



Consolidated Financial Statements
For the years ended March 31, 2024 and 2023
(Expressed in United States dollars, unless otherwise noted)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Xali Gold Corp.

Opinion

We have audited the consolidated financial statements of Xali Gold Corp. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 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 the Company has not generated any revenues from operations and incurred a net loss of \$942,786 during the year ended March 31, 2024 and, as of that date, has a working capital deficit of \$5,247,195 and an accumulated deficit of \$36,380,053. These events or conditions along with other matters, indicate the existence of a material uncertainty 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 are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of the independent auditor's report, we have determined in the following matter described below to be a key audit matter to be communicated in our independent auditor's report:

Recognition and assessment of asset retirement obligation

Description of the matter

As described in Note 5 of the consolidated financial statements, the Company recorded an asset retirement obligation of \$91,900 as at March 31, 2024. The recognition and accounting of asset retirement obligation requires management to exercise significant judgement with respect to estimates of future reclamation and remediation costs that the Company will be required to complete as part of the laws and regulations.

Why the matter is a key audit matter

The determination of the asset retirement obligation requires significant management judgement with respect to the estimated future costs for remediation and the uncertainty as to the actual amount and timing of the future obligation to the Company. This leads to a higher degree of judgement within the audit, and additional effort in performing the necessary audit procedures to assess and evaluate audit evidence available to ascertain the completeness and accuracy of asset retirement obligation as at March 31, 2024.

How the matter was addressed in the audit

The audit procedures that were performed on the key audit matter included, but was not limited, to the following:

- evaluating, assessing, and testing the assumptions, estimates, and judgements that have been applied by management with respect to the determining the carrying value of the asset retirement obligation as at March 31, 2024;
- evaluating and assessing the objectivity and competence of the specialist employed by management to determine the future cost estimates, and ensuring that the specialist maintained his independence; and
- assessing the appropriateness of the cost estimates and changes from the previous fiscal year to ensure all changes are appropriately supported.

Other Matter

The consolidated financial statements of the Company for the year ended March 31, 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on July 31, 2023.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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. If, based on the work we have performed, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 period and 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 Henry Chow.

The image shows a handwritten signature in black ink that reads "SATURNA GROUP LLP". The signature is written in a cursive, flowing style.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

August 7, 2024

Xali Gold Corp.
Consolidated Statements of Financial Position
At March 31, 2024 and 2023
(expressed in United States dollars)

| As at | Notes | March 31, 2024 | March 31, 2023 |
|--|-----------|-------------------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | \$ 16,299 | \$ 37,026 |
| Receivables | | 6,997 | 9,010 |
| Prepaid expenses and deposits | | 9,189 | 8,143 |
| | | 32,485 | 54,179 |
| Non-current assets | | | |
| Unproven mineral right interests | 4 | 2 | 2 |
| Property and equipment | 5 | 628,418 | 692,375 |
| Total non-current assets | | 628,420 | 692,377 |
| Total assets | | \$ 660,905 | \$ 746,556 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 4,6,8 | \$ 5,234,427 | \$ 4,391,818 |
| Loans from related party | 8 | 45,253 | 46,023 |
| | | 5,279,680 | 4,437,841 |
| Non-current liabilities | | | |
| Asset retirement obligations | 5 | 91,900 | 80,353 |
| Total liabilities | | 5,371,580 | 4,518,194 |
| Shareholders' deficit | | | |
| Share capital | 7 | 25,682,237 | 25,673,260 |
| Reserves | 7 | 5,987,141 | 5,992,369 |
| Deficit | | (36,380,053) | (35,437,267) |
| Total shareholders' deficit | | (4,710,675) | (3,771,638) |
| Total liabilities and shareholders' deficit | | \$ 660,905 | \$ 746,556 |
| Nature of operations and going concern | 1 | | |
| Subsequent events | 13 | | |
| Approved on behalf of the Board of Directors on August 7, 2024 | | | |
| (signed) Larry Kornze Director | | (signed) George Elliott Director | |

