100% interest will not exceed 33,500,000 common shares. September 30, 2022, the Company has acquired 10% interest by complying with (i) and (ii) noted above.

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		-		267,283		267,283
As at March 31, 2022		5,745		465,958		471,703
Additions		-		-		-
As at September 30, 2022	$	5,745	$	465,958	$	471,703
Accumulated depreciation						
As at March 31, 2021	$	(4,967)	$	-	$	(4,967)
Additions		(274)		-		(274)
As at March 31, 2022		(5,241)		-		(5,241)
Additions		-		-		-
As at September 30, 2022	$	(5,241)	$	-	$	(5,241)
Net book value						
As at March 31, 2022	$	504	$	465,958	$	466,462
As at September 30, 2022	**$**	**504**	**$**	**465,958**	**$**	**466,462**

The SDA Plant requires certain restorations to be commissioned, accordingly, no depreciation was recorded as of September 30, 2022 since it is not yet available for use.

6. Accounts payable and accrued liabilities

		September 30, 2022		March 31, 2022
Trade payables	**$**	**339,864**	$	328,338
Due to directors and officers (Note 8)		**448,954**		435,404
Due to Candente Copper (Note 8)		**581,205**		622,213
Accrued liabilities - mining fees - El Oro (Note 4)		**1,809,052**		1,638,961
Accued liabilities - other		**26,019**		4,886
	$	**3,205,094**	$	3,029,802

(Expressed in United States dollars unless otherwise noted)

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 September 30, 2022, the Company had 134,754,553 common shares issued and outstanding.

On September 13, 2022, the Company issued 662,933 common shares to Agoracom to settle CAD$41,374 debt and recorded a gain on settlement of $13,388 on the statement of comprehensive loss.

On July 19, 2022, the Company issued 400,000 common shares to a contractor with a fair market value of CAD $36,000.

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 period ended September 30, 2022 were as follows:

	Number of Options	Weighted Average Exercise Price (CAD$)
Options outstanding March 31, 2022	9,725,000	0.05
Options granted	250,000	0.10
Options outstanding September 30, 2022	**9,975,000**	**0.05**

During the period ended September 30, 2022, the Company granted 250,000 stock options to a consultant at an exercise price of $0.10, of which 25% will vest immediately, 25% will vest each quarter and the last 25% will vest on March 1, 2023. The expiration date of the Stock Options is September 1, 2026.

As at September 30, 2022, the following options were exercisable and outstanding:

	Outstanding		Exercisable		
Grant date	**Exercise price (CDN$)**	**Number of options**	**Exercise price (CDN$)**	**Number of options**	**Expiry date**
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
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
21-Jun-22	0.10	250,000	0.10	125,000	01-Sep-26
	0.05	9,975,000	0.05	9,850,000	

(Expressed in United States dollars unless otherwise noted)

7. Capital and equity reserve (continued)

c. Share options (continued)

The Company used the Black-Scholes Option Pricing model under the following weighted average assumptions and recorded total share-based payments expense for the period ended September 30, 2022 of $23,016 for the vested portion of options granted. The total fair value of options granted was $21,902 or $0.087 per option.

	Six months ended September 30, 2022	Six months ended September 30, 2021
Dividend yield	-	-
Risk-free interest rate	3.12%	0.93%
Expected life of options	4.25 years	5 years
Annualized volatility	151%	157.64%
Forfeiture rate	Nil	Nil

d. Warrants

As of September 30, 2022, the Company has 3,524,167 outstanding warrants. Each Warrant will be exercisable for one additional share of the Company's common stock (a "Warrant Share") at a conversion price of CAD $0.12 1,832,500 warrants will expire on Nov 10, 2023 and 1,691,667 will expire on December 2, 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 500,000 common shares (400,000 issued on July 19, 2022) (Note 12a).

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. The following is a list of related parties that the Company enters into trading transactions with:

- Ridley Rocks Inc. – Management and Geological fees;

(Expressed in United States dollars unless otherwise noted)

8. Related party disclosures (continued)

- Candente Copper Corp. – shared administrative expenses with a company related by directors and management in common;
- Lotz CPA Inc. – Financial services, fees thereto; and
- Bullion Exploration Inc. – Consulting fees.

a. Related party transactions

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

		Six months ended September 30,		
		2022		2021
Management fees	**$**	**49,800**	$	106,041
Share-based payments		**4,648**		34,868
	$	**54,448**	$	140,909

Share-based payments are the expensing of the fair value of options issued to directors and key management personnel during the period ended September 30, 2022 and 2021.

b. Balance owing

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2022 includes $448,954 (March 31, 2022 - $435,404) owing to directors and officers and $581,205 (March 31, 2022 - $622,213) owing to Candente Copper Corp., a shareholder of the Company who also shares common directors and officers.

As at September 30, 2022, the Company owes Ridley Rocks Inc. a balance of $25,696 (March 31, 2022 - $8,178).

c. Management, Directors, and consulting agreements

Pursuant to the RRI Agreement made as of April 1, 2018, between the Company and Ridley Rocks Inc. ("RRI", a company in respect of which Ms. Joanne Freeze, the Company's President and CEO, is the principal), the Company has agreed to pay RRI a monthly retainer of $4,000 for 20% of her time and a daily fee for services rendered by RRI to the Company for time that exceeds the amount of time covered by the retainer. The RRI Agreement also contains a provision for the potential payment of an annual bonus (the "Target Bonus") to be determined by the Company's Compensation Committee. The Target Bonus has initially been set at the amount of $75,000. Both the Target Bonus and the daily fee are subject to adjustment on an annual basis. On a "change of control" of the Company, at any time to the date that is sixty (60) days following the date of the change of control, either the Company or RRI may terminate the RRI Agreement, in which case the Company or the Surviving Corporation will pay to Consultant a fee equal to $500,000, together with all applicable taxes including GST on such amounts (collectively, the "Control Fee"). In addition, the RRI Agreement provides for a Termination payment of $200,000 on termination of the consulting services, by the Company, without cause. Any Termination payment would be deducted from the Change in Control payment.

