



Consolidated Financial Statements

As at and for the three months ended June 30, 2024 and 2023
(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.

Consolidated Statements of Financial Position

At June 30, 2024 and March 31, 2024

(expressed in United States dollars unless otherwise noted)

As at	Notes	June 30, 2024	March 31, 2024
Assets			
Current assets			
Cash		\$ 4,972	\$ 16,299
Receivables		962	6,997
Prepaid expenses and deposits		9,409	9,189
		15,343	32,485
Non-current assets			
Unproven mineral right interests	4	2	2
Property and equipment	5	628,418	628,418
Total non-current assets		628,420	628,420
Total assets		\$ 643,763	\$ 660,905
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4,6,8	\$ 4,824,501	\$ 5,234,427
Loans from related party	8	49,749	45,253
		4,874,250	5,279,680
Non-current liabilities			
Asset retirement obligations	5	91,900	91,900
Total liabilities		4,966,150	5,371,580
Shareholders' deficit			
Share capital	7	25,789,336	25,682,237
Reserves	7	6,035,914	5,987,141
Deficit		(36,147,637)	(36,380,053)
Total shareholders' deficit		(4,322,387)	(4,710,675)
Total liabilities and shareholders' deficit		\$ 643,763	\$ 660,905
Nature of operations and going concern			
	1		
Subsequent events			
	12		
Approved on behalf of the Board of Directors on August 29, 2024			
(signed) Larry Kornze		(signed) George Elliott	
Director		Director	

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

Xali Gold Corp.**Consolidated Statements of Loss and Comprehensive Loss****For the three months ended June 30, 2024 and 2023**

(expressed in United States dollars unless otherwise noted)

	Notes	Three months ended June 30,	
		2024	2023
Expenses			
Exploration expenses	10	\$ 90,440	\$ 59,842
General and administrative expenses	4,10	48,928	69,591
		139,368	129,433
Other expenses			
Loss (gain) on foreign exchange		(371,784)	37,515
Income (loss) for the period		\$ 232,416	\$ (166,948)
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Foreign currency translation		48,570	(33,423)
Comprehensive income (loss) for the period		\$ 280,986	\$ (200,371)
Gain (loss) per share attributable to shareholders, basic and diluted		\$ 0.00	\$ (0.00)
Weighted average number of common shares outstanding, basic and diluted		141,162,411	133,691,620

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

Xali Gold Corp.

Consolidated Statements of Changes in Shareholders' Deficit

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

	Notes	Share Capital			Reserves			Deficit	Total
		Total common shares	Share capital	Equity settled employee compensation and warrants	Other reserve	Foreign currency reserve	Total reserves		
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 services	7	159,529	10,164	-	-	-	-	-	10,164
Share-based payments	7	-	-	3,099	-	-	3,099	-	3,099
Net loss		-	-	-	-	-	-	(166,948)	(166,948)
Foreign currency translation loss		-	-	-	-	(33,423)	(33,423)	-	(33,423)
Balance at June 30, 2023		139,389,840	25,683,424	6,068,146	52,046	(158,147)	5,962,045	(35,604,215)	(3,958,746)
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)
Shares issued for services	7	2,927,000	107,099	-	-	-	-	-	107,099
Share-based payments	7	-	-	203	-	-	203	-	203
Net gain		-	-	-	-	-	-	232,416	232,416
Foreign currency translation gain		-	-	-	-	48,570	48,570	-	48,570
Balance at June 30, 2024		142,416,840	\$ 25,789,336	\$ 6,073,122	\$ 52,046	\$ (89,254)	\$ 6,035,914	\$ (36,147,637)	\$ (4,322,387)

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

Xali Gold Corp.
Consolidated Statements of Cash Flows
For the three months ended June 30, 2024 and 2023
(expresses in United States dollars unless otherwise noted)

