Amended Technical Report

Pico Machay Gold Deposit

Huancavelica Province, Peru

Effective Date: November 18th, 2025

Report Date: December 16th, 2025

Xali Gold Corp
1100 – 1111 Melville Street
Vancouver, BC
V6E 3V6

Prepared By:

David Thomas, P.Geo., DKT Geosolutions Inc.

CERTIFICATE OF QUALIFIED PERSON

David Thomas, P.Geo.

I, David G. Thomas, P. Geo, am employed as Principal Geologist with DKT Geosolutions Inc., with an office address at Suite 170 – 422 Richards Street, Vancouver, BC.

This certificate applies to the technical report titled “The Pico Machay Gold Deposit, Huancavelica Province, Peru” that has an effective date of November 18th, 2025 and dated December 16th, 2025.

I am a member of the Engineers and Geoscientists of British Columbia (EGBC Licence # 149114).

I graduated from Durham University, in the United Kingdom, with a Bachelor of Science degree in Geology in 1993, and I was awarded a Master of Science degree in Mineral Exploration from Imperial College, University of London, in the United Kingdom in 1995.

I have practiced my profession for over 30 years since graduation. I have been directly involved in the review of exploration programs, geological models, exploration data, sampling, sample preparation, quality assurance/quality control, databases, and Mineral Resource estimates for a variety of mineral deposits, including high-sulphidation epithermal gold deposits.

I have worked in Brasil, Colombia, Ecuador, Peru, Chile, Mexico, Argentina, USA, Canada, Australia, Ethiopia, Eritrea, Nicaragua, Greece, Romania, Bulgaria and Serbia.

As a result of my experience and qualifications, I am a Qualified Person as defined in National Instrument 43–101 *Standards of Disclosure for Mineral Projects* (NI 43–101) for those sections of the technical report that I am responsible for preparing.

I visited the Pico Machay Project from the 21st – 24th October, 2025. I was engaged to review all technical data provided to Xali Gold by Pan American Silver in May 2025, but I have no history with the Pico Machay project prior to that.

I am responsible for all Sections of the technical report.

I am independent of Xali Gold Corp. (“Xali Gold”) as described by Section 1.5 of NI 43–101.

I have read NI 43–101 and the sections of the technical report for which I am responsible have been prepared in compliance with that Instrument.

As of the effective date of the technical report, to the best of my knowledge, information and belief, the sections of the technical report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Dated: 16 December, 2025

“Signed and sealed”
David G. Thomas, P.Geo.

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1.0 SUMMARY

1.1 Introduction

Xali Gold Corp. (“Xali Gold”) requested that DKT Geosolutions Inc. (“DKT”) prepare a technical report (the “Report”) on the Pico Machay Project (“Pico Machay” or the “Property”), located in southern Peru within the Province of Huancavelica, about 450 kilometres southeast of Lima and 13 kilometres from the town of Santa Ana.

1.2 Terms of Reference

Xali Gold signed a Share Purchase Agreement (“SPA”) on October 23, 2025, to acquire the company Minera Calipuy S.A.C., which wholly owns Pico Machay from Pan American Silver (“Pan American”) and its subsidiary, Aquiline Resource Inc (“Aquiline”). This Report was prepared on behalf of Xali Gold to comply with TSX Venture requirements as part of their review and approval for this transaction. This report is an update of a previous NI43-101 Independent technical report completed by Caracle Creek International Consulting Inc. on November 25th, 2009, for Aquiline Resources.

1.3 Project Setting

The Project is located about 450 kilometres southeast of Lima and 13 kilometres from the town of Santa Ana. The Property is geographically centred at approximately 13°02'S, 75°13'W (477900mE, 8560500mS - PSA56, Zone 18) and within the Peruvian National Topographic System (NTS) map area of Castrovirreyna (map sheet 27-M).

The Property lies between 4,100 and 5,100 metres above sea level (ASL) and is situated in the eastern part of the Western Cordillera of Peru. The Pico Machay Property is accessible by paved and gravel roads northeast from the coastal city of Pisco, located about 225 kilometres south of Lima (Figure 4-1). The drive from Pisco to the Property takes approximately 6 hours. Road access to the Property is sometimes affected by the heavy rains during the rainy season. The Property is located 35 kilometres southwest of the town of Huancavelica where limited supplies and accommodations are available.

Slopes at lower elevations on the Property are typically covered with small brush and grasses with the largest concentration of vegetation in swampy areas in the valleys. Slopes at higher elevations are generally bare with very little vegetation and are predominantly covered by talus. There are grazing herds of Alpacas and Llamas on plateaus.

Water is supplied to the community of Santa Ana by a spring uphill from the town where it is stored in a small cistern and chlorinated for public use. Water for reverse circulation/diamond drilling and other exploration activity is obtained, under permit, from the lower valley surrounding the higher topographic ridge in the central portion of the Property.

1.4 Mineral Tenure, Surface Rights, Water Rights, Royalties and Agreements

The Property consists of fifteen concessions covering 4,700 hectares which have been acquired at various times since 1994. The principal target area of known gold mineralisation is located within concession El Alcatraz 4 and is referred to as the main mineralized zone or Central Zone.

There is an existing 1% Net Smelter Return ("NSR") covering the El Alcatraz 4 concession. The NSR was granted to Maverix Metals Inc. in July 2016. The NSR is on all metals and has no time limit or amount payable and there is no buyback option. In January 2023, Triple Flag Precious Metals Corp. completed the acquisition of Maverix Metals Inc.

1.5 Permitting, Environmental, and Social

All of the exploration and drilling previously conducted on the property by Minera Calipuy required permits to be obtained through both the Ministry of Energy and Mines and the Department of Agriculture.

In 2008, Aquiline contracted CESEL Ingenieros to conduct an independent Environmental Impact Assessment ("EIA") which included environmental, archaeological and hydrology studies, and an investigation into environmental and social impacts in order acquire permits for additional drilling as well as mining or development activities. The report concluded that the most important impacts of development at Pico Machay relate to changes in air quality, the modification of the relief and landscape, and possible alterations to the underground water table if underground mining is pursued (CESEL, 2008). Going forward Xali Gold will require various permits including an environmental technical report ("Ficha Tecnica Ambiental' or FTA) and/or an environmental impact declaration ("Declaracion de Impacto Ambiental" or DIA) and an environmental and social impact assessment (ESIA) semi-detailed and/or ESIA detailed studies for all of the drilling and development.

The Comprehensive Registry of Mining Formalization (REINFO) was introduced in 2017. The registry formalises companies and businesses that are active in small mining or artisanal mining and exempts them from criminal liability for illegal mining. There are currently six known REINFO permits on the Property.

Under the REINFO regulatory framework, there has been some artisanal mining activity on the Property. There are underground workings in the main mineralized zone and the extent of these workings is not known to the author. A rudimentary leach pad is present on the Property but appears to be abandoned. Only a few people appear to be active currently and with minimal support. Xali Gold and their counsel advise that they will not hold any environmental liability associated with this informal mining activity by reporting it to the government of Peru as soon they take ownership of Minera Calipuy.

1.6 History

The earliest work on the Property was in 1993 by Minera Queenstake Resources, but their efforts failed to identify anomalous mineralisation. In late 1995, Queenstake Resources acquired Intercontinental Resources Inc. and subsequently joint ventured the Property to Newcrest Mining Australia and its subsidiary Minera Newcrest Peru S.A. ("Newcrest").

The gold potential of the Property was first realized through the efforts of Minera Newcrest Peru SAC. in 1997-1998, whose rock sampling confirmed the presence of anomalous gold mineralisation within a zone of advanced argillic alteration and strong silicification.

In 1999, Gitennes acquired all the Peruvian assets of Newcrest including the Pico Machay option but soon relinquished the option to Compania Minera IRI Peru S.A. Monterrico Metals then acquired Compania Minera IRI Peru S.A., which was a Peruvian subsidiary of Queenstake Resources. Minera Calipuy SAC. subsequently optioned (a 75% interest) the Pico Machay property, adding concessions IRI-238 to IRI-244 in 2002.

In February 2004, Absolut Resources Corp. acquired Minera Calipuy S.A.C.

Exploration continued in 2002 with systematic surface sampling where 1,197 rock chip samples and 107 soil samples were collected and analyzed which resulted in the identification of several anomalous gold zones. The Property was surveyed with 47-line kilometres of pole-dipole induced polarization (“IP”) ground geophysics and a 47-kilometre magnetometer survey which identified a resistive body approximately 1400 x 150 metres. Trenching commenced in conjunction with exploration drilling and most recently detailed mapping on the areas identified as prospective in geophysical surveys.

The mapping was successful in identifying specific alteration types and intensities related to mineralisation. Mineralisation location and intensity appears to be controlled by: 1) the original lithology and its inherent permeability; 2) subsequent extent of alteration; 3) structure; and 4) association with dacitic intrusions.

Following the positive results of the exploration programs, 154 drill holes tested the property and targeted the main zone. Positive results of Au assay results led to Resource Modeling of the deposit.

Aquiline Resources acquired 100% of Minera Calipuy S.A.C. through the purchase of Absolut Resources in April, 2008. In October 2009, Aquiline Resources purchased the outstanding 25% in the Project from Monterrico Metals PLC.

Pan American Silver acquired Aquiline Resources in January 2010. To the Author's knowledge, no additional work has been completed on the Property.

1.7 Historical Resource Summary

Historical resources were estimated by Caracle Creek on behalf of Aquiline in 2009 (Fox, D. et al, 2009) using all drilling completed up to Hole ABS-246, drilled in 2008.

Micromine software (Version 11.0.4) was used to facilitate the resource estimating process and the estimate was prepared in accordance with CIM Standards on Mineral Resources and Reserves in force at the time of the historical mineral resource estimate.

A shell representing the mineralisation was used to constrain block grade block estimates. The grade continuity of the broader mineralised zones, was found to be good and could be readily followed from hole-to-hole and section-to-section. A main mineralised zone and nine other, minor zones were outlined.

The sample database did not contain a large number of outliers - the maximum sample value being only 15.90 g/tonne. For this reason, Caracle Creek did not use a top-cut value.

An average specific gravity (rock density) value, based on eleven samples, of 2.31 was used. Further specific gravity work is recommended.

A block model was created, constrained by the mineralisation wireframes. Blocks in the Inferred category were defined based on search ellipse parametres with a range of 40 metres. Blocks in the

Indicated and Measured categories were identified manually, based on drill intercept spacing values of 27 and 20 metres, respectively.

Ordinary block kriging was used to estimate block grades. The historical mineral resource estimate is shown in Table 1.1.

Table 1.1: Historical Resources at Pico Machay

Resource Category	Tonnes	Average Grade (g/tonne)	Specific Gravity	Ounces
Measured				
Mixed	3,600,000	1.03	2.31	120,000
Non-Oxidised	1,100,000	0.53	2.31	20,000
Sub-Total Measured	**4,700,000**	**0.91**	**2.31**	**140,000**
Indicated				
Mixed	4,100,000	0.75	2.31	100,000
Non-Oxidised	1,800,000	0.51	2.31	30,000
Sub-Total Indicated	**5,900,000**	**0.67**	**2.31**	**130,000**
Measured+ Indicated				
Mixed	7,700,000	0.88	2.31	220,000
Non-Oxidised	2,900,000	0.52	2.31	50,000
Sub-Total Meas+Ind	**10,600,000**	**0.78**	**2.31**	**270,000**
Inferred				
Mixed	7,700,000	0.61	2.31	150,000
Non-Oxidised	16,200,000	0.57	2.31	300,000
Sub-Total Inferred	**23,900,000**	**0.58**	**2.31**	**450,000**

Notes:

1. A block cut-off grade of 0.3 g/tonne was used.
2. Non-diluted.
3. Gold in the "Mixed" (partly or fully oxidised) zone is amenable to cyanide leaching, whereas gold in the Non-Oxid ("Sulphide") zone is not.

To verify the precision of the block-kriged resource estimate, inverse distance weighting ("IDW", power of two) was used to estimate the blocks of Zone C (the main zone). The results compared very well against each other. In other words, the precision of the mineral resource estimate was high.

The results of the historical mineral resource estimate were compared with the previous 2005 estimate. Overall, the resources expanded based on the in-fill drilling that was carried out after 2004. Also, the closer-spaced drilling allowed Measured and Indicated Resources to be identified - the previous estimate identified Inferred Resources only.

All resource estimates for Pico Machay are considered historical in nature and are based on prior data and reports prepared by previous property owners. A qualified person has not done sufficient work yet to classify the historical estimates as current resources in accordance with current CIM categories and the Company is not treating the historical estimates as current resources. Significant data compilation, redrilling, resampling and data verification may be required by a qualified person before the historical estimates on the project can be classified as a current resource. There can be no assurance that any of the historical mineral resources, in whole or in part, will ever become economically viable. In addition, mineral resources are not mineral reserves and do not have demonstrated economic viability. Even if classified as a current resource, there is no certainty as to whether further exploration will result in any inferred mineral resources being upgraded to an indicated or measured resource category.

1.8 Geology and Mineralisation

The Pico Machay gold deposit is classified as a high sulphidation epithermal gold deposit as defined by its characteristic alteration and mineralisation pattern. High sulphidation gold deposits represent the major producers (Yanacocha and Pierina, Peru) and undeveloped resources (Pascua, Chile) in the South American Andes.

The Property lies within the northern extent of the Southern Peru Epithermal Gold-Silver Belt which is one of three epithermal gold belts in Peru that are host to world class gold deposits. The central portion of Pico Machay is lithologically quite simple. It consists of a large fine-grained, hornblende-plagioclase phyric, subvolcanic andesite (the Pico Machay Stock - PMS), which is exposed over a surface area of approximately 10 sq km. Structurally, the Property lies within a broad, multi-kilometre scale, open, north-northwest trending synclinorium with a double, shallow, internal plunge. A mapping program by Aquiline geologists identified structures with strikes varying between NE- SW to E-W and dipping to the north.

The principal target area for potentially economic gold mineralisation, referred to as the main mineralized zone or Central Zone, forms the basis for the historical Mineral Resource Estimate. The Central Zone has dimensions of approximately 750 m in an east-west direction, an average width of approximately 125 m in a north-south direction and a vertical height of 120 m. Within and below the Central Zone there are higher-grade zones of mineralisation with grades varying between 2 g/t to 5 g/t Au. The orientation and width of these higher-grade zones are unknown.

Based upon alteration mineral assemblages and textures, the styles of alteration were divided into the following eight categories listed from weakest to most intense:

1. Propylitic
2. Weak Argillic

3. Strong Argillic
4. Intermediate Argillic
5. Advanced Argillic 1
6. Advanced Argillic 2
7. Residual Silica 1
8. Residual Silica 2

Metallurgy and processing tests were also conducted. Metallurgical recovery at the industrial level of 70% gold and 30% silver is projected. Gold in the Mixed Zone (fully or partly oxidised rock) is likely to leach readily and be conducive to a low capital, low cost, cyanide heap leach operation. Gold within the Non-Oxidised Zone however, would require oxidation prior to cyanide leaching. Alternatively, gravity and flotation methods could be used to produce gold concentrates, which could be shipped directly to smelters or further refined on site.

1.9 Conclusions and Recommendations

The Pico Machay Property is a high-sulphidation epithermal gold system comparable to major Peruvian deposits such as Yanacocha and Pierina. Historical work outlined Measured & Indicated resources of 264,600 oz Au and Inferred resources of 446,000 oz Au, based on 154 RC drill holes completed prior to 2009. Because these estimates are historical, the project is *not* currently classified as an advanced-stage property under NI 43-101.

Xali Gold aims to advance the Property by relogging the RC drill cuttings, mapping the entire property, conducting rock and bulk sampling, collecting additional Specific Gravity measurements, carrying out downhole surveys on a selection of existing 'open' holes, completing topographic surveys and core drilling approximately 7 holes (totaling 350 metres) to verify the RC intercepts. These activities are included in the Phase 1 Program and can proceed while permits for new surface drilling are pursued.