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

Xali Gold Corp.**Consolidated Statements of Loss and Comprehensive Loss****For the years ended March 31, 2024 and 2023**

(expressed in United States dollars)

| | Notes | Years ended March 31, | |
|--|-------|-----------------------|----------------|
| | | 2024 | 2023 |
| Expenses | | | |
| Exploration expenses | 10 | \$ 505,414 | \$ 760,090 |
| General and administrative expenses | 4,10 | 418,023 | 457,542 |
| | | 923,437 | 1,217,632 |
| Other expenses | | | |
| Cost recovery | | (34,527) | - |
| Impairment of unproven mineral right interests | 4 | - | 113,652 |
| Gain on settlement of debt | 7 | (4,121) | - |
| Loss on foreign exchange | | 156,816 | 197,789 |
| Option proceeds received | 4 | (98,819) | - |
| Loss for the year | | \$ (942,786) | \$ (1,529,073) |
| Other comprehensive income (loss) | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Foreign currency translation | | (13,100) | (80,263) |
| Comprehensive loss for the year | | \$ (955,886) | \$ (1,609,336) |
| Loss per share attributable to shareholders, basic and diluted | | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding, basic and diluted | | 139,394,191 | 136,222,933 |

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

Xali Gold Corp.

Consolidated Statements of Changes in Shareholders' Deficit

For the years ended March 31, 2024 and 2023

(expressed in United States dollars)

| | | Share Capital | | | Reserves | | | Obligation to issue shares | Deficit | Total |
|---|-----|---------------------|----------------------|---|------------------|--------------------------|---------------------|----------------------------|------------------------|-----------------------|
| | | Total common shares | Share capital | Equity settled employee compensation and warrants | Other reserve | Foreign currency reserve | Total reserves | | | |
| Notes | | | | | | | | | | |
| 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 | 250,000 | 12,889 | - | - | - | - | - | - | 12,889 |
| Share issuance costs | 7 | - | (542) | - | - | - | - | - | - | (542) |
| Shares issued, debt settlements | 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 | | - | - | - | - | - | - | - | (1,529,073) | (1,529,073) |
| Foreign currency translation loss | | - | - | - | - | (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) |
| Shares issued for property | 7 | 100,000 | 2,934 | - | - | - | - | - | - | 2,934 |
| Shares issued for services | 7 | 159,529 | 6,043 | - | - | - | - | - | - | 6,043 |
| Share-based payments | 7 | - | - | 7,872 | - | - | 7,872 | - | - | 7,872 |
| Net loss | | - | - | - | - | - | - | - | (942,786) | (942,786) |
| Foreign currency translation loss | | - | - | - | - | (13,100) | (13,100) | - | - | (13,100) |
| Balance at March 31, 2024 | | 139,489,840 | \$ 25,682,237 | \$ 6,072,919 | \$ 52,046 | \$ (137,824) | \$ 5,987,141 | \$ - | \$ (36,380,053) | \$ (4,710,675) |

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

Xali Gold Corp.
Consolidated Statements of Cash Flows
For the years ended March 31, 2024 and 2023
(expressed in United States dollars)

| | Years ended March 31, | |
|--|-----------------------|------------------|
| | 2024 | 2023 |
| Cash provided by (used) in | | |
| Operating | | |
| Loss for the year | \$ (942,786) | \$ (1,529,073) |
| Items not affecting cash: | | |
| Impairment of unproven mineral right interests | - | 113,652 |
| Share-based payments | 7,872 | 33,382 |
| Shares issued for consulting services | 6,043 | 52,701 |
| Shares issued for royalty buyback | 2,934 | - |
| Foreign exchange | (9,925) | 124,617 |
| Changes in non-cash working capital items: | | |
| Receivables | 2,013 | 4,198 |
| Prepaid expenses and deposits | (2,598) | 26,621 |
| Accounts payable and accrued liabilities | 740,992 | 1,152,314 |
| Net cash used in operating activities | (195,455) | (21,588) |
| Investing | | |
| Option payments received | 175,000 | - |
| Addition to unproven mineral right interests | - | (13,268) |
| Net cash provided by (used in) investing activities | 175,000 | (13,268) |
| Financing activities | | |
| Share issuance costs | - | (542) |
| Loan received | 3,690 | 20,000 |
| Loan repayment to related party | (31,325) | - |
| Loan from related party | 27,396 | 18,902 |
| Net cash provided by (used in) financing activities | (239) | 38,360 |
| Net change in cash | (20,694) | 3,504 |
| Cash at beginning of year | 37,026 | 33,522 |
| Cash at end of year | \$ 16,332 | \$ 37,026 |
| Non-cash investing and financing activities: | | |
| Common shares issued for unproven mineral rights interests | \$ - | \$ 12,889 |
| Common shares issued for SDA plant | \$ - | \$ 181,822 |
| Asset retirement obligation | \$ 11,547 | \$ 44,090 |
| Obligation to issue shares fulfilled | \$ - | \$ 21,703 |