Pursuant to a consulting services agreement (the "Melnyk Geological Services Agreement") made as of April 21, 2020, between the Company and Bullion Exploration Inc ("Bullion"), a company owned by Mr. Melnyk, the Company agreed to retain Mr. Melnyk to provide geological consulting and Technical Officer services at a fee of US$825/day. In the event the Company enters into a definitive

(Expressed in United States dollars unless otherwise noted)

8. Related party disclosures (continued)

c. Management, Directors, and consulting agreements (continued)

agreement providing for a "change of control" (as defined in the Melnyk Agreement) or a change of control of the Company occurs, Melnyk has the right under the Melnyk Agreement at any time to the date that is sixty (60) days following the date of the change of control, to terminate the Melnyk Agreement, whereupon the Company is required to pay to Melnyk a fee of CAD $200,000. In addition, the Melnyk Agreement provides for Termination payment of CAD $50,000 on termination

of the consulting services, by the Company, without cause. Any Termination payment would be deducted from the Change in Control payment.

Pursuant to a consulting services agreement (the "Lotz CPA Agreement") made as of October 1, 2018, between the Company and Lotz CPA Inc. ("Lotz CPA"), a company owned by Mr. Mark Lotz, the Company agreed to retain Mr. Lotz to provide financial consulting & Chief Financial Officer services at a fee of $28,500 per annum. In the event the Company enters into a definitive agreement providing for a "change of control" (as defined in the Lotz CPA Agreement) or a change of control of the Company occurs, Lotz CPA has the right under the Lotz CPA Agreement at any time to the date that is sixty (60) days following the date of the change of control, to terminate the Lotz CPA Agreement, whereupon the Company is required to pay to Lotz CPA a fee of $28,500. In addition, the Lotz CPA Agreement provides for Severance payment of $28,500 on termination of the consulting services, by the Company, without cause. Any Severance payment would be deducted from the Change in Control payment. Effective January 1, 2021 the annual fee was increased to $29,925 per annum.

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:

								September 30, 2022
		Canada		**Mexico**		**Peru**		**Total**
Unproven mineral right interests (Note 4)	**$**	**-**	**$**	**1**	**$**	**36,412**	**$**	**36,413**
Equipment (Note 5)		**-**		**466,462**		**-**		**466,462**
	$	**-**	**$**	**466,463**	**$**	**36,412**	**$**	**502,875**

								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

(Expressed in United States dollars unless otherwise noted)

10. Expenses

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
GENERAL AND ADMINISTRATIVE				
Audit and tax advisory fees	**$ 48,691**	$ 24,463	**$ 70,073**	$ 46,605
Bank charges and interest	**62**	31	**94**	86
Consulting	**20,403**	(10)	**32,154**	(516)
Legal	**4,980**	3,664	**17,998**	22,971
Management fees, office salaries and benefits (Note 8)	**37,687**	29,734	**61,246**	59,748
Office, rent and miscellaneous	**17,272**	9,480	**29,553**	15,991
Regulatory and filing fees	**7,558**	8,753	**12,118**	12,117
Share-based payments (Notes 7,8)	**9,703**	17,018	**23,442**	57,574
Shareholder communications	**34,776**	3,341	**55,705**	9,988
Interest and other income	**(30,261)**	42	**(49,757)**	56
Total general and administrative expenses	**$ 150,871**	**$ 96,516**	**$ 252,626**	$ 224,620

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
EXPLORATION				
Field support including project administration	**$ 7,160**	$ 16,264	**$ 15,891**	$ 32,649
Mining fees - El Oro	**66,137**	56,567	**131,701**	113,033
Amortization	**1,561**	-	**3,917**	-
Permits and fees	**4,858**	-	**4,858**	-
Option payments received	**2,000**	-	**-**	-
Total exploration expenses	**$ 81,716**	$ 72,831	**$ 156,367**	$ 145,682

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. Liquidity risk is considered to be high.

11. Financial risk and capital management (continued)

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 September 30, 2022 is $1,809,052. Therefore, a 10% change in the value of the Mexican Peso versus the US dollar would change the Company's net loss by approximately $180,905.

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.

d. Fair value hierarchy

The consolidated statements of financial position carrying amounts for receivables and accounts payable, 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).

Cash is measured as Level 1. There were no transfers between levels during the period.

e. 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.

11. Financial risk and capital management (continued)

e. Capital management (continued)

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

12. Subsequent events

a) On October 31, 2022, the Company issued 100,000 common shares to a contractor with a fair market value of CAD$6,000.

b) Subsequent to period ended September 30, 2022, the Company appointed George Elliott to the Board of Directors and granted him 500,000 stock options at an exercise price of CAD$0.07 with 25% of them vesting immediately and 25% every six months from October 19, 2022.

c) The Company has terminated the Option Agreement on the Victoria Property in central Newfoundland and Labrador. The Company agreed to issue to the property owner a total of 250,000 Common Shares as fully paid and non-assessable, at a deemed price based on market close the date before issuance in two tranches: with 125,000 Common Shares dated effective October 31, 2022 at a deemed price of CAD$0.06 and 125,000 Common Shares dated effective November 30, 2022 at the deemed price per common share equal to the market price on November 30, 2022. With this last issuance, the Company no longer has any rights nor obligations related to this property.

d) 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 Acquisition Corp. 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.

e) On November 10, 2022, the Company cancelled 125,000 unvested Stock Options at an exercise price of CAD$0.10.