The Company plans to bring the mineral resource estimate to a current status and advance the project. Several additional technical programs are recommended, including infill drilling for resource classification and condemnation drilling for infrastructure. Further work is also required to refine the geological model. This includes updating the geological database, generating new cross-sections, and drilling the nine near-deposit targets (32 proposed holes) to support resource expansion and future project development.

The estimated budget (shown in Table 1-2) required to proceed with the recommended Phase 1 programs is US$295,080.

Table 1-2: Proposed Budget for Phase 1 at Pico Machay

		Cost in USD
Relogging of historical drill chips	154 holes	$6,500
Surface and underground mapping		$10,000
Spectrographic Analysis - Alteration		$6,750
Rock chip and bulk samples		$20,000
Specific Gravity program		$10,200
Downhole surveys	10 holes	$6,750
Topographic surveys		$4,300
Diamond drilling (underground)	7 holes @ 50m @ $300/m	$105,000
Rental of heavy equipment	10 days	$6,400
Food and accommodation		$20,000
Community engagement		$25,000
EIS studies for drilling & other permits		$25,000
	Subtotal	**$245,900**
	Contingency 20%	$49,180
	Total	**$295,080**

2.0 INTRODUCTION

2.1 Introduction

The Pico Machay gold property (the "Property") is located in southern Peru within the Province of Huancavelica, about 450 kilometres southeast of Lima (Figure 4-1) and 13 kilometres from the town of Santa Ana. The Property lies between 4,100 and 5,100 metres above sea level (ASL) and is situated in the eastern part of the Western Cordillera of Peru. Xali Gold signed a Share Purchase Agreement ("SPA") on October 23, 2025 to acquire the company Minera Calipuy S.A.C., which wholly owns Pico Machay. This Report was prepared on behalf of Xali Gold to review exploration work completed to date on the Property and to review a historical Mineral Resource Estimate for this Property. This report is an update of a previous NI 43-101 report completed by Caracle Creek International Consulting Inc. on November 25th, 2009.

The Property lies within the northern extent of the Southern Peru Epithermal Gold-Silver Belt which is one of three epithermal gold belts in Peru that are host to world class gold deposits.

2.2 Scope of Work

David Thomas has been retained by Xali Gold to conduct an independent review of the Pico Machay Property and produce an Independent Technical Report (the "Report") in accordance with the guidelines set out in National Instrument 43-101 ("NI-43-101"), companion policy NI43-101CP and Form 43-101F1. In order to complete the report, Mr. Thomas has completed the following:

- a visit to the Property on October 21st;
- examination of chip samples collected from reverse circulation drilling;
- review of the Quality Control/Quality Assurance procedures (i.e. laboratory, care and control of samples, storage);
- review of analytical procedures;

- review of reverse circulation drill hole database;
- review of geological interpretation;
- review of polygonal Resource Estimate;
- generation and review of geological models;
- generation of block models and completion of Resource Estimation;
- completion of Resource Classification in accordance with the "Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Mineral Reserves Definition Guidelines" (CIM, 2005).

2.3 Basis of the Report

This Report is based on the following data as made available to Mr. Thomas, public domain sources and various consultants associated with Aquiline:

- reverse circulation drill hole database;
- geological interpretation from Aquiline geologists;
- historical review of the Property;
- site visit completed by Doris Fox (MSc., P.Geo.) on September 5th, 2009;
- reverse circulation chip sample examination;
- polygonal Resource Estimate completed by Doug Roy;
- digital data as supplied to CCIC by Aquiline;
- various reports as listed in the References section

2.4 Terms of Reference and Conversions

In Canada, the Metric System or SI System is the primary system of measure and length is generally expressed in kilometres, metres and centimetres, volume is expressed as cubic metres, mass expressed as metric tonnes, and nickel and copper grades are generally expressed as percent. The precious and platinum-group metals grades are generally expressed as ounce per ton but may also be in parts per billion or parts per million. Metals and minerals acronyms in this report conform to mineral industry accepted usage and are listed in the Glossary of Terms.

Some abbreviations used in this report include ppb = parts per billion; ppm = parts per million; opt= ounce per short ton; Moz = million ounces; Mt = million tonne; t = tonne (1000 kilograms); and SG = specific gravity.

Dollars are expressed in Canadian currency (CAD$) unless otherwise noted. Gold, silver and platinum-group metals prices are stated in US$ per troy ounce (US$/oz).

Unless otherwise mentioned, all Universal Transverse Mercator (UTM) coordinates in this Report are provided in the datum Provisional South American 1956 (PSA56).

2.5 Author Qualifications

The Qualified Person for this Report is David Thomas. The Certificate of Qualifications for the author are provided after the title page.

The site visit, data verification, data compilation, literature review and general report composition was conducted by David Thomas.

3.0 RELIANCE ON OTHER EXPERTS

Mr. Thomas has relied exclusively on information provided by Xali Gold regarding land tenure and technical information and all of these sources appear to be of sound quality. Mr. Thomas did not conduct an in-depth review of mineral title and ownership and the title ownership and status of claims as outlined in this Report was obtained from a Title Opinion completed by Peruvian counsel Dentons Gallo Barrios Pickmann located in Miraflores, Peru (Dentons, December 1, 2025).

Mr. Thomas has made all reasonable efforts to outline any land tenure or environmental issues relating to the Property and disclaims all responsibility for missing or inaccurate Property information.

4.0 PROPERTY DESCRIPTION AND LOCATION

The Pico Machay Gold Property is located in southern Peru within the Province of Huancavelica, about 450 kilometres southeast of Lima and about 13 kilometres from the nearest town of Santa Ana (Figure 4-1). The Property is geographically centred at approximately 13°02'S, 75°13'W (477900mE, 8560500mS - PSA56, Zone 18) and within the Peruvian National Topographic System (NTS) map area of Castrovirreyna (map sheet 27-M). Unless otherwise mentioned, all UTM coordinates in this Report are provided in the datum Provisional South American 1956 (PSA56).

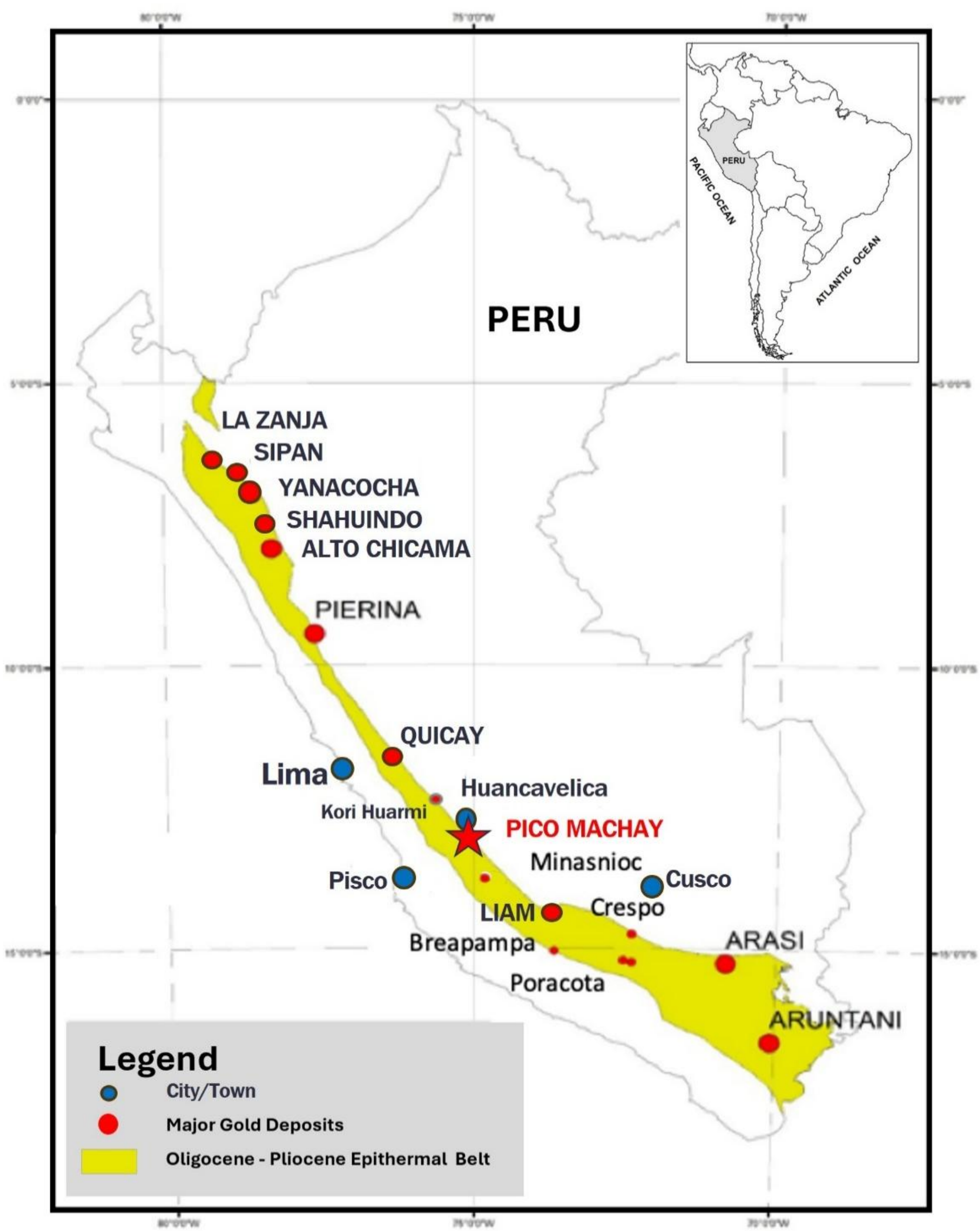

Figure 4-1: Location of the Pico Machay Gold Property

The Property consists of fifteen concessions covering 4, 700 hectares which have been acquired at various times since 1994 (Table 4-1; Figure 4-2). The most recent staking was in mid- 2004, at which time four new concessions were added in order to infill the previous concessions and to cover areas of hydrothermal alteration that could provide further untested regions of gold mineralisation. It is the QPs understanding that none of the mineral concessions have been surveyed.

Table 4-1: Concessions comprising the Pico Machay Property belonging to Minera Calipuy

N°	Code	Registry Entry	Claim Name	Hectares	Date Acquired
1	010019703	11020159	IRI 241	24.00000	28/01/2003
2	010019803	11020164	IRI 242	15.00050	28/01/2003
3	010019903	11020165	IRI 243	2.00010	28/01/2003
4	010020003	11020155	IRI 240	1.99980	28/01/2003
5	010020103	11020166	IRI 244	225.00150	10/08/2004
6	010271204	11039396	PICO CHICO UNO	11.98760	04/07/2004
7	010237504	11039395	IRI 245	460.83200	04/07/2004
8	010289704	11039392	PICO CHICO DOS COMPLEMENTARIO	20.00020	07/09/2004
9	010357204	11039393	PICO CHICO TRES	800.00000	14/11/2004
10	010501108	11370893	FUTURO DOS	100.00000	21/08/2008
11	010501208	11370894	FUTURO UNO	100.00000	21/08/2008
12	010019603	11020152	IRI 239	15.00010	07/09/2004
13	010019503	11020149	IRI 238	8.00020	28/01/2003
14	010194598	11020136	IRI-219	700.00000	13/09/1998
15	010194798	11020137	IRI-221	672.19200	13/09/1998
16	010138594	20003808	EL ALCATRAZ 4*	968.08700	17/03/1994
17	010138694	20005159	EL ALCATRAZ 5	575.89800	17/03/1994
			TOTAL:	**4699.999**	

All claims for the Pico Machay Property will expire in 2039, if production has not commenced by that time.

**There is an existing 1% Net Smelter Return ("NSR") granted to Maverix Metals Inc. in July 2016. The NSR is on all metals and has no limits in time or amount payable and there is no buyback option. In January 2023, Triple Flag Precious Metals Corp. completed the acquisition of Maverix Metals Inc.*

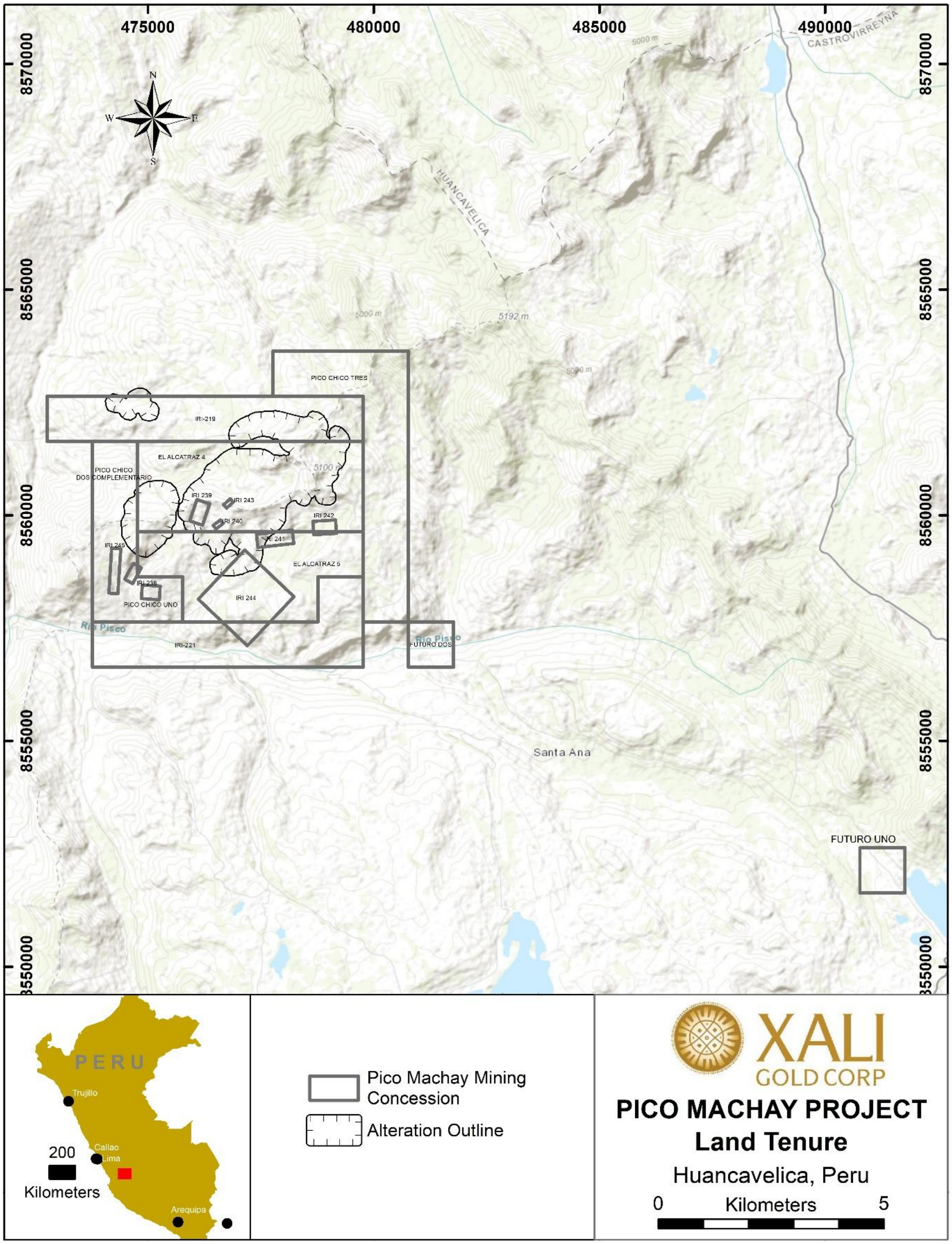

Figure 4-2: Tenement map showing mineral concessions for Pico Machay

The principal target area of known gold mineralisation is located within concession El Alcatraz 4 and is referred to as the main mineralized zone or Central Zone (Figure 4-2). This area, located between 477500mE and 478350mE, forms the basis for the al Mineral Resource Estimate.