	Three months ended June 30,	
	2024	2023
Cash provided by (used) in		
Operating		
Income (loss) for the period	\$ 232,416	\$ (166,948)
Items not affecting cash:		
Share-based payments	203	3,099
Shares issued for consulting services	107,099	10,164
Foreign exchange	(351,224)	(78,926)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	6,035	(517)
Decrease in prepaid expenses and deposits	(146)	(3,611)
Decrease (increase) in accounts payable and accrued liabilities	(10,459)	224,574
Net cash used in operating activities	(16,076)	(12,165)
Financing activities		
Loan repayment to related party	(3,288)	-
Loan from related party	8,037	3,777
Net cash provided by financing activities	4,749	3,777
Net change in cash	(11,327)	(8,388)
Cash at beginning of period	16,299	37,026
Cash at end of period	\$ 4,972	\$ 28,638
Non-cash investing and financing activities:		
Shares issued for services	\$ 107,099	\$ -

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

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(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, and Peru. 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 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 three months ended June 30, 2024, the Company had a net income of \$232,416 and, as at June 30, 2024, the Company has a working capital deficit of \$4,858,907, and an accumulated deficit of \$36,147,637. 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. Examples 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 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, 2024, which have been prepared in accordance with IFRS issued by the IASB.

3. Material accounting policy information

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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

4. Unproven mineral right interests

As at June 30, 2024 and 2023, the Company's capitalized unproven mineral right interests costs are as follows:

	March 31, 2024	June 30, 2024
Mexican Properties		
El Oro - Hardrock	1	1
Peruvian Properties	1	1
Closing balance	\$ 2	\$ 2

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 June 30, 2024, \$3,083,751 (March 31, 2024 - \$3,388,953) (Note 6), has been accrued as a liability to the Mexican government for land holding costs. The Company has received a legal opinion advising that according to Mexican law only fees accruing for 5 years are payable. The Company is investigating this further with the understanding that the amount accrued as owing for Mining Fees may be reduced by \$998,903 in the future. According to the Federal Tax Code (CFF) Article 146 titled Prescription (Write Off) of the Tax Credit, "The tax credit is extinguished by prescription within the term of five years." In other words, at the end of this period of time the Tax Administration Service (SAT) will not have the right to demand payment of the corresponding amounts.

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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

4. Unproven mineral right interests (continued)

El Oro – Mine Tailings

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.

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 month 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 three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

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.

Agreement with Kappes, Cassiday & Associates (“KCA”)

On April 15, 2024 the Company signed a binding Letter of Intent to enter a Purchase Agreement (the “LOI Agreement”) 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; (received July 2024).
- 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.

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

4. Unproven mineral right interests (continued)

Peruvian Properties:

During the year ended March 31, 2024, (October 24, 2023) the Company bought back a 1.5% Net Smelter Return ("NSR") royalty granted over the Casua Property (the "Property") from Minera Silex Peru S.R.L., (parent "Golden Minerals"). The property had been acquired from Golden Minerals in 2010 by issuing 60,000 shares and granting the NSR.

Buy back terms of the NSR include:

- i. cash consideration in the aggregate amount of US\$20,000;
- ii. 100,000 common shares in the capital of the Company ("Consideration Shares") to be issued by the Company to Golden Minerals Company ("Golden Minerals");
- iii. 300,000 Consideration Shares to be issued by the Company to Golden Minerals in the event that 10,000 meters of drilling is successfully completed on the Property, or on an earlier date mutually agreed upon by the parties; and iv. 600,000 Consideration Shares to be issued by the Company to Golden Minerals in the event that the Company obtains a PEA (Preliminary Economic Assessment) or other positive engineering study in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") over any or all of the Property, or on an earlier date mutually agreed upon by the parties.

On Nov 28, 2023 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 (\$100,000 received) and spend \$500,000 in exploration work to earn 100% of the Property subject to the Company retaining a 1.5% NSR royalty. 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, 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

SDA plant

As of June 30, 2024, the Company owns 50% of The San Dieguito de Arriba Plant ("SDA Plant"), 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.