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

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

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 Corporations Act of British Columbia. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol XGC.V. The Company's office is located at Suite 801, 1112 West Pender Street, Vancouver, BC, Canada.

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, 2024, the Company had a net loss of \$942,786 and, as at March 31, 2024, the Company has a working capital deficit of \$5,247,195, and an accumulated deficit of \$36,380,053. 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 consolidated statement of financial position.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Example include, but are not limited to, the 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, 2024.

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 material accounting policies set out in Note 3.

3. Material accounting policy information

a. Material 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

When options 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 options.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

3. Material accounting policy information (continued)

a. Material accounting estimates and judgments (continued)

ii. Asset retirement obligations

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.

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 judgment in assessing whether indicators of impairment exist that would necessitate impairment testing or an impairment in the carrying value of property and equipment.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

3. Material accounting policy information

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

The principal subsidiaries of the Company as at March 31, 2024 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. ("CCM El Oro Jales") | 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 |

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 United States ("USD") or Canadian dollar ("CDN"). 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 USD. 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 the consolidated statement of loss are translated using weighted average exchange rates that approximate the exchange rate at the transaction date. Items in the consolidated 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 the consolidated statement of loss.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

3. Material accounting policy information (continued)

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.

e. Property and equipment

Property and 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.

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

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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

3. Material accounting policy information (continued)

f. Asset retirement obligations

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 the consolidated statement of 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.

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.

The following table shows the classification under IFRS 9:

| | |
|--|----------------|
| Financial Assets | |
| Cash | Amortized cost |
| Financial Liabilities | |
| Accounts payable and accrued liabilities | Amortized cost |
| Loans from related party | Amortized cost |

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

3. Material accounting policy information (continued)

g. Financial instruments (continued)

(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 the consolidated statement of 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 consolidated statement of loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of 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 consolidated statement of loss.

(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 the consolidated statement of loss, an impairment gain or loss, and 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, 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 the consolidated statement of loss.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

3. Material accounting policy information (continued)

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 the consolidated statement of 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 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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

3. Material accounting policy information (continued)

i. Share-based payments (continued)

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.

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 consolidated 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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

3. Material accounting policy information (continued)

I. Impairment of non-financial assets (continued)

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 the consolidated statement of 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 ended March 31, 2023 and 2024, this calculation provides to be anti-dilutive. As at March 31, 2024, the Company has 8,725,000 (2023 – 13,874,167) potentially dilutive shares outstanding.

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, 2024 and 2023, 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, 2024 and 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 |

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

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 Newmont Corp. (formerly Goldcorp Inc.) (“Newmont”). 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 Newmont. 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 fair value of \$1,343,305.

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. During the year ended March 31, 2019, the carrying value of the El Oro Project was impaired to \$1.

For the year ended March 31, 2017, bi-annual land holding payments were made by Newmont. 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, 2024, \$3,388,953 (2023 - \$2,839,449) (Note 6), 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 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, 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% NPI royalty on production from the properties. The definitive agreement allowed 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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

4. Unproven mineral right interests (continued)

El Oro – Mine Tailings (continued)

During the year ended March 31, 2021, the Company received the final payment of \$105,000 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 (extended to December 31, 2023), Sun River will indirectly acquire a 100% interest in CCM El Oro Jales.