4.1 Establishing Mineral Rights in Peru

Minerals in the subsurface in Peru are owned by the Central government (National Patrimony) and made available to the private sector under the following general mining concepts:

- **Mining Claim (Petitorio)** is a request to obtain a Mining Right. Mining Right title will be granted by INGEMMET once the administrative proceedings of the Mining Claim are concluded. According to article 9° of the General Mining Law, a Mining Right **(Concesion)**: grants its titleholder the right to explore and exploit its mineral resources within a solid of indefinite depth, limited by vertical planes corresponding to the sides of a closed square, rectangle or polygon, whose vertices are referred to coordinates.

- **Minimum Annual Production**: According to article 38° of the General Mining Law (2017), the Titleholders are obliged to invest in or produce mineral resources in the area of the Mining Concession. In the case of metallic substances, production or investment may not be less than the equivalent to one Tax Unit[1] per year per granted hectare, and in the case of non-metallic substances not less than the equivalent of 10% of the Tax Unit per year and per granted hectare. In the case of small-scale mining producers, production may not be less than the equivalent to 10% of the Tax Unit per year and per granted hectare for metallic substances and to 5% of the Tax Unit per year and per granted hectare for non-metallic substances. In the case of artisanal miners, production may not be less than 5% of the Tax Unit per year and per granted hectare, regardless of the substance. Production must be obtained no later than the expiration date.

- **Penalties**: According to article 40° of the General Mining Law (2017), if the Titleholder of a Mining Concession does not reach Minimum Annual Production by the first semester of its

[1] Tax Unit for the year 2025: S/ 5,350.00 ($1,670) / hectare

eleventh year - counted since the date the title of the Mining Right was granted the Titleholder will be required to pay a yearly penalty of 2% of the applicable Minimum Annual Production per hectare until the fifteenth year.

If the Titleholder does not reach the Minimum Annual Production on the first semester of the sixteenth year from the year the Mining Right was granted, the Titleholder will be required to pay a yearly penalty of 5% of the applicable Minimum Annual Production per hectare until the twentieth year.

If the Titleholder does not reach the Minimum Annual Production on the first semester of the twentieth year from the year the Mining Right was granted, the Titleholder will be required to yearly pay a penalty of 10% of the applicable Minimum Annual Production per hectare until the thirtieth year. Finally, if the Titleholder does not reach the Minimum Annual Production during this period, the Mining Right will expire.

Penalties may be avoided with Exploration Expenditures to the amount of ten times the penalty costs annually. Exploration Expenditures include all exploration costs including but not limited to: drilling, surface geological mapping, sampling of rocks and soils, community engagement, environmental baseline studies, trenching, geophysical and geochemical surveys, metallurgical testing, topographic surveys, permitting costs related to exploration activities, construction and operation of exploration camps, access road maintenance for exploration purposes, laboratory analyses, technical consulting services, and preparation of exploration reports.

In 2017, Peruvian law established an exception applicable to mining rights that were granted prior to December 31st, 2008. In that regard, as per Legislative Decree 1320, mining rights that were granted prior to December 31st, 2008 will have a thirty-year term to start mining production, counted from 2009; otherwise they will be cancelled. Supreme Decree N° 011-2017-EM established that holders of mining rights that were granted until December 31st, 2008 are obliged to obtain the minimum production at the end of the year 2018. Therefore, the current formula for calculating the penalty applicable to said type of mining rights is the following:

Table 4-2: Penalties for not reaching production by 11th year

Years	Penalty/Cancellation
2019-2023	2% of the minimum production
2024-2028	5% of the minimum production
2029-2038	10% of the minimum production
2039	The mining concession will expire

- **<u>Titleholder</u>**: It is the current holder of the Mining Right duly entitled to transfer, assign and/or charge it in favor of third parties.

- **<u>Validity Fee</u>:** According to Article 39° of General Mining Law (2017), as of the year in which the Mining Claim is filed, the Titleholder shall be obliged to pay the annual maintenance fee. The annual maintenance fee is US$ 3,00 or its equivalent in local currency per year and per hectare requested or granted. For small-scale mining producers, the annual maintenance fee is US$ 1.00 or its equivalent in local currency per year and per hectare requested or granted. For artisanal miners the annual maintenance fee is US$ 0.50 or its equivalent in local currency per year and per hectare requested or granted.

Mining concessions will lapse automatically if any of the following events take place:

- The annual fee is not paid for two consecutive years.
- The applicable penalty is not paid for two consecutive years.
- The Minimum Annual Production Target is not met within 30 years following the year after the concession was granted.

Once the title is awarded, the property cannot be over staked and the term of a Concession in indefinite as long as it is properly maintained by payment of the necessary rental fees and penalties.

4.2 Ownership and Mineral Rights

Pico Machay is 100% owned by Minera Calipuy S.A.C. ("Calipuy"), subject to a 1% NSR granted to Maverix Metals Inc. (now Triple Flag Precious Metals Corp.) in July 2016. On October 23rd, 2025, Xali Gold entered into an SPA with Pan American and its subsidiary, Aquiline to acquire 100% of their collective interest in Calipuy.

The transaction with Pan American and Aquiline to acquire 100% of their collective interest in Calipuy is arm's length. A total of $15M is to be paid over 5 years for the known historical gold resource. An additional $2.5M will be due upon the disclosure of more than 1,250,000 ounces of gold aggregate mineral reserves or mineral resources classified as any of proven mineral reserves, probable mineral reserves, measured mineral resources, or indicated mineral resources (as per CIM Definitions) are disclosed in a National Instrument ("NI") 43-101 technical report for the Pico Machay Project. The $17.5M in deferred payments are secured by: Promissory Notes for each of the six deferred payments; a first-priority Share Pledge Agreement over 100% of Calipuy's shares; and a first-priority Mortgage Agreement over both the Pico Machay property as well as the Company's Las Brujas II property in Peru. Xali Gold has provided Pan American with a Purchaser's Special Indemnity. This indemnity is unlimited in amount and indefinite in duration and covers all existing and future liabilities (environmental, tax, labour, etc.) of the Project.

Details on the cash payments (all dollar values are United States dollars) to Pan American our outlined in Table 4-2.

Table 4-3: Cash Payments to Pan American for SPA for Pico Machay

Time Period	**Cash Payments**
Closing of Transaction	$0.5M
1st Year Anniversary	$1.5M
2nd Year Anniversary	$1.5M
3rd Year Anniversary	$4.0M
4th Year Anniversary	$3.0M
Earlier of 5th Year Anniversary or commencement of commercial production	$4.5M
On delineating more than 1.25M oz Au in a NI43-101 compliant Measured and Indicated Resource or Proven and Probable Reserve	$2.5M
Total	**$17.5M**

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Closing of the transactions under the SPA are subject to customary closing conditions for transactions of this nature, as set out in the SPA. Pan American will retain certain security interests over Calipuy, subject to Xali Gold's completion of the deferred payments under the SPA.

Pan American purchased Aquiline, and in turn Calipuy, on January 26, 2010. The reason for the acquisition of Aquiline by Pan American was for the Navidad Silver deposit in Argentina and Pico Machay was not considered material to them.

Pico Machay was originally acquired by Aquiline following the purchase of Absolut Resources and its subsidiaries on April 1, 2008 by Aquiline. Absolut had acquired the option to earn 75% of the Property from Monterrico Metals PLC (a London Stock Exchange AIM company) by purchasing 100% of Minera Calipuy SAC. and by meeting certain expenditures and drilling requirements over a five-year period (Cleath, 2005). A letter of intent ("LOI") signed July 14, 2009 between Aquiline and Monterrico Metals PLC a subsidiary of Xiamen Zijin Tonguuan Investment Development Co. Ltd., a consortium of three Chinese companies, allowed Aquiline to acquire all of Monterrico's right, title and interest in the mining concessions that make up the Pico Machay Property.

4.3 Surface Rights

Mining companies must negotiate agreements with surface landholders or establish easements. Where surface rights are held by communities, such easements must be approved by a qualified majority, usually, of at least two thirds of registered community members. In the case of surface lands owned by indigenous communities, in some of these, as designated by the Ministry of Culture, it may be necessary to go through a prior consultation process before administrative acts, such as the granting of environmental permits, are finalized. For the purchase of surface lands owned by the government, an acquisition process with the Peruvian state must be followed through the Superintendence of National Properties. Expropriation procedures have been considered for cases in which landowners are reluctant to allow mining companies to have access to a mineral deposit. Once a decision has been made by the Government, the administrative decision can only be judicially appealed by the original landowner as to the amount of compensation to be paid.

The Pico Machay property is located in the community of Santa Ana which has an indigenous population but does not require the formal prior consultation process before administrative acts.

Silver Mountain Resources Inc. recently signed an agreement with this community to allow them to reactivate the Reliquias mine according to the process described above.

4.4 Water Rights

Water rights are governed by Law 29338, the Law on Water Resources, and are administered by the National Water Authority (ANA) which is part of the Ministry of Agriculture. There are three types of water rights:

- License: this right is granted in order to use water for a specific purpose in a specific place. The license is valid until the activity for which it was granted terminates, for example, a mineral beneficiation concession.
- Permission: this temporary right is granted during periods of surplus water availability.
- Authorization: this right is granted for a specified quantity of water and for a specific purpose. The grant period is two years, which may be extended for an additional year, for example, for drilling.

In order to maintain valid water rights, the grantee must:

- Make all required payments including water tariffs.
- Abide by the conditions of the water right in that water is only used for the purpose granted.

Water rights can be transferred or mortgaged. However, in the case of the change of the title holder of a mining concession or the owner of the surface land who is also the beneficiary of a water right, the new title holder or owner can obtain the corresponding water right.

4.5 Environmental Considerations

All of the exploration and drilling previously conducted on the property by Minera Calipuy, required permits to be obtained through both the Ministry of Energy and Mines ("MINEM") and the Department of Agriculture.

In 2008, Aquiline contracted CESEL Ingenieros to conduct an independent Environmental Impact Assessment ("EIA") which included environmental, archaeological and hydrology studies, and an investigation into environmental and social impacts in order acquire permits for additional drilling as well as mining or development activities. The report concluded that the most important impacts of development at Pico Machay relate to changes in air quality, the modification of the relief and landscape, and possible alterations to the underground water table if underground mining is pursued (CESEL, 2008).

Going forward, Xali Gold will require various permits including an environmental technical report ("Ficha Tecnica Ambiental' or FTA) and/or an environmental impact declaration ("Declaracion de Impacto Ambiental" or DIA) and an environmental and social impact assessment ("ESIA") semi-detailed and/or ESIA detailed studies for all of the drilling and development.

4.6 Comprehensive Register of Mining Formalization (REINFO)

The Comprehensive Registry of Mining Formalization ("REINFO") is administered by the MINEM and was introduced in 2017. The registry formalises companies and businesses that are active in small mining or artisanal mining and exempts them from criminal liability for illegal mining. REINFO permits are designed to bring informal mining operations into the formal economy. These temporary authorizations allow small-scale and artisanal miners to operate legally while they work toward achieving full compliance with mining regulations. Recently, MINEM extended all REINFO permits until December 31, 2025.

As a result of the REINFO permits, there has been some artisanal mining activity on the Property, predominantly during 2020 through 2022. There are currently six known REINFO permits on the Property. There are some underground workings in the main mineralized zone, and the extent of these workings is not known to the author. A rudimentary leach pad is present on the Property but appears to be abandoned. Only a few people appear to be active currently, and with minimal support. Xali Gold and their counsel advise that they will not hold any environmental liability associated with this informal mining activity by reporting it to the government of Peru as soon they take ownership of Minera Calipuy.

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE, AND PHYSIOGRAPHY

5.1 Access

The Pico Machay Property is accessible by paved and gravel roads northeast from the coastal city of Pisco, located about 225 kilometres south of Lima (Figure 4-1). The drive from Pisco to the Property takes approximately 6 hours. Previous operators Newcrest Mining Australia built a 17-kilometre road from Santa Ana to access the main area of the Property. Road access to the Property is sometimes affected by the heavy rains during the rainy season.

5.2 Physiography, Vegetation and Climate

The Property is located between 4,100 and 5,100 metres above sea level and is situated in the eastern part of the Western Cordillera (Andean Cordillera) of Peru. The terrain over the Property contains moderate to locally high relief. Slopes at lower elevations on the Property are typically covered with small brush and grasses with the largest concentration of vegetation in swampy areas in the valleys. Slopes at higher elevations are generally bare with very little vegetation and are predominantly covered by talus. There are grazing herds of Alpacas and Llamas on plateaus.

Within the region of the Property, annual temperatures range from >25°C to <-20°C, with periods of extreme precipitation and extreme aridity. The rainy season is from December to April and dense fog is common during the rainy season. Snow covers many of the peaks surrounding the Property year-round, which are more than 5100 metres above sea level.

5.3 Infrastructure and Local Resources

The Property is located 35 kilometres southwest of the town of Huancavelica where limited supplies and accommodations are available. While exploring, Aquiline maintained a field office at the small village of Santa Ana, which is located about 13 kilometres from the Property.

Water is supplied to the community of Santa Ana by a spring uphill from the town where it is stored in a small cistern and chlorinated for public use. Water for reverse circulation/diamond drilling and other exploration activity is obtained, under permit, from the lower valley surrounding the higher topographic ridge in the central portion of the Property.

Electricity to the area is provided by the national electrical power grid. Telephone and internet service in Santa Ana is provided by a rural satellite telephone-internet system installed at the exploration office by Calipuy.

6.0 HISTORY

Xali Gold has the right to acquire 100% of the property is by way of an SPA to acquire the company, Calipuy, which wholly owns Pico Machay, currently held by Pan American and its subsidiary, Aquiline.

Exploration began on the property in the early 1990s by Intercontinental Resource Inc. and then by Newcrest Mining Australia followed by Gitennes Exploration and finally by Minera Calipuy S.A.C. The following section of historical work has been summarized from Jobin-Bevans and Kelso (2005).

Intercontinental Resources Inc. (1993-1995)

Initial work on the Property was conducted in 1993 by Intercontinental Resources Inc., who acquired the Alcatraz 4 and 5 concessions to cover alteration anomalies identified on Landsat TM satellite images. In late 1995, Queenstake Resources acquired Intercontinental Resources Inc. and subsequently joint ventured the Property to Newcrest Mining Australia and its subsidiary Minera Newcrest Peru S.A. ("Newcrest").

Newcrest Mining Australia (1997-1998)

Between 1997 and 1998, Newcrest delineated a 2.5 x 1 kilometre region of advanced argillic alteration enveloping a central target area defined by a 400 x 200 metre area of strong silicification. From August to October 1998, Newcrest completed a topographic UTM gird, 1:5,000 scale geological mapping, rock chip sampling (634 samples), soil/talus sampling (108 samples), and a limited (12 samples) stream sediment sampling program. Of the 634 rock chip samples collected, 131 returned better than 1 *git* Au and defined the central zone of strong silicification (Table 6-1; Warscheid, 1999). The region immediately surrounding the central zone (Zone G) was referred to as Zone H and this region of advanced argillic alteration averaged 0.75 *git* Au from 17 samples. This surface sampling showed that areas of higher silicification are correlative with higher gold grades and that alunite-silica and silica-clay altered zones generally contain the lowest gold grades (Table 6-1). On the basis of this sampling, Newcrest acquired mineral concessions IRI-219, IRI-220 and IRI-221 in 1997.

Table 6-1: Summary of alteration types and sample results from Newcrest Mining Australia (Reeder, 2003)

Alteration Type	No. Samples	Average Au (g/t)	Comments
silicification - intense	131	1.01	pervasive vuggy silica
silicification - strong	40	0.29	structural controlled silica alteration; local vuggy silica
silica - alunite	152	0.12	minor silicification; small grey silica veinlets
silica - clay	86	0.35	structural controlled silica alteration; feldspar altered to clay

Newcrest Mining Australia built a 17-kilometre road from Santa Ana to access the main area of the Property.