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

	Equipment		SDA plant		Total
Cost					
As at March 31, 2024 and June 30, 2024	\$	5,745	\$	628,418	\$ 634,163
Accumulated depreciation					
As at March 31, 2024 and June 30, 2024	\$	(5,745)	\$	-	\$ (5,745)
Net book value					
As at March 31, 2024		-		628,418	628,418
As at March 31, 2024 and June 30, 2024	\$	-	\$	628,418	\$ 628,418

The SDA Plant requires certain restorations to be commissioned, accordingly, no depreciation was recorded as of June 30, 2024

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

5. Equipment (continued)

SDA plant (continued)

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.

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. The Company is in discussions with WIYA regarding a potential extension to the modification Agreement signed on April 17, 2024.

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

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 three months ended June 30, 2024, the Company recorded an increase in asset retirement obligation of \$Nil (March 31, 2024 - \$11,547). Asset retirement obligation balance as at June 30, 2024 is \$91,900 (March 31, 2024 - \$91,900).

6. Accounts payable and accrued liabilities

	June 30, 2024	March 31, 2024
Trade payables	\$ 533,583	\$ 641,483
Due to directors and officers (Note 8)	502,180	503,147
Due to Alta Copper Corp.	665,231	668,975
Accrued liabilities - mining fees - El Oro (Note 4)	3,083,751	3,388,953
Accrued liabilities - other	39,756	31,869
	\$ 4,824,501	\$ 5,234,427

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 June 30, 2024, the Company had 142,416,840 (March 31, 2024 – 139,489,840) common shares issued and outstanding.

During the three months ended June 30, 2024, the Company issued:

On May 10, 2024, 2,927,000 common shares were issued to settle amounts owing to a former CFO of the Company for services in the amount of \$107,099.

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

7. Share capital and equity reserve (continued)

c. Share options

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

Share option transactions for the three months ended June 30, 2024 were as follows:

	Number of Options	Weighted Average Exercise Price (CAD\$)
Options outstanding and exercisable March 31, 2024 and June 30, 2024	8,725,000	0.05

As at June 30, 2024, the following share options were exercisable and outstanding:

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

The average remaining life of the share options is 1.78 years as at June 30, 2024.

During the period ended June 30, 2024, the Company granted Nil (2023 – Nil) share options to a director and a consultant of the Company. The Company recorded share-based payments of \$203 for share options vested during the three months ended June 30, 2024 (2023 - \$3,020) (Note 10). The total fair value of options granted was \$Nil (2023 - \$Nil) or \$Nil per option (2023 - \$Nil).

The fair value of the stock options granted are determined using the Black-Scholes option pricing mode, assuming no expected dividends or forfeitures.

d. Warrants

As of June 30, 2024, the Company has no outstanding warrants.

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

7. Share capital and equity reserve (continued)

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.

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:

	Three months ended June 30,	
	2024	2023
Management fees	\$ 23,021	\$ 22,886
Accounting fees to a company controlled by the CFO	4,299	-
Share-based payments (fair value of stock options)	203	3,020
	\$ 27,523	\$ 25,906

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

8. Related party disclosures (continued)

b. Balance owing

As at June 30, 2024, the following Loans from related party and accounts payable and accrued liabilities were outstanding:

	June 30, 2024	June 30, 2024	March 31, 2024	March 31, 2024
	Loans from related party	Accounts payable and accrued liabilities	Loans from related party	Accounts payable and accrued liabilities
Chief financial officer	\$ -	\$ 16,439	\$ -	\$ 11,070
To a company controlled by the CFO	-	5,880	-	3,121
Chief executive officer				65,043
To a company controlled by the CEO	26,096	314,906	21,564	266,748
Director	3,653	-	3,690	-
Geological consulting and technical officer	-	164,955	-	157,165
	29,749	502,180	25,254	503,147

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

9. Segmented information

The Company operates in one segment, 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:

	June 30, 2024		
	Mexico	Peru	Total
Unproven mineral right interests (Note 4)	\$ 1	\$ 1	\$ 2
Equipment (Note 5)	628,418	-	628,418
	\$ 628,419	\$ 1	\$ 628,420

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

10. General and Administrative Expenses

	Three months ended June 30,	
	2024	2023
GENERAL AND ADMINISTRATIVE		
Accounting, audit and tax advisory fees	\$ 24,365	\$ 22,628
Bank charges and interest	1,336	303
Consulting	2,064	(2,225)
Legal	2,008	2,202
Management fees, office salaries and benefits (Note 8)	25,578	22,564
Office, rent and miscellaneous	4,962	5,406
Regulatory and filing fees	4,014	2,373
Share-based payments (Notes 7,8)	203	3,099
Shareholder communications	8,265	12,463
Interest and other expense (income)	(23,867)	778
Total general and administrative expenses	\$ 48,928	\$ 69,591

	Three months ended June 30,	
	2024	2023
EXPLORATION		
Field support including project administration	\$ 9,158	\$ 12,205
Mining fees - El Oro	81,282	76,770
Option payments received (Note 4)	-	(30,000)
Total exploration expenses	\$ 90,440	\$ 59,842

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 June 30, 2024, the Company has cash of \$4,972 which is not sufficient to settle current liabilities totalling \$4,966,150; accordingly, liquidity risk is considered to be high.

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

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 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 June 30, 2024 is \$3,083,751. Therefore, a 10% change in the value of the Mexican Peso versus the US dollar would change the Company's net loss by approximately \$308,375.

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.

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).

Xali Gold Corp.

Notes to the consolidated financial statements

For the three months ended June 30, 2024 and 2023

(expressed in United States dollars unless otherwise noted)

11. Financial risk and capital management (continued)

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.

12. Subsequent events

On July 2024, the Company signed a legally binding Letter of Intent ("LOI") with Rio Verde Resources ("Rio Verde") granting Rio Verde the exclusive right to explore and extract gold, silver and any other economic minerals that may be found above the 2400 metre ("m") level in the historic workings covered by the El Oro 5 Concessions in exchange for payment of a 3% Net Smelter Return ("NSR") to Xali Gold. The initial agreement has a term of 5 years which may be extended for an additional 5 years providing Xali Gold is receiving benefits totaling \$1 Million ("M") per year. Xali Gold retains the exclusive ownership of all mineral bodies discovered or delineated below the 2400 m level.

The LOI shall initially pertain to only the 5 mining concessions of El Carmen, El Oro VII, Dos Estrellas 77 Fracc.1, Dos Estrellas 77 and Dos Estrellas 77 Fracc. II. located in the State of Mexico and Michoacán, Mexico. Rio Verde shall maintain the concessions in good standing during this period, by paying the semi-annual concession fees, by incurring the minimum investments and the corresponding filings with the Mexican Mines Bureau, by making the filings of statistical reports and by paying the Governmental Royalties. Rio Verde has advised the Company that is forming a Mexican subsidiary called Remedioambiente S.A. de C.V. to operate the Mexican portion of this agreement.

Funds provided for concession fees will be provided as participation in a Private Placement in Xali Gold under the following terms: A Unit comprising one share and one-half warrant will be priced at CAD\$0.05. A full warrant will be exercisable at CAD\$0.10 per share for two years. Xali Gold will grant Rio Verde the right to participate in future Private Placements, terms of which will be in the context of the market at the time when the funds are provided. Such funds are expected to come from income generated from operations on the five concessions and will be used to assist Xali Gold in paying off the remaining fees due on the rest of the El Oro Property.

Rio Verde has also been granted the right to appoint an additional member to the Board of Xali Gold and to the position of Chair of the Board, when Rio Verde holds greater than 20% of the outstanding shares in the Company, provided that person is deemed qualified by the current Board of Xali Gold.