1. In April 2021, the Company granted an initial extension of the option expiry date from October 31, 2021 to April 30, 2022 for new terms of: monthly payments of \$2,000 were to be made starting November 2021 and a one time payment of \$5,400. During the year ended March 31, 2023, \$11,400 was received (2022 - \$6,000).
2. In January 2022, a second extension of the option agreement was granted such that the expiry date for commercial production to be achieved was extended from May 1, 2022 to December 31, 2022 under the following terms:
 - a. Monthly payments of \$15,000 starting May 1, 2022.
 - b. Once commercial production has been achieved SRG is to make monthly payments of \$50,000 for the first year, and 5% of NPI thereafter.
 - c. In addition, SRG is to make the first \$1,500,000 of the municipality NPI payment during the first three years of operations. This agreement was extended to August 31, 2022 such that payments of \$15,000 would start after that unless otherwise agreed to.

During the period January 1, 2022 to December 30, 2022, the Company received payments of \$49,000.

3. On December 30, 2022, the Company 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 item 2 above. During the quarter ended March 31, 2024, the Company received payments of \$30,000 (2023 - \$133,600).
 - b. Advance NPI payments of
 - i) \$35,000 by January 6, 2023 (pending);
 - ii) \$50,000 by June 30, 2023 (pending); and
 - iii) \$75,000 within 20 days of receiving the Financing for construction.
 - c. If an 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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

4. Unproven mineral right interests (continued)

El Oro Mine Tailings (continued)

The Company formally terminated the agreement with SRG on April 15 2024 after giving more than sufficient notice of default of their obligations under their agreement.

The tailings agreement signed in 2019 with the Municipality, is to be ratified every three years, when the municipality elects a new President and Council Members. On March 31, 2022, the Company renewed both the tailings agreement and the tourism agreement with the 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.

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 3,500,000 common shares;
- Making payments of a total of CDN \$100,000;
- Funding exploration activities of CDN \$650,000;
- Issue 175,000 common shares, as a finder's fees.

The Victoria Agreement is subject to a 2% NSR royalty for which the Company has the right to buyback 1% of the NSR for CDN \$1,000,000 at any time.

During the year ended March 31, 2022, the Company paid CDN \$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 with a fair value of \$12,889 (Note 7(b)). 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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

4. Unproven mineral right interests (continued)

El Dorado Property

On May 20, 2021, the Company 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. 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. 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 as General and administrative expenses. The LOI expired 60 days after signing as a definitive agreement was not executed.

Peruvian Properties:

As at March 31, 2024, 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.

During the year ended March 31, 2024, the Company signed an Option Agreement with Barrick Gold Corporation (“Barrick”) on the Tres Marias Property located in southern Peru. Barrick must pay the Company a total of US\$175,000 over a 5-year period and spend \$500,000 in exploration work to earn 100% of the Property subject to the Company retaining a 1.5% NSR royalty. Where Barrick has the right to purchase 1%, of the NSR royalty for US\$750,000, which would decrease the Company’s NSR royalty from 1.5% to 0.5%. During the year ended March 31, 2024, the Company received \$100,000 in option payments less administrative expenses of \$1,181.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

5. Equipment

SDA Plant

The San Dieguito de Arriba Plant ("SDA Plant") is a processing plant located in San Dieguito de Arriba, Nayarit State, Mexico. The plant comprises equipment, tools, supporting infrastructure and other facilities required to process ore and recover precious and base metals in the form of flotation concentrates. The plant also includes a precious metals leach circuit - Merrill Crowe system and associated assets, licences and agreements.

On September 23, 2020, the Company signed a definitive agreement with Magellan Acquisition Corp. ("Magellan"). The agreement gave the Company the right to earn up to a 100% interest in the SDA Plant by completing the following:

- 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); and
- iii) Common shares with a total value of \$450,000 on or before March 23, 2022 to earn up to 50% interest (8,019,692 common shares were issued by October 28, 2022).