In 1998, Newcrest drilled eight reverse circulation ("RC") holes totaling 1,848 metres (Warscheid, 1999), focusing on, and only partially testing, the central zone of intense silicification. Selected intervals from RC drilling completed by Newcrest Mining Australia are provided in Table 6-2. All the RC drill holes were drilled on 180 azimuth and angled at 55 degrees, and a total of 1,229 samples of RC cuttings were taken at 1.5 metre intervals.

For the purposes of laboratory quality control, 80 duplicate samples were assayed for Au, Ag, Cu, Pb, Zn, Mo, As, Sb, Bi, and Hg and 77 sludges/fines were assayed for Au, Ag, Cu, Pb, Zn, Mo, As, Sb, and Bi; thirty-five blank samples were also submitted for laboratory quality control. Approximately 2 kg of representative chip samples were collected from each of the RC drill holes and sent to Lima to be stored at the offices of Queenstake Resources.

Table 6-2: Selected results from Minera Newcrest Peru S.A. RC drilling (Warscheid, 1999)

Drill Hole	Depth (m)	From (m)	To (m)	Interval (m)	Au (g/t)	Alteration
PMRC-01	222	22.5	70.5	48.0	0.89	intensive silicification
including		22.5	48.0	25.5	1.00	intensive silicification
including		52.5	63.0	10.5	1.16	intensive silicification
PMRC-02	210	42.0	48.0	6.0	0.35	strong silicification
PMRC-03	249	234.0	243.0	9.0	0.18	argillic
PMRC-04	246	60.0	63.0	3.0	0.39	silica-clay
PMRC-05	192	19.0	32.0	13.0	0.68	strong silicification
including		21.0	25.5	4.5	1.50	strong silicification

PMRC-06	210	24.0	51.0	27.0	0.85	silica-clay/argillic
including		37.5	48.0	10.5	1.45	argillic
PMRC-07	240	24.0	29.0	5.0	0.28	strong silicification
PMRC-08	279	52.5	60.0	7.5	1.05	alunite-silica/argillic
including		54.0	57.0	3.0	2.06	alunite-silica/argillic

In general, higher gold grades correlate well with areas of higher silicification and an alteration assemblage of silica, silica-clay or silica-alunite while lower gold grades are predominantly associated with argillic and/or alunite-silica alteration. Warscheid (1999) noted that some of the best mineralisation was associated with a later grey silica.

Gitennes Exploration (1999)

Gitennes acquired all the Peruvian assets of Newcrest including the Pico Machay option but soon relinquished the option to Compania Minera IRI Peru S.A. Monterrico Metals then acquired Compania Minera IRI Peru S.A., which was a Peruvian subsidiary of Queenstake Resources. Minera Calipuy SAC. subsequently optioned (in order to earn a 75% interest) the Pico Machay Property, adding concessions IRI-238 to IRI-244 in 2002.

Minera Calipuy S.A.C. (2002-2009)

A 75% interest in the Property was optioned to Minera Calipuy S.A.C. from Compania Minera IRI Peru S.A. (a subsidiary of Monterrico Metals PLC) and additional ground was staked by Calipuy in 2002 and 2004. In February 2004, Absolut Resources Corp. acquired Minera Calipuy S.A.C.

Calipuy completed surface geochemical sampling (soil sampling, continuous chip and grab sampling from rock) and ground geophysical surveys including induced-polarization (“IP”), resistivity and magnetometre (Quantec Geoscience Peru S.A.C.). In late 2004, 1:10,000 scale outcrop mapping was completed over a large portion of the Property (Melnyk, 2004). Between 2002 and 2009, five drilling campaigns (18,288.5 m in 160 exploration drill holes primarily targeted the main mineralized area or Central Zone. In addition, 220 m were core drilled in 8 geotechnical holes for a study by Golder and Associates. All this drilling was completed by Calipuy, held by Absolut and Aquiline.

The exploration and drilling conducted on the Property up to August 2005 was used as the basis of the original Mineral Resource Estimate presented in Jobin-Bevan and Kelso (2005). Exploration and drilling from 2005 to 2009 built on previous work and led to the refinement of the Resource Estimate presented in Noone (2008). In 2009, a detailed mapping program of the deposit led to the re-interpretation of the local geology and may have implications for future exploration programs.

Aquiline Resources acquired 100% of Minera Calipuy S.A.C. through the purchase of Absolut Resources in April, 2008. In October 2009, Aquiline Resources purchased the outstanding 25% in the Project from Monterrico Metals PLC.

Exploration and drilling on the Property by Calipuy is summarized below in table 6-4 and discussed further in the report titled: "Independent Technical Report and Resource Estimate Pico Machay Gold Deposit" prepared by Caracle Creek Internation Consulting Inc. for Aquiline on November 25th, 2009. Drill hole locations are included in Figure 6-1 below.

Table 6-3: Summary of drilling and exploration by Calipuy S.A.C

YEAR	EXPLORATION	DESCRIPTION
2004	soil sampling	107 Samples
2004	Rock Chip sampling	1197 Samples
2004	Geological Mapping (Melnyk)	1:10,000 Scale
2004	Phase I (May-June)	DH ABS 101-106
Phase II (October)		DH ABS 107-125
2005	Phase III (April - June)	DH ABS 126-164
2005	Phase IV (October - November)	DH ABS 165-190
2007	Phase V (July - September)	DH ABS 191-246
2007	Phase V (August)	DESC-01 to DESC-14
2009	Geological Mapping {Aquiline)	1:1000 scale
year	Geophysics	lines
2003	Quantec 2-D IP resistivity 47 line km	19 lines
2004	Quantec 2-D IP resistivity 21.2 line km	13 lines
2004	Quantec Magnetic 47 km	

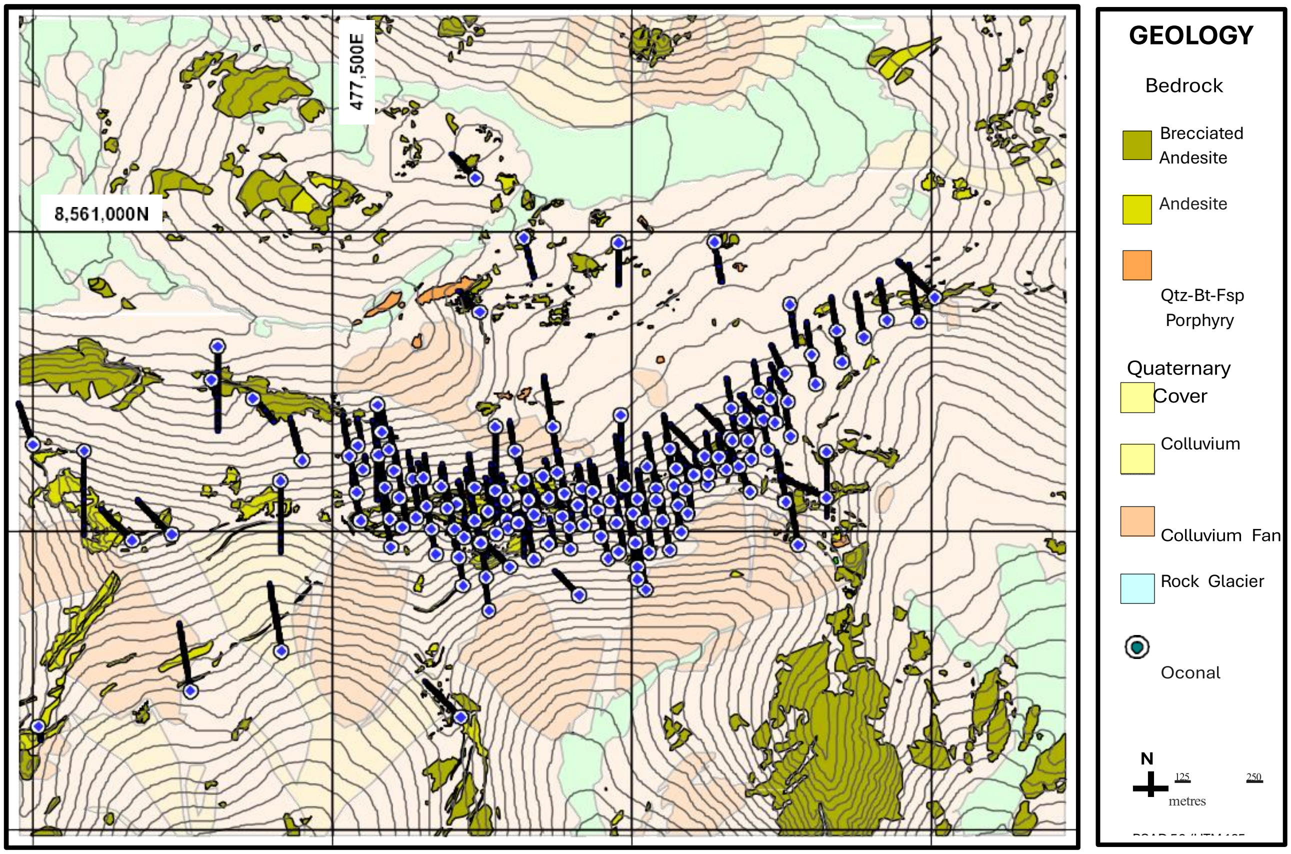

Figure 6-1: Collar locations and surface projections of all RC drill holes at Pico Machay.

Caracle Creek reported the Pico Machay Mineral Resource estimate in November 2009. Micromine software (Version 11.0.4) was used to facilitate the resource estimating process and the estimate was prepared in accordance with CIM Standards on Mineral Resources and Reserves in force at the time of the historical mineral resource estimate.

A shell representing the mineralisation to constrain block grade block estimates. The grade continuity of the broader mineralised zones was found to be good and could be readily followed from hole-to-hole and section-to-section. A main mineralised zone and nine other, minor zones were outlined.

The sample database did not contain many outliers - the maximum sample value being only 15.90 g/tonne. For this reason, Caracle Creek did not use a top-cut value.

An average specific gravity (rock density) value, based on eleven samples, of 2.32 was used. Further specific gravity work is recommended.

A block model was created, constrained by the mineralisation wireframes. Blocks in the Inferred category were defined based on search ellipse parameters with a range of 40 metres. Blocks in the

Indicated and Measured categories were identified manually, based on drill intercept spacing values of 27 and 20 metres, respectively.

Ordinary block kriging was used to estimate block grades. Non-diluted mineral resources were estimated and are shown below in Table 6.5. To verify the precision of the block-kriged resource estimate, inverse distance weighting ("IDW", power of two) was used to estimate the blocks of Zone C (the main zone). The results compared very well against each other. In other words, the precision of the mineral resource estimate was high.

The results of the historical mineral resource estimate were compared with the previous 2005 estimate. Overall, the resources expanded based on the fill-in drilling that was carried out since 2004. Also, the closer-spaced drilling allowed Measured and Indicated Resources to be identified - the previous estimate identified Inferred Resources only.

Table 6.4: Historical Resources at Pico Machay

Resource Category		**Tonnes**	**Ave. Grade (g/tonne)**	**Specific Gravity**	**Ounces**
Measured					
	Mixed	3,600,000	1.03	2.31	120,000
	Non-Oxidised	1,100,000	0.53	2.31	20,000
Measured	**Sub-Total**	**4,700,000**	**0.91**	**2.31**	**140,000**
Indicated					
	Mixed	4,100,000	0.75	2.31	100,000
	Non-Oxidised	1,800,000	0.51	2.31	30,000
Indicated	**Sub-Total**	**5,900,000**	**0.67**	**2.31**	**130,000**
Measured+ Indicated					
	Mixed	7,700,000	0.88	2.31	220,000
	Non-Oxidised	2,900,000	0.52	2.31	50,000
	Sub-Total Meas+Ind	**10,600,000**	**0.78**	**2.31**	**270,000**
Inferred					
	Mixed	7,700,000	0.61	2.31	150,000
	Non-Oxidised	16,200,000	0.57	2.31	300,000
Sub-Total Inferred		**23,900,000**	**0.58**	**2.31**	**450,000**

Notes:
1. A block cut-off grade of 0.3 g/tonne was used.
2. Non-diluted.
3. Gold in the "Mixed"" (partly or fully oxidised) zone is amenable to cyanide leaching, whereas gold in the Non-Oxid ("Sulphide") zone is not.

All resource estimates for Pico Machay are considered historical in nature and are based on prior data and reports prepared by previous property owners. A qualified person has not done sufficient work yet to classify the historical estimates as current resources in accordance with current CIM categories and the Company is not treating the historical estimates as current resources. Significant data compilation, redrilling, resampling and data verification may be required by a qualified person before the historical estimates on the project can be classified as a current resource. There can be no assurance that any of the historical mineral resources, in whole or in part, will ever become economically viable. In addition, mineral resources are not mineral reserves and do not have demonstrated economic viability. Even if classified as a current resource, there is no certainty as to whether further exploration will result in any inferred mineral resources being upgraded to an indicated or measured resource category.

Pan American Silver (2010-2025)

Pan American Silver acquired Aquiline Resources in January 2010. Pan American has shared some resource and metallurgical testing work results on Pico Machay but not enough details to include in a 43-101 report. It is also reported that Pan American conducted only environmental closure work in the field as was required for the exploration programs conducted by Aquiline

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7.0 GEOLOGICAL SETTING AND MINERALISATION

7.1 Regional Geology

In Peru, northwest-trending, arc-parallel thrust faults constitute the dominant regional structures, defining the eastern edge of Tertiary volcano-sedimentary sequences with Cretaceous sedimentary rock sequences (northeast side) thrust over younger Tertiary sequences (Figure 7-1). Along the eastern side of the Property, a northwest-trending megafault, herein referred to as the "KT Fault", separates rocks of the Incaic Fold and Thrust Belt to the east from rocks of the Coastal Block to the west. The Property lies within the northern extent of the Southern Peru Epithermal Gold-Silver Belt which is one of several mineral belts occurring near the KT Fault, including the Yanacocha Epithermal Gold Belt, the Pierina Epithermal Gold Belt and the Southern Peru Epithermal Gold-Silver Belt (Figure 7-1).

The regional geology is covered by the Castrovirreyna map sheet (27M) which can be found in the Peruvian government Bulletin No. 44 (Salazar and Landa, 1993). The Property lies within a north-northwest-south-southeast trending sequence of Tertiary (Eocene to Pliocene) volcanic and associated sedimentary rocks (Figure 7-2; from Salazar and Landa, 1993). Cretaceous sedimentary rocks of the Goyllarisquizga Group underlie the Tertiary rock sequences (Reeder, 2003). Regional geological map shows the region to exhibit broad north-northeast to northeast trending folds that were formed during Tertiary southwest-northeast directed compression (Salazar and Landa, 1993).

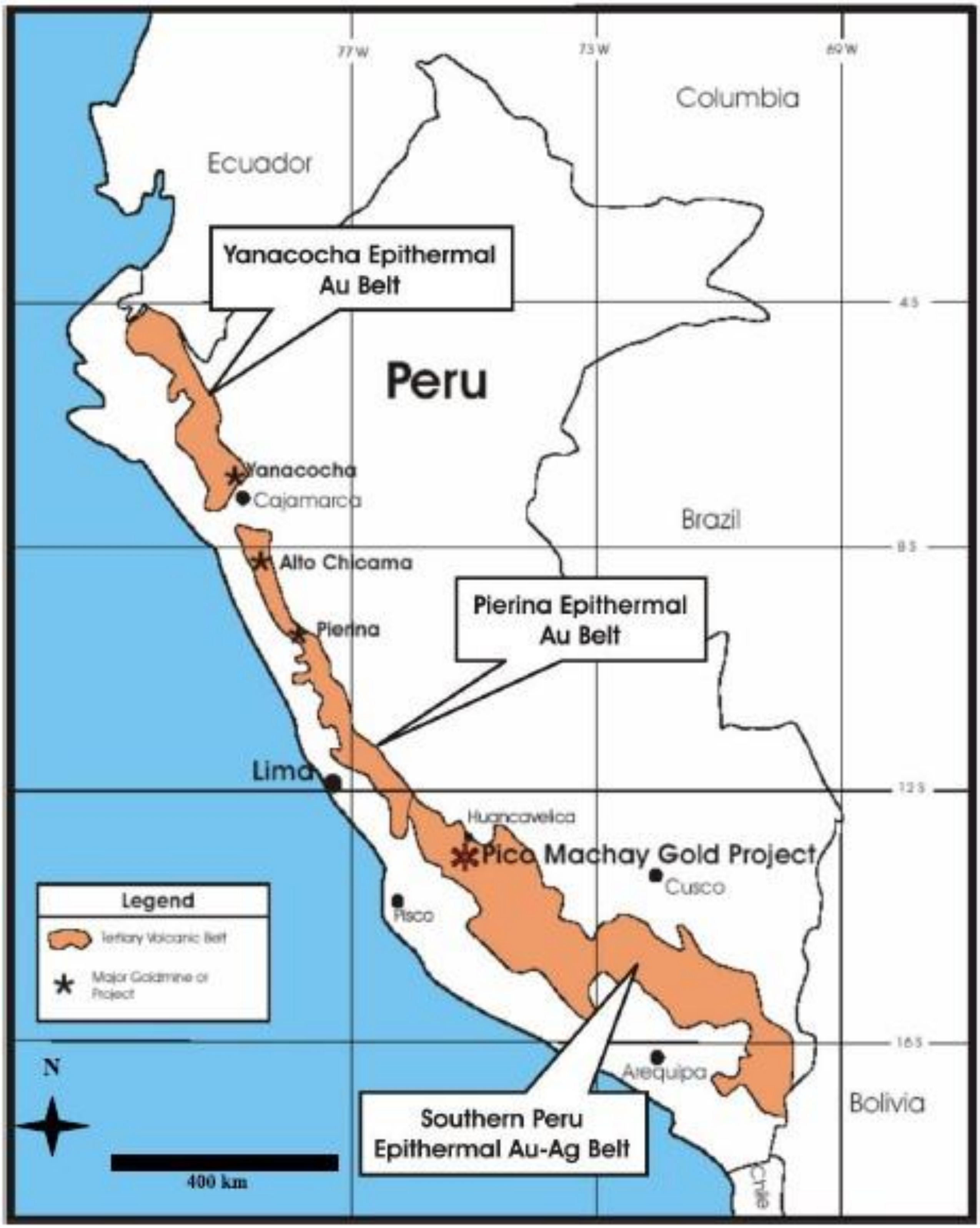


Figure 7-1: Main epithermal mineral belts in Peru.

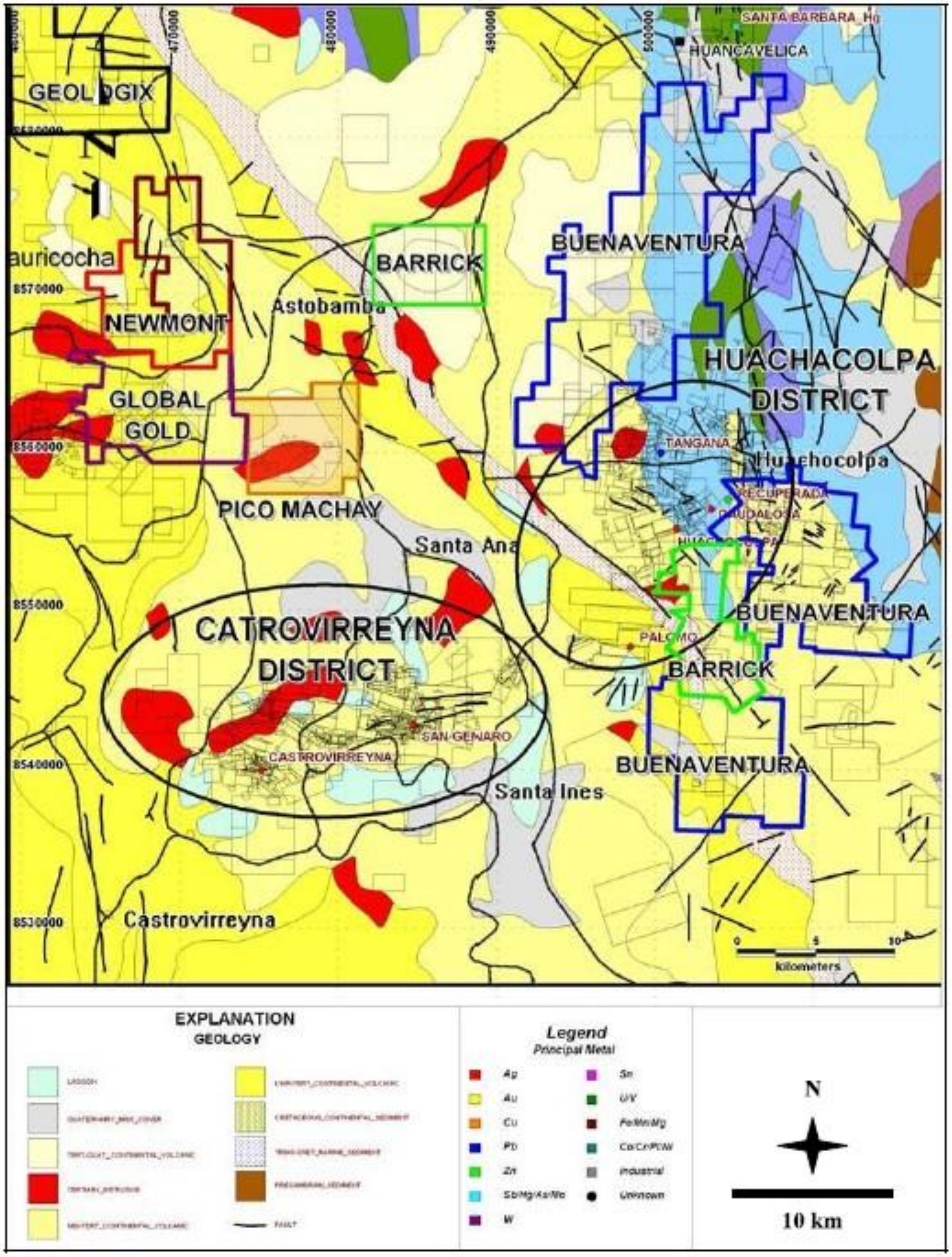


Figure 7-2: Regional geology, prospect locations and mineral concessions in the area surrounding Pico Machay.

7.2 Local Geology and Property Geology

The central portion of the Pico Machay project is lithologically quite simple. It consists of a large fine-grained, hornblende-plagioclase phyric, andesite subvolcanic rock (the Pico Machay Stock - PMS), which is exposed over a surface area of approximately 10 sq km. The PMS intrudes sediments of the Auquivilca Fm. that surround the central portion of the project area. The PMS may have formed from multiple pulses from the same parent magma. Evidence supporting this hypothesis is locally observed variability in the percent and size of the contained hornblende phenocrysts and locally occurring zones with well-rounded xenoliths of a similar volcanic composition.

The PMS is intruded by medium-grained, quartz-biotite-feldspar felsic porphyry. Within the central mapped area ten separate small dikes and stocks of this porphyry were mapped. The size of these intrusive bodies ranges from just a few metres to 225 m in length. Nine of the felsic porphyry stocks are located in the valley floor north of the PM central ridge and one just to the south of it (figure 7.3). Outside of the central project area the felsic porphyry has also intruded the sediments of the Auquivilca Fm.

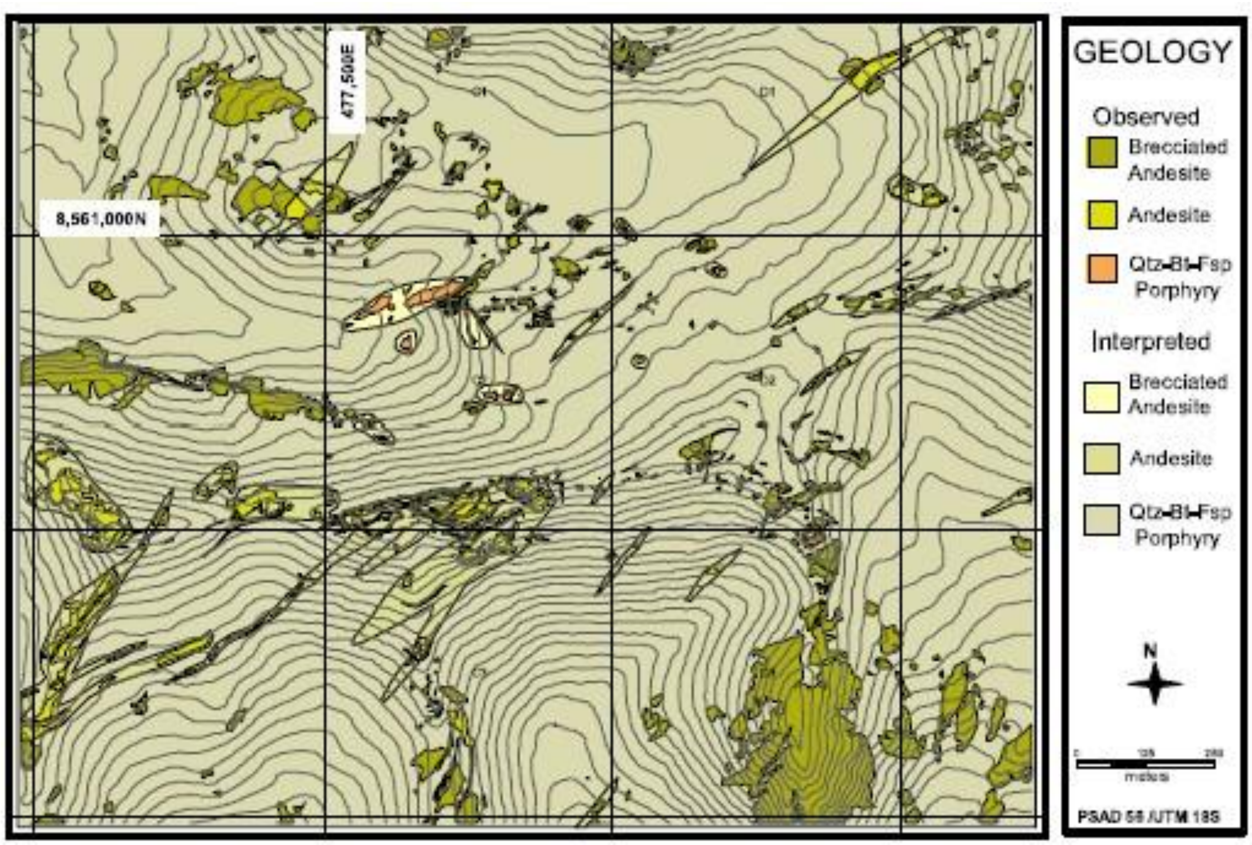


Figure 7-3: Detailed geology map of Pico Machay.

7.3 Detailed Lithologic Descriptions

Late-stage Intrusives

Late-stage dacite intrusives occur within the Property area (Williams, 2009) with the most significant, in terms of mineralisation, lying close to the main mineralized zone or Central Zone on the north side of the ridge (Williams, pers. comm). One of these intrusive, exhibits strong argillic alteration and is associated with the main mineralisation along its southern contact as well as argillic alteration and silicification within the volcanic rocks, along its northern contact. Two other dacitic bodies occur northeast of this intrusive and are also associated with alteration in the host volcanic rocks, although to a lesser degree (Melnyk, 2004). These intrusives occur at a structurally lower level near the sediments and are themselves less altered than the primary body. The fourth dacitic intrusive is a very small, fresh plug, south of the main mineralized zone.

Auquivilca Formation

The Miocene Auquivilca Formation is a calcareous unit in conformable contact with overlying andesitic volcanic rocks of the Astobamba Formation. This unit varies widely in thickness and lithology across the Property. In the eastern portion, it consists of well layered white to light grey, micritic limestone with interbedded chert and shale, and is generally <100 metres thick (Melnyk, 2004). In the western area of the Property, it is dominantly composed of thick sequences of calcareous, bluish-grey sandstone with minor micritic layers and lesser conglomeritic layers that can reach thicknesses well in excess of 100 metres.

Caudalosa Formation

The Miocene Caudalosa Formation consists of an upper ashfall unit comprising poorly consolidated ash that weathers to shades of white, rose, red and grey and often forming geomorphologic features such as hoodoos (Melnyk, 2004); this ashfall unit is only exposed in the eastern portion of the Property. Underlying the ashfall unit is a well consolidated, coarse-grained welded tuff that forms prominent bluffs with a bold, columnar erosional pattern.

Castrovirreyna Formation

The Miocene Castrovirreyna Formation represents a period of enduring clastic deposition, consisting mainly of siltstone with subordinate shale and sandstone (Melnyk, 2004). Rocks of the Castrovirreyna Formation generally weather a light brown to beige colour and distinguishable from the bluish-grey weathering elastic unit of the Auquivilca Formation.

Clastic deposition of the Castrovirreyna Formation was interrupted by two distinct events. The first was the development of a small andesitic volcanic centre that erupted andesite flows onto a coherent unit of mixed, poorly bedded sediments which were likely shed as a result of local uplift associated with the volcanic centre. These sedimentary rocks and andesitic flows occur only in the southeastern portion of the Property (Melnyk, 2004). This unit acted as a detachment zone along the eastern portion of the Property during later deformation and Melnyk (2004) sub-divided the Castrovirreyna Formation into upper and lower units on the basis of this marker horizon. The second event was the formation of a listric growth fault which is marked by an abrupt change in the composition of the upper Castrovirreyna Formation from well layered, brown weathering siltstone to massive, oxidized, shale and sandstone (Melnyk, 2004). The shale and sandstone rocks generally weather red with colour variations that include white, rose, and grey. Melnyk (2004) cautioned that this lower unit can be confused with the upper Caudalosa ashfall unit which also weathers to similar colours. The listric growth fault does not appear to have been reactivated during later regional deformation (Melnyk, 2004).

Sacsaquero Group

The Oligocene Sacsaquero Group consists of a thick sequence of sandstone, conglomerate, shale and volcaniclastic units. This unit contains green weathering beds that were deposited in reducing environments, as well as red weathering layers that were deposited in oxidizing environments (Melnyk, 2004). This is the lowermost unit exposed on the Property where it crops out in anticlines along the eastern and western extents of the Property. Reconnaissance mapping by Melnyk (2004) suggested that the Sacsaquero Group forms a prominent ridge and synclinal fold closure to the north of the detailed mapping area.

The lithologies on the Property are shown in Figure 7-4.