As of September 30, 2023 the Company decided to remain with a 50% interest and chose not to exercise the right to earn further interest.

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

| | Equipment | SDA plant | Total |
|--|------------|------------|------------|
| Cost | | | |
| As at March 31, 2022 | \$ 5,745 | \$ 465,958 | \$ 471,703 |
| Additions | - | 181,823 | 181,823 |
| Changes in asset retirement obligation estimates | - | 44,090 | 44,090 |
| As at March 31, 2023 | 5,745 | 691,871 | 697,616 |
| Changes in asset retirement obligation estimates | - | 11,547 | 11,547 |
| Option payment received | - | (75,000) | (75,000) |
| As at March 31, 2024 | \$ 5,745 | \$ 628,418 | \$ 634,163 |
| Accumulated depreciation | | | |
| As at March 31, 2022 and 2023 | \$ (5,241) | - | \$ (5,241) |
| Disposals | (504) | - | (504) |
| As at March 31, 2024 | \$ (5,745) | \$ - | \$ (5,745) |
| Net book value | | | |
| As at March 31, 2023 | 504 | 691,871 | 692,375 |
| As at March 31, 2024 | \$ - | \$ 628,418 | \$ 628,418 |

The SDA Plant requires certain restorations to be commissioned, accordingly, no depreciation was recorded as of March 31, 2024 and 2023.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

5. Equipment (continued)

SDA plant (continued)

Agreement with Minera Cinco Reales

During the year ended March 31, 2023, the Company 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.

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 has not received any advances as at March 31, 2024 and is in the process of formally terminating the agreement.

Agreement with Grupo Minero WIYA ("WIYA")

In December 2023, the Company has entered into an agreement with WIYA to operate the San Dieguito de Arriba ("SDA") Plant in Nayarit, Western Mexico. The first payment of US\$150,000 was received on December 14, 2023. Refer to Note 13(c).

Terms of the agreement are as follows:

- WIYA agrees to pay \$150,000 per month for 10 months (in default);
- Upon completion of paying a total of \$1,500,000 within 12 months, WIYA will have the right to own the SDA Plant;
- In addition to making monthly payments, WIYA will be obligated to complete all repairs and permitting to get the SDA Plant into operation. (completed in February 2024); and
- The profits from the transaction will be shared equally with Magellan Acquisition Corp. ("Magellan"), as the Company and Magellan each own 50% of the SDA plant as per the earn in agreement with Magellan.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

5. Equipment (continued)

Asset retirement obligation

The asset retirement obligation 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, 2024, the Company recorded an increase in asset retirement obligation of \$11,547 (2023 - \$44,090). Asset retirement obligation balance as at March 31, 2024 is \$91,900 (2023 - \$80,353).

6. Accounts payable and accrued liabilities

| | March 31, 2024 | March 31, 2023 |
|---|----------------|----------------|
| Trade payables | \$ 641,483 | \$ 370,935 |
| Due to directors and officers (Note 8) | 503,147 | 492,079 |
| Due to Alta Copper Corp. | 668,975 | 595,023 |
| Accrued liabilities - mining fees - El Oro (Note 4) | 3,388,953 | 2,839,449 |
| Accrued liabilities - other | 31,869 | 94,332 |
| | \$ 5,234,427 | \$ 4,391,818 |

7. Share capital and equity reserve

a. Shares authorized

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

b. Shares issued

As at March 31, 2024, the Company had 139,489,840 (2023 – 139,230,311) common shares issued and outstanding.

During the year ended March 31, 2024, the Company issued:

- 159,529 common shares to a consultant for IT consulting services with a fair value of \$6,043. The Company recorded a gain on settlement of debt of \$4,121 in the consolidated statement of loss and comprehensive loss.

- 100,000 common shares issued for royalty buyback with a fair value of \$2,934.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

7. Share 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 fair value of \$32,030.
- 662,933 common shares to a consultant for IT services with a value of \$41,374 recorded to shareholder's communications on the consolidated statement of loss and comprehensive loss.
- 4,125,758 common shares with a fair value of \$181,822 to Magellan (Note 5) to increase 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 fair value of \$12,889 (Note 4).