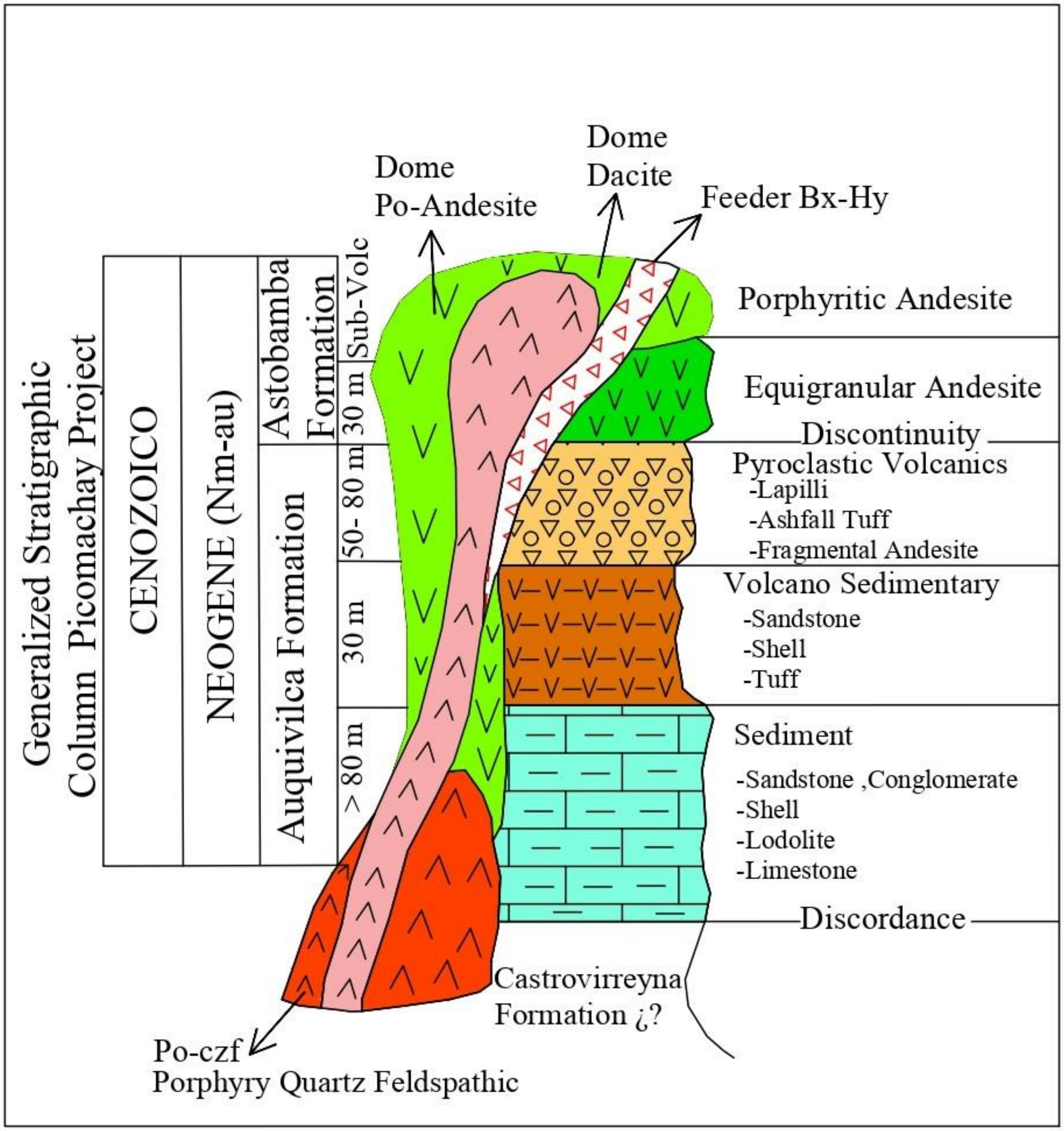


Figure 7-4: Stratigraphic Column at Pico Machay

7.4 Structural Geology

The Property lies within a broad, multi-kilometre scale, open, north-northwest trending synclinorium with a double, shallow, internal plunge (Melnyk, 2004). The synclinorium has affected all of the units from the Miocene Astobamba Formation through to the Oligocene Sacsaquero Group, with the possible exception of dacite intrusives. The centre of this doubly plunging synclinorium lies along the central axis to the south of the Property, possibly in the vicinity of the secondary andesitic centres near the San Genaro deposit (Figure 7-2).

A mapping program by Aquiline geologists identified structures striking NE-SW to E-W and dip to the north (Figure 7-4). The second most frequent structures have a similar strike with a southward dip. Subordinate structures strike NW-SE and dip to the NE and SW. The lack of stratigraphy complicates the interpretation of the relative degree and direction of movement on these structures. Exceptions to this are faults that affect the sediments and those post-mineral faults exhibiting well developed slickensides. One ENE-WSW striking, northerly dipping fault observed to the west of the area studied juxtaposes felsic porphyry against sediments in a manner consistent with a reverse sense of movement.

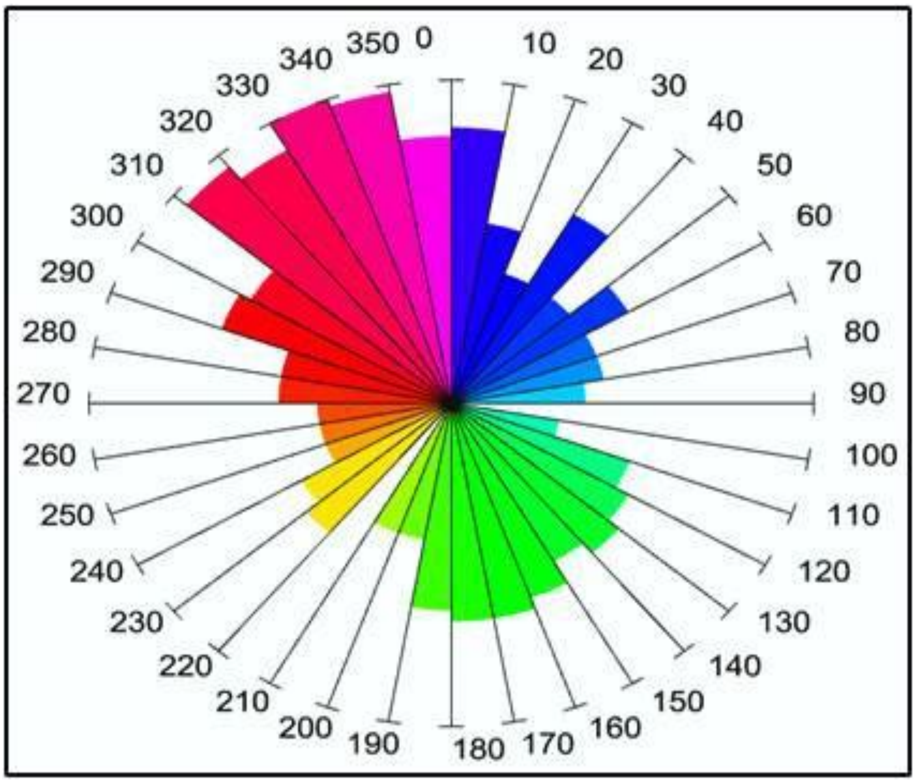


Figure 7-5: Rose diagram of dip directions for 280 measured faults.

Observations in fresh andesites east of the central zone show low angle fractures are not uniformly distributed. Flat structures are concentrated in relatively narrow zones where the fracture frequency increase from background values of less than one fracture per metre to over 20 per metre. The structural regime that generated the flat fractures continued from pre to post mineralisation. Locally there are also low angle faults parallel to the fractures within zones of pervasive alteration. Also observed were low angle banded veinlets associated with low angle-controlled zones of alteration.

Several of the structural orientations are associated with pervasive and large-scale fragmentation of the PMS andesite. These brecciated zones range from clasts supported with angular clasts to matrix supported with rounded clasts. The size of the breccia bodies range to over 400 m in length and from a few metres to 150 m in width. The breccias occur as tabular bodies with either a sub-vertical or sub- horizontal dip orientations. The steeper dipping breccia zones trend northeast to east-northeast as can be observed in the Geology Map (Figure 7-4) that shows the brecciated andesite separately from the massive andesite. The shallow dipping bodies appear to form conjugate structural sets with dip directions ranging from the northwest to the northeast and from southwest to southeast.

7.5 Mineralisation and Alteration

7.5.1 Mineralisation Style and Control

The principal target area for potentially economic gold mineralisation, referred to as the main mineralized zone or Central Zone, forms the basis for the historical Mineral Resource Estimate, and is located between drill hole ABS-145 (477500mE) and drill hole ABS- 147 (478350mE) (see figure 11- 1). This relatively low grade, large tonnage region of gold mineralisation is associated with disseminated sulphide that is variably oxidized (Oxide Zone) to non-oxidized (Sulphide Zone), or a mixture of the two (Mixed Zone). The mineralisation is interpreted by Melnyk (2004) to be structurally controlled and is characterized by strong silicification and advanced argillic alteration; this structurally controlled mineralisation appears to be the dominant style of mineralisation. A second style of mineralisation is that of high grade "bonanza veins" which are characteristic of epithermal style mineralisation (Melnyk, 2004).

The Central Zone has dimensions of approximately 750 m in an east-west direction, an average width of approximately 125 m in a north-south direction and a vertical height of 120 m. Within and below the Central Zone there are higher-grade zones of mineralisation with grades varying between 2 g/t to 5 g/t Au. The orientation and width of these higher-grade zones are unknown.

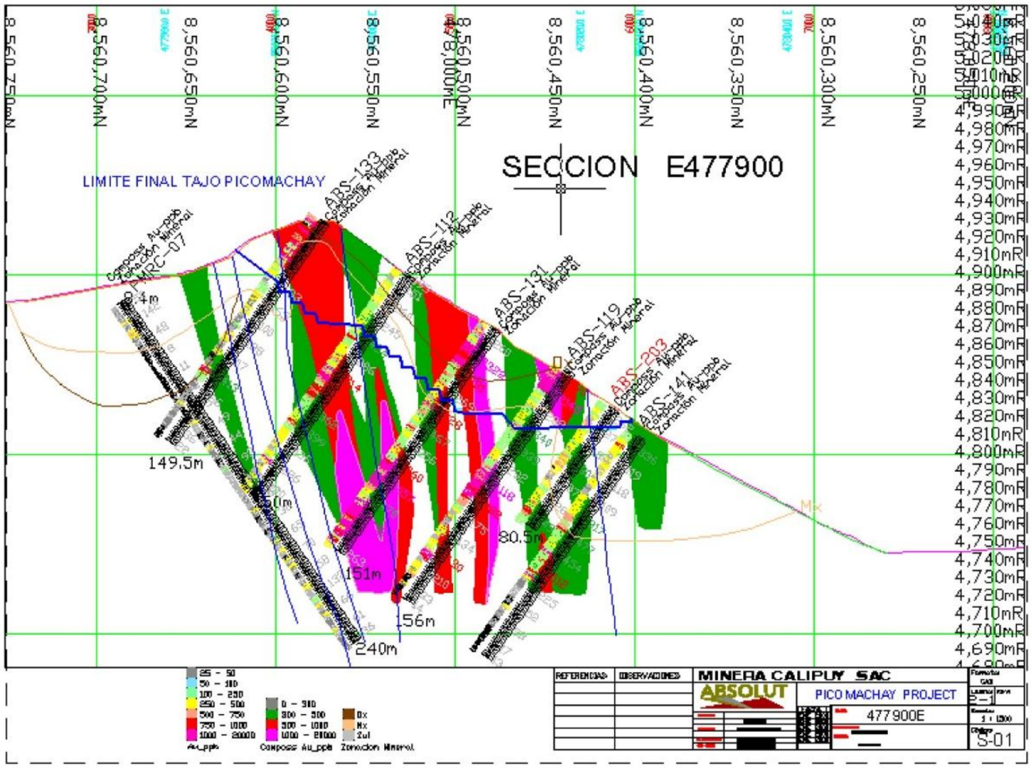


Figure 7-6: Vertical Cross-Section Showing Drillhole Assays and Mineralisation Interpretation

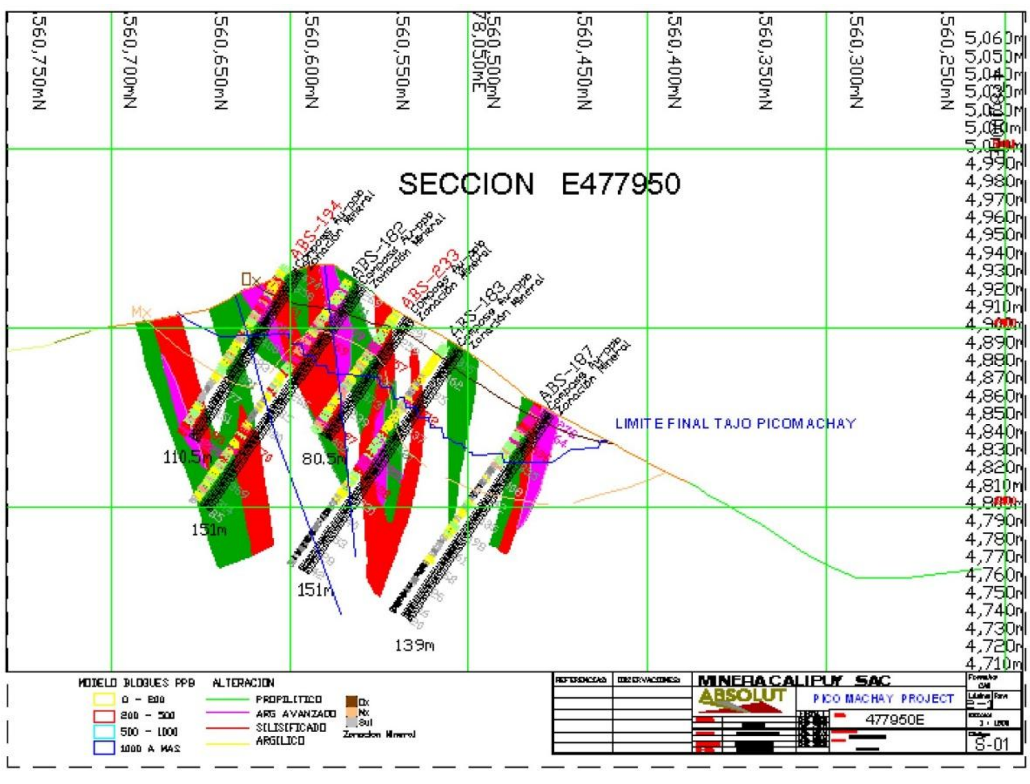


Figure 7-7: Vertical Cross-Section Showing Drillhole Assays and Mineralisation Interpretation

Melnyk (2004) described three dominant factors that appear to control the location and intensity of mineralisation within the Property; original lithology and its inherent permeability and subsequent extent of alteration, structure, and association with dacitic intrusions. No one controlling factor is clearly dominant over another and therefore all should be considered as equally important.

Oxide mineralisation consists of mixtures of geothite, hematite, limonite and jarosite. Sulphide mineralisation consists of predominantly pyrite (less than 5% by volume) with trace amounts of chalcopyrite and copper-sulfosalts.

7.5.2 Alteration

Alteration styles typical of high sulphidation systems occur on the Property as described by Warscheid (1999), Reeder (2003) and Melnyk (2004). Specifically, epithermal alteration on the Property consists of residual silica or vuggy silica with oxidized pyrite resulting in limonite and jarosite coatings in vugs, advanced argillic alteration comprising quartz-alunite with variably oxidized pyrite, and argillic-illitic (propyllitic) alteration comprising illite-kaolinite-chlorite-quartz with minor oxidized pyrite.

The most intense alteration and many of the highest gold concentrations appear to be concentrated within the agglomeritic andesite (Melnyk, 2004). This is most likely a result of the primary properties of the agglomerate (i.e. high permeability) and its susceptibility to secondary structures (070°/80° fractures) as a result of deformation in contrast to the surrounding massive volcanic rocks. In addition, the agglomeritic andesite occupies the upper portions of the andesitic sequence, where much of the mineralisation is focused along synformal structures (Melnyk, 2004).

At Pico Machay there are no different lithologies, only varying degrees of induced porosity through fracturing and brecciation of the host intrusive rocks. Zones with greater porosity support higher fluid flow, which resulted in stronger degrees of alteration. The cores of these fluid pathways became residual silica altered, which further increased their porosity. Nearly all of the zones of advanced and residual silica are coincident with zones of fragmentation of the host andesite or felsic porphyry.

Surface sampling and RC drilling, which have tested these types of alteration, suggest that the highest gold grades are biased toward areas with increased silica enrichment (i.e. vuggy silica).

Melnyk (2004) noted that a common feature to all mineralized areas is their close association with argillic to advanced argillic alteration adjacent to silicified zones, resulting in alteration colour anomalies.

Based on mapping by Aquiline geologists, alteration at PM exhibits typical zoned alteration patterns characteristic of high sulphidation systems. Based upon alteration mineral assemblages and textures the styles of alteration were divided into the following eight categories listed from weakest to most intense:

1. Propylitic
2. Weak Argillic
3. Strong Argillic
4. Intermediate Argillic
5. Advanced Argillic 1
6. Advanced Argillic 2
7. Residual Silica 1
8. Residual Silica 2

In addition to these categories, locally there appears to have been an early phyllic style of alteration, which has subsequently been overprinted by the high sulphidation system.