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.

Share option transactions for the years ended March 31, 2024 and 2023 were as follows:

| | Number of Options | Weighted Average Exercise Price (CAD\$) |
|---|----------------------|---|
| Options outstanding March 31, 2022 | 9,725,000 | 0.05 |
| Granted | 750,000 | 0.05 |
| Cancelled | (125,000) | 0.05 |
| Options outstanding March 31, 2023 | 10,350,000 | 0.05 |
| Expired | (1,625,000) | 0.05 |
| Options outstanding March 31, 2024 | 8,725,000 | 0.05 |
| Options Exercisable March 31, 2024 | 8,600,000 | 0.05 |

As at March 31, 2024, the following share options were exercisable and outstanding:

| Expiry date | Outstanding | | Exercisable | |
|-------------|---------------------------|----------------------|---------------------------|----------------------|
| | Exercise price (CAD\$) | Number of options | Exercise price (CAD\$) | Number of options |
| 20-May-26 | 0.05 | 4,400,000 | 0.05 | 4,400,000 |
| 28-Feb-27 | 0.05 | 250,000 | 0.05 | 250,000 |
| 29-Jul-24 | 0.05 | 250,000 | 0.05 | 250,000 |
| 18-Jan-26 | 0.05 | 3,125,000 | 0.05 | 3,125,000 |
| 01-Apr-26 | 0.05 | 200,000 | 0.05 | 200,000 |
| 19-Oct-27 | 0.07 | 500,000 | 0.07 | 375,000 |
| | 0.05 | 8,725,000 | 0.05 | 8,600,000 |

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

(Expressed in United States dollars)

7. Share capital and equity reserve (continued)

c. Share options (continued)

The average remaining life of the share options is 2.02 years as at March 31, 2024.

During the year ended March 31, 2024, the Company granted Nil (2023 – 750,000) share options to a director and a consultant of the Company. The Company recorded share-based payments of \$7,872 for share options vested during the year ended March 31, 2024 (2023 - \$38,429) (Note 10). The total fair value of options granted was \$Nil (2023 - \$43,621) or \$Nil per option (2023 - \$0.058).

The fair value of the stock options granted was determined using the Black-Scholes option pricing mode, assuming no expected dividends or forfeitures, with the following weighted average assumptions:

| | Year ended March 31, 2024 | Year ended March 31, 2023 |
|--------------------------|------------------------------|------------------------------|
| Risk-free interest rate | N/A | 3.46% |
| Expected life of options | N/A | 5 years |
| Annualized volatility | N/A | 150.49% |

d. Warrants

| | Number of Warrants | Weighted Average Exercise Price (\$) |
|----------------------------------|--------------------|---|
| Balance, March 31, 2023 and 2022 | 3,524,167 | 0.12 |
| Expired | (3,524,167) | 0.12 |
| Balance, March 31, 2024 | - | - |

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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

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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, which has been recorded as general and administrative expenses:

| | 2024 | 2023 |
|--|------------|------------|
| Management fees | \$ 94,388 | \$ 95,262 |
| Accounting fees to a company controlled by the CFO | 24,105 | - |
| Share-based payments (fair value of stock options) | 7,872 | 20,649 |
| | \$ 126,365 | \$ 115,911 |

b. Balance owing

As at March 31, 2024, the following Loans from related party and accounts payable and accrued liabilities were outstanding:

| | 2024 | 2024 | 2023 | 2023 |
|---|--------------------------|--|--------------------------|--|
| | Loans from related party | Accounts payable and accrued liabilities | Loans from related party | Accounts payable and accrued liabilities |
| Chief financial officer | \$ - | \$ 11,070 | \$ - | \$ - |
| To a company controlled by the CFO | - | 3,121 | - | - |
| Chief executive officer | - | 65,043 | - | 274,150 |
| To a company controlled by the CEO | 21,564 | 266,748 | 26,023 | 96,112 |
| Director | 3,690 | - | - | - |
| Geological consulting and technical officer | - | 157,165 | - | 121,817 |
| | 25,254 | 503,147 | 26,023 | 492,079 |

Amounts due to related parties are unsecured, non-interest bearing, and due on demand.