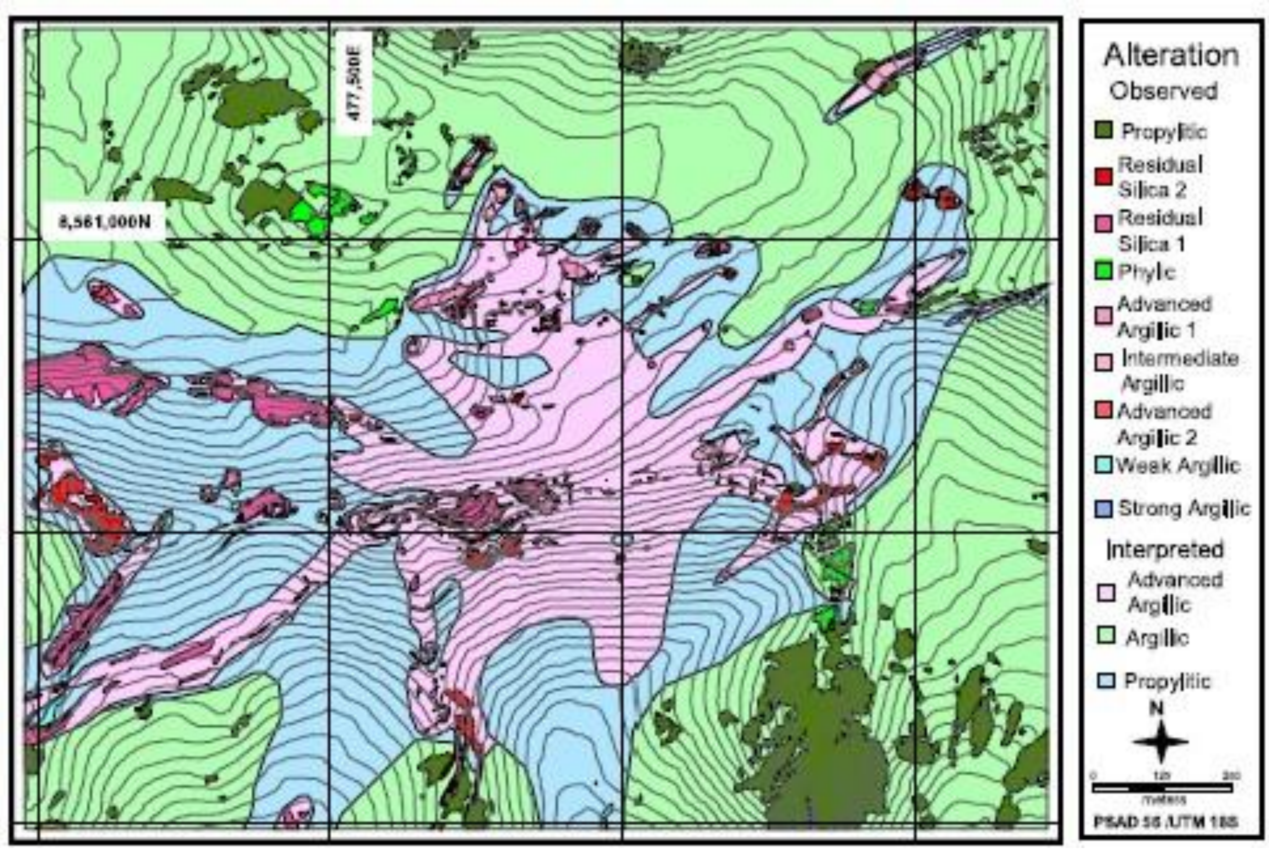


Figure 7-8: General geology for Pico Machay with zoned alteration shown.

Examples of the observed styles of alteration that are the basis for the alteration map are described below:

Propylitic Alteration:

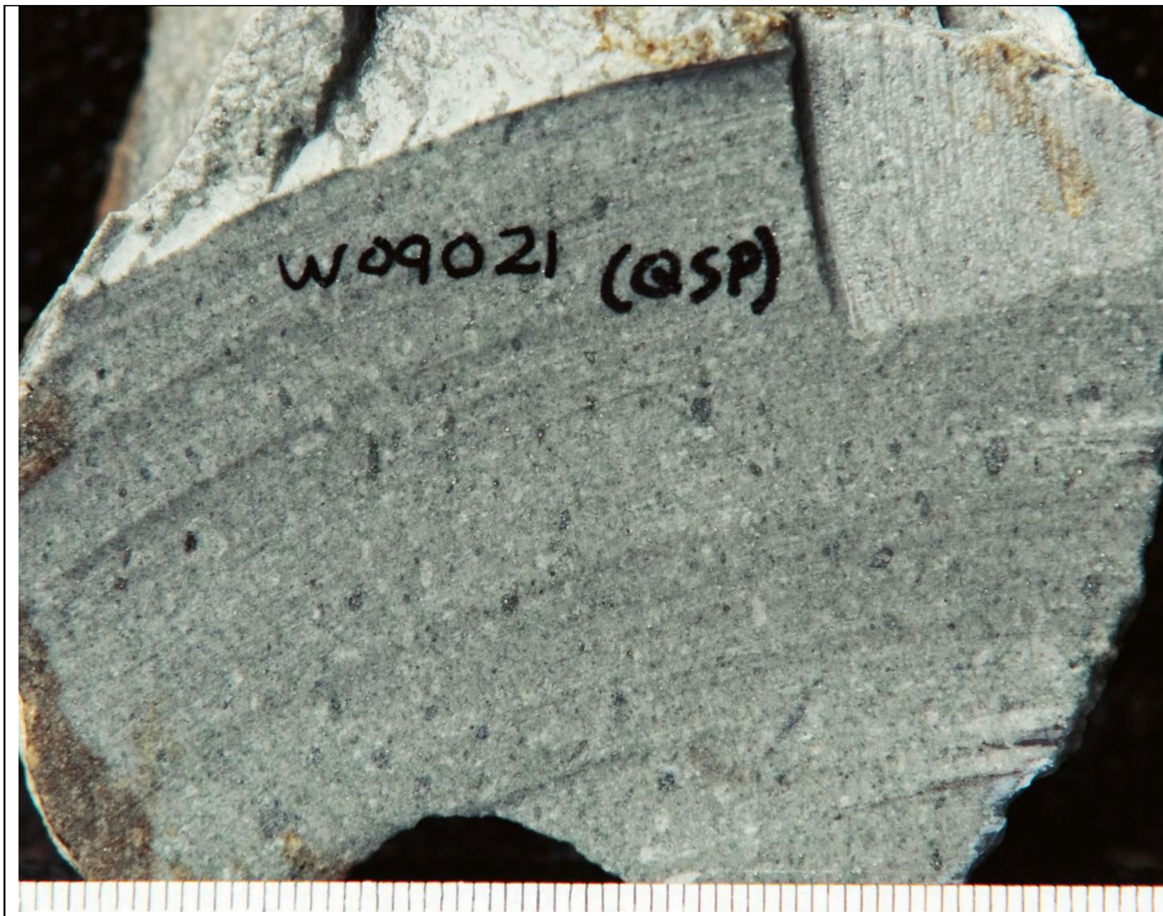
The Propylitic alteration zone is distal in a high sulphidation epithermal system. Mineral assemblages can include epidote, calcite, chlorite, albite, adularia, and actinolite. The most common of these minerals observed at PM were fracture filling by epidote and calcite. The general lack of alteration is characterized by the dark color of these rocks and generally massive blocky bedrock exposures.

Lithology: Fine Grained, Hornblende-Plagiclase Phyric, Andesite Subvolcanic
Alteration: Propylitic Alteration Assemblage (P)

Figure 7-9: Photo Propylitic Alteration Assemblage (P)

Quartz-Sericite-Pyrite:

The Quartz-Sericite-Pyrite style of alteration predates the high sulphidation system and was over printed by the high-sulphidation system. It is included in the Aquiline mapping since it is distinctly different from the propylitic alteration. The pyrite is often cubic and sericite replaces the phenocrysts and groundmass. Where the phyllic alteration is over printed by high sulphidation styles of alteration the latter were mapped. Rocks with QSP alteration often form onion skin surface weathering with only the cores retaining fresh pyrite. Overall exposures of this alteration style often appear grey blue in color.



Lithology: Fine-Grained, Hornblende-Plagiclase Phyric, Andesite Subvolcanic

Alteration: Quartz-Sericite-Pyrite (Phyllic) (QSP)

Figure 7-10: Photo Quartz-Sericite-Pyrite (QSP)

Weak Argillic Alteration:

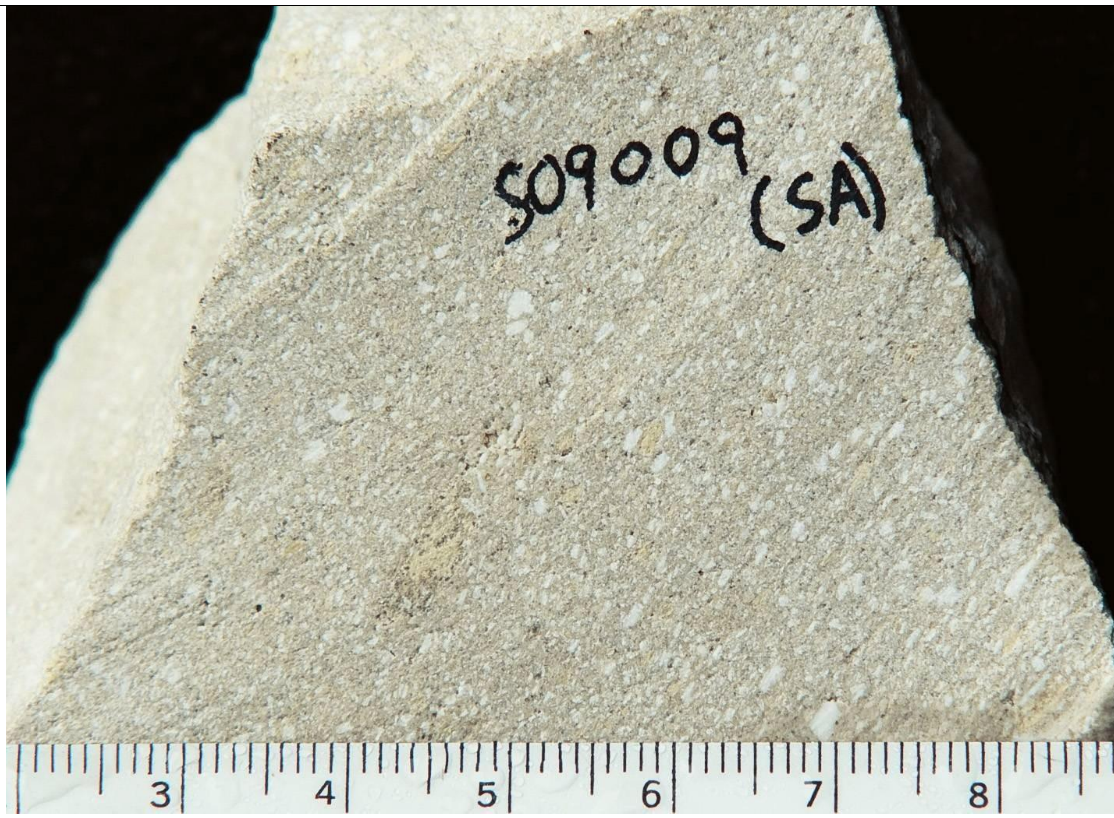
At Pico Macahay, argillically altered rocks are subdivided into "Weak" and "Strong" Argillic categories. The "Weak" Argillic category includes rocks with less than 80% argillic alteration assembly minerals, "Strong" Argillic category includes rocks with greater than 80% argillic alteration assembly minerals. Argillic minerals form at lower temperate and moderate pH. They include smectite, kaolinite, illite and layered illite-smectite. All these minerals appear white and amorphous without discernible crystal faces. The phenocrysts are usually the first to alter followed by the groundmass.

Lithology: Fine-Grained, Hornblende-Plagiclase Phyric, Andesite Subvolcanic
Alteration: Weak Argillic (WA)

Figure 7-11: Photo "Weak" Alteration (WA)

Strong Argillic Alteration:

"Strong" Argillic alteration defined rocks with all phenocrysts and over 80% of the groundmass converted to an assemblage of argillic minerals. Despite the strong alteration the protolith can still be recognized by the size and quantity of the phenocrysts and trace Fe oxides usually retained in the sites of the hornblendes. "Strong" argillic rocks are erosionally recessive and virtually never make natural bedrock exposures.

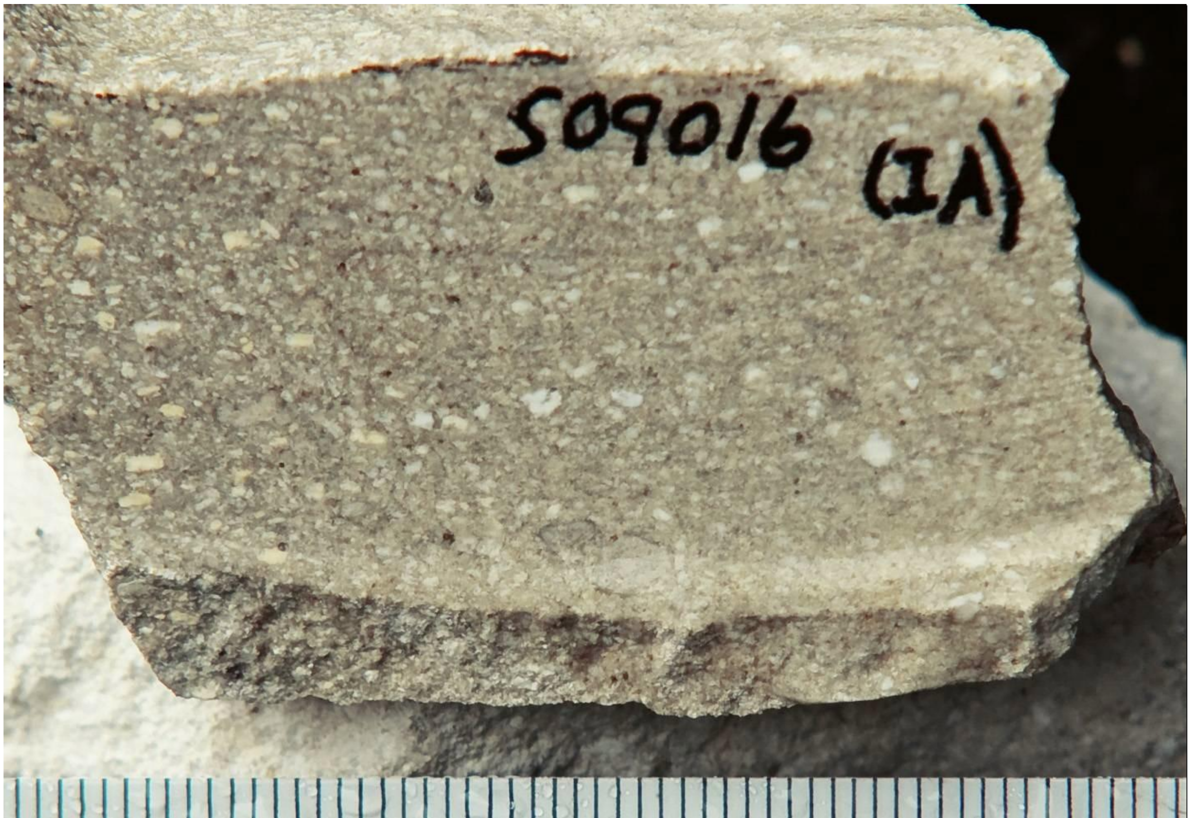


Lithology: Fine-Grained, Hornblende-Plagiclase Phyric, Andesite Subvolcanic
Alteration: Strong Argillic (SA)

Figure 7-12: Photo "Strong" Argillic Alteration (SA)

Intermediate Alteration:

"Intermediate" argillic is defined as a strong argillic groundmass with advanced argillic minerals beginning to replace the phenocrysts. The usually mineral recognized is alunite, which occurs as fine-grained crystals.