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:

- CDN\$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 CDN\$500,000 plus GST. On termination of services by the Company without cause, the Company must pay a termination fee of CDN\$200,000.

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8. Related party disclosures (continued)

c. Management, directors, and consulting agreements

- CDN\$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 CDN\$200,000 plus GST. On termination of services by the Company without cause, the Company must pay a termination fee of CDN\$50,000.
- New CFO was appointed on October 2023, fees are CDN\$2,500 per month for CFO and financial consulting services.

9. Segmented information

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

| March 31, 2024 | | | | |
|---|--------|---------|------|---------|
| | Mexico | | Peru | Total |
| Unproven mineral right interests (Note 4) | \$ | 1 | \$ | 1 |
| Property and equipment (Note 5) | | 628,418 | - | 628,418 |
| | \$ | 628,419 | \$ | 1 |
| | | | \$ | 628,420 |
| March 31, 2023 | | | | |
| | Mexico | | Peru | Total |
| Unproven mineral right interests (Note 4) | \$ | 1 | \$ | 1 |
| Property and equipment (Note 5) | | 692,375 | - | 692,375 |
| | \$ | 692,376 | \$ | 1 |
| | | | \$ | 692,377 |

10. General and Administrative Expenses

| | Years ended March 31, | |
|--|-----------------------|-------------------|
| | 2024 | 2023 |
| GENERAL AND ADMINISTRATIVE | | |
| Audit and tax advisory fees | \$ 96,694 | \$ 103,975 |
| Bank charges and interest | 2,226 | 154 |
| Consulting | - | 36,690 |
| Legal | 48,115 | 57,634 |
| Management fees, office salaries and benefits (Note 8) | 94,387 | 73,185 |
| Office, rent and miscellaneous | 88,491 | 42,275 |
| Regulatory and filing fees | 28,483 | 22,420 |
| Share-based payments (Notes 7,8) | 7,872 | 33,382 |
| Shareholder communications | 50,869 | 119,850 |
| Interest and other expense (income) | 886 | (32,023) |
| Total general and administrative expenses | \$ 418,023 | \$ 457,542 |

Xali Gold Corp.

Notes to the consolidated financial statements

For the years ended March 31, 2024 and 2023

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10. General and Administrative Expenses (continued)

| | 2024 | 2023 |
|--|-------------------|-------------------|
| EXPLORATION | | |
| Field support including project administration | \$ 129,927 | \$ 67,989 |
| Mining fees - El Oro | 376,287 | 831,227 |
| Exploration | - | 1,131 |
| Legal | 29,200 | - |
| Permits and Fees | - | 4,743 |
| Option payments received (Note 4) | (30,000) | (145,000) |
| Total exploration expenses | \$ 505,414 | \$ 760,090 |

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, 2024, the Company has cash of \$16,299 which is not sufficient to settle current liabilities totalling \$5,279,680; 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 Peruvian 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, 2024 is \$3,388,953. Therefore, a 10% change in the value of the Mexican Peso versus the US dollar would change the Company's net loss by approximately \$338,895.

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. 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.

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Notes to the consolidated financial statements

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11. Financial risk and capital management (continued)

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.

f. Fair value hierarchy

The consolidated statements of financial position carrying amounts for cash, accounts payable and accrued liabilities, and loans 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).

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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Notes to the consolidated financial statements

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12. Income taxes

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

| | 2024 | 2023 |
|---|--------------|----------------|
| Loss for the year | \$ (942,786) | \$ (1,529,073) |
| Expected income tax (recovery) | \$ (255,000) | \$ (413,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | (129,000) | (372,000) |
| Permanent differences | 41,000 | 49,000 |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | 305,000 | (62,000) |
| Change in unrecognized deductible temporary differences | 38,000 | 798,000 |
| 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:

| | 2024 | 2023 |
|--|--------------|--------------|
| Deferred tax assets (liabilities) | | |
| Exploration and evaluation assets | \$ 2,233,000 | \$ 2,102,000 |
| Property and equipment | (51,000) | 3,000 |
| Share issue costs | 1,000 | 1,000 |
| Asset retirement obligation | 25,000 | 22,000 |
| Non-capital losses available for future period | 3,777,000 | 3,819,000 |
| | 5,985,000 | 5,947,000 |
| Unrecognized deferred tax assets | (5,985,000) | (5,947,000) |
| 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:

| | 2024 | Expiry Date Range | 2023 | Expiry Date Range |
|---|--------------|-------------------|--------------|-------------------|
| Temporary Differences | | | | |
| Exploration and evaluation assets | \$ 7,593,000 | No expiry date | \$ 7,144,000 | No expiry date |
| Property and equipment | (188,000) | No expiry date | 9,000 | No expiry date |
| Share issue costs | 2,000 | 2025 | 4,000 | 2025 |
| Asset retirement obligation | 92,000 | No expiry date | 8,000 | No expiry date |
| Non-capital losses available for future periods | 13,330,000 | | 13,433,000 | |
| Canada | 7,318,000 | 2032 to 2044 | 6,926,000 | 2031 to 2043 |
| Peru | 620,000 | No expiry date | 602,000 | No expiry date |
| Mexico | 5,392,000 | 2025 to 2034 | 5,905,000 | 2024 to 2033 |

Xali Gold Corp.

Notes to the consolidated financial statements

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13. Subsequent events

- a) On May 10, 2024, 2,927,000 common shares were issued to settle amounts owing to a former CFO of the Company for services.
- b) On April 15, 2024 the Company signed a binding Letter of Intent to enter a Purchase Agreement (the "LOI Agreement") with Kappes, Cassiday & Associates ("KCA") on the Mexican Mine Tailings Reprocessing Project at El Oro (the "El Oro Tailings Project") in Mexico.

In order to earn 100% interest in the El Oro Tailings Project, KCA has agreed to:

- Pay the Company US\$25,000 upon signing (received);
- Pay the Company an additional US\$25,000 within three months after signing the LOI Agreement;
- Pay the Company US\$100,000 within six months after signing the LOI Agreement.

Once production begins, KCA will pay the Company a gross royalty equal to 4% of the sales income ("NSR") received from the gold and silver produced from the El Oro Tailings Project, less any royalties due and payable to others, but in no case less than a 3% gross royalty.

KCA has the right at any time to buy a 1% royalty from the Company for US\$1,000,000, which would lower the NSR from 4% to 3% of the sales income received from the gold and silver produced from the Project, less any royalties due and payable to others, but in no case less than a 2% royalty.

KCA will make minimum royalty payments of US\$50,000 every six months commencing six months from signing the LOI agreement, until a total royalty payment of US\$1,000,000 has been paid to the Company, but royalty payments on production will continue past that point.

KCA will also be obligated to pay the Municipality of El Oro an 8% Net Profits Interest ("NPI") on production from the Tailings or renegotiate this with the Municipality, and the Company has the right to receive the first US\$1,500,000 from the Municipality of El Oro's 8% NPI.

- c) On April 17, 2024, and modified on July 29, 2024, the Company signed a temporary modification to the agreement with WIYA for a period of three months from the signing of the agreement, with the following additional modifications:
1. Pay US\$45,000 to the Company within 15 days from the plant restarting, which will be credited against the final payment due as part of the Rent to Purchase agreement dated December 8, 2023.
 2. Pay the Company US\$30.00/ton for each ton processed with bi-weekly minimum payments of US\$30,000. Processing is expected to be between 2,700 and 3,000 tons per month and monthly adjustments of the overall tonnage processed will also be paid.
 3. Maintain a minimum of 1,500 tons of mineral at the plant with a guaranteed value, based on metallurgical tests, to initially operate for at least 15 days with reasonable profits.

The rest of the general terms of the December 8, 2023 agreement between WIYA and the Company not temporarily modified in this 3 month agreement, remain in force (Note 5).