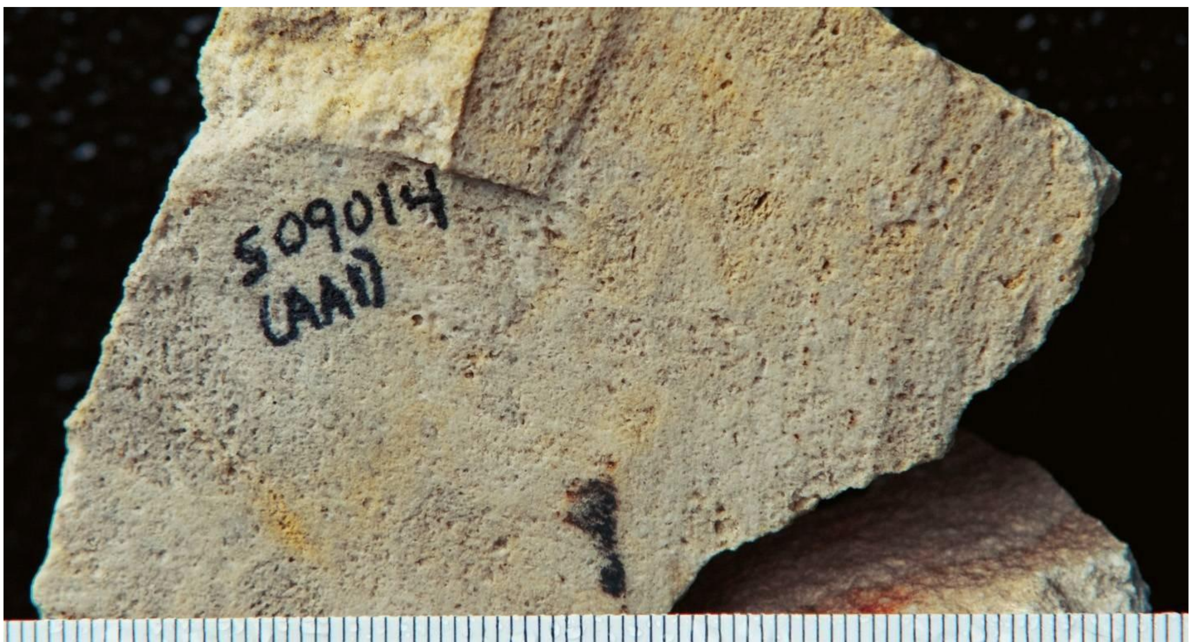


Lithology: Fine-Grained, Hornblende-Plagiclase Phyric, Andesite Subvolcanic
Alteration: Intermediate Argillic (IA)

Figure 7-13: Photo "Intermediate" Argillic Alteration (IA)

Advanced Argillic Alteration:

The "Advanced" argilic alteration category is composed of a suit of advanced argillic minerals that may include: alunite, pyrophyllite, dickite, diaspore and quartz. This style of alteration is formed under lower pH conditions over a range of temperatures. At moderate to higher temperatures the clay mineral become more ordered and crystalline, which gives rise to a sericitic texture with discernible crystal faces that impart a sugary appearance on fresh broken surface in sun light. The hand sample shown in Figure 9-7 is a fragmental andesite as can be seen by the variable texture between the clasts and the matrix where the clasts maintains the phyric texture but the matrix does not.

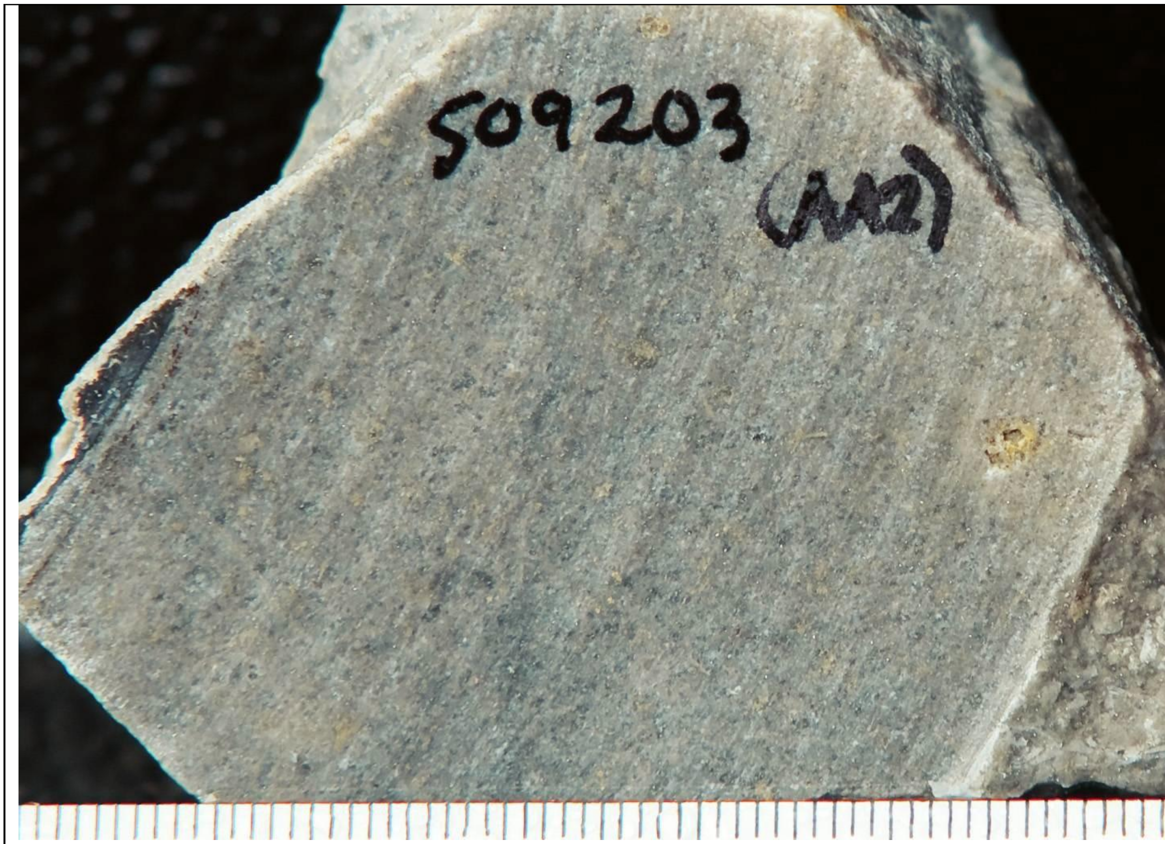


Lithology: Fine-Grained, Hornblende-Plagiclase Phyric, Andesite Subvolcanic
Alteration: Advanced Argillic 1 (AA1)

Figure 7-14: Photo Advanced Argillic Alteration 1 (AA1)

Advanced Argillic Alteration (2):

The "Advanced" argillic (2) category rocks are both advanced argillically altered and strongly silicified. The silicification is often texturally destructive and obliterates original rock textures including feldspar phenocrysts, but may retain some relic texture of the hornblende as observed on the right-hand side of Figure 9-8. Rocks with this type of alteration are erosionally resistive and usually form prominent exposures as exemplified along the central ridge at Pico Machay.

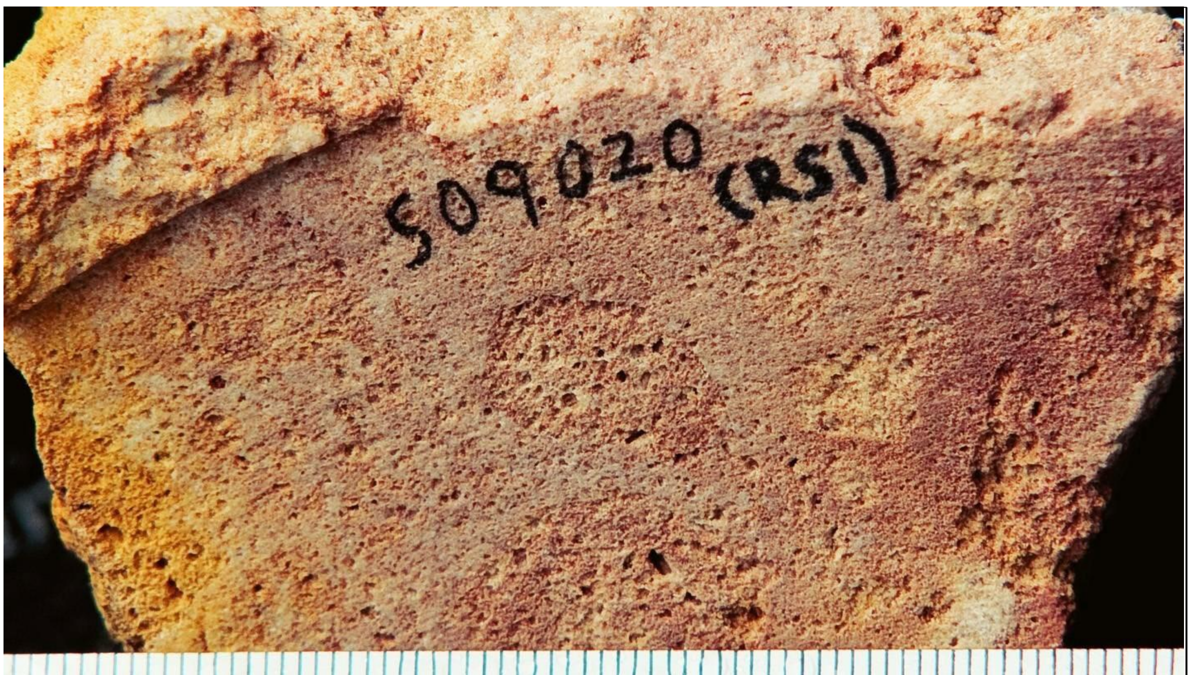


Lithology: Fine-Grained, Hornblende-Plagiclase Phyric, Andesite Subvolcanic
Alteration: Advanced Argillic 2 (AA2)

Figure 7-15: Photo Advanced Argillic Alteration 2 (AA2)

Residual Silica:

Residual Silica is the preferred term at Pico Machay instead of "Vuggy Silica". This is because the protoliths are not always "vuggy" and not always silicified. Rocks in this category were affected by very hot, low pH fluids, which were able to leach nearly all elements from the rock except silica and rutile. This category is for rocks that have only been leached with discernible addition of silica. This produces a rock with low specific gravity and a "punky" appearance with a dull "thud" when hit with the hammer. This hand sample is from the fragmental portion of the PMS andesite. Individual clasts are visible due to their retained original textures formed by the leaching of the phenocrysts whilst the matrix exhibits a finer grained texture.



Lithology: Fine-Grained, Hornblende-Plagiclase Phyric, Andesite Subvolcanic
Alteration: Residual Silica 1 (RS1)

Figure 7:16: Photo Residual Silica 1 (RS1)

Residual Silica (2):

Rocks in this category are both leached and silicified. The silicification is less texturally destructive than in the AA2 example above. In RS2 altered rocks the original rock textures are often well preserved, which aids in the identification of the protolith. At PM RS2 alteration is most frequently located along structures where it forms tabular zones of alteration that grade outward into advanced argillic. This style of alteration is formed along up flow zones at the core of the system, which have experienced the highest temperatures and lowest pH conditions. An indication of the post leaching silicification of the rock is the presences of fine grained quartz within the void spaces.

Lithology: Fine-Grained, Hornblende-Plagiclase Phyric, Andesite Subvolcanic
Alteration: Residual Silica 2 (RS2)

Figure 7-17: Photo Residual Silica 2 (RS2)

8.0 DEPOSIT TYPES

8.1 General Model

The Pico Machay gold deposit is classified as a high sulphidation epithermal gold deposit as defined by its characteristic alteration and mineralisation (Corbett and Leach, 1998; Sillitoe, 1999; White and Hedenquist, 1995). High sulphidation gold deposits represent the major producers in the South American Andes (e.g., Yanacocha and Pierina, Peru; El Indio and La Coipa, Chile) and also represent significant undeveloped resources (e.g., Pascua-Lama-Veladero, Chile-Argentina).

Epithermal gold deposits, which may contain appreciable concentrations of Cu and/or Ag, form at shallower crustal levels than porphyry Cu-Au systems. Epithermal deposits are classified as either low sulphidation or high sulphidation, and this distinction is primarily made using criteria of varying gangue and ore mineralogy (Figures 8-1 and 8-2; Corbett, 2002; Sillitoe, 1987). Low sulphidation deposits are further divided according to mineralogy related to the depth and environment of formation whereas high sulphidation systems vary with depth and permeability control, and are distinguished from several styles of barren acid alteration (Corbett, 2002).

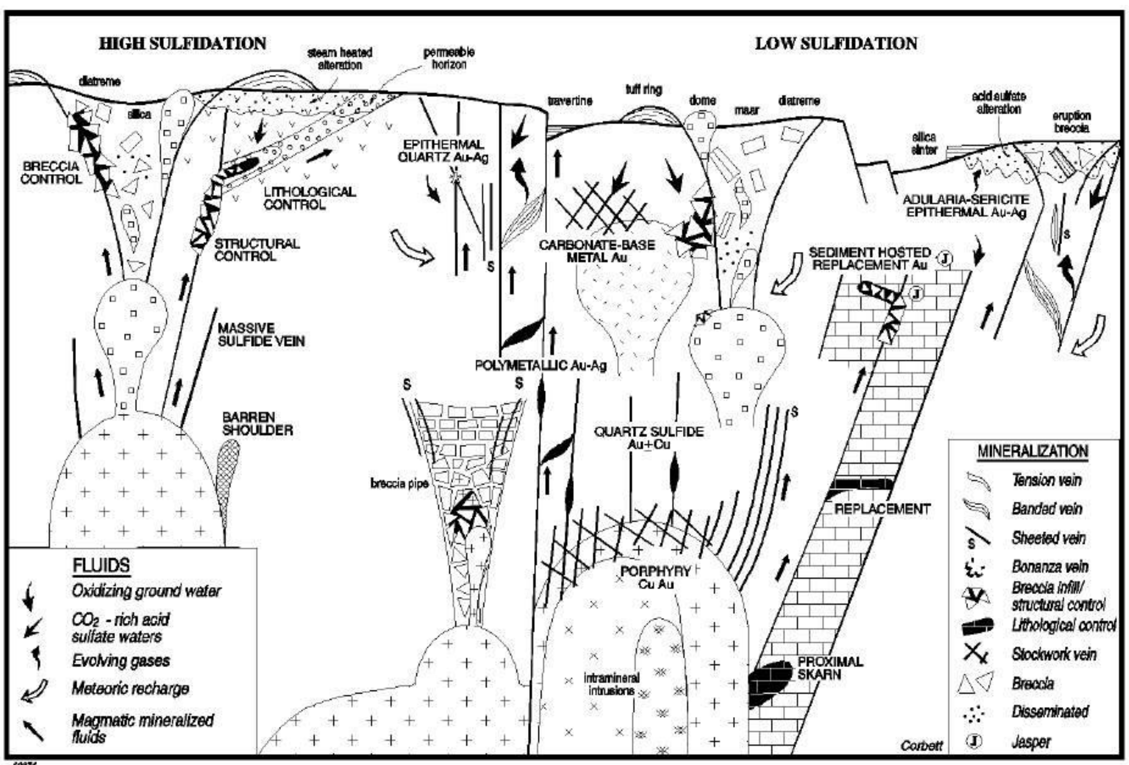


Figure 8-1: Schematic model for styles of magmatic arc epithermal Au-Ag and porphyry Au-Cu mineralisation (Corbett, 2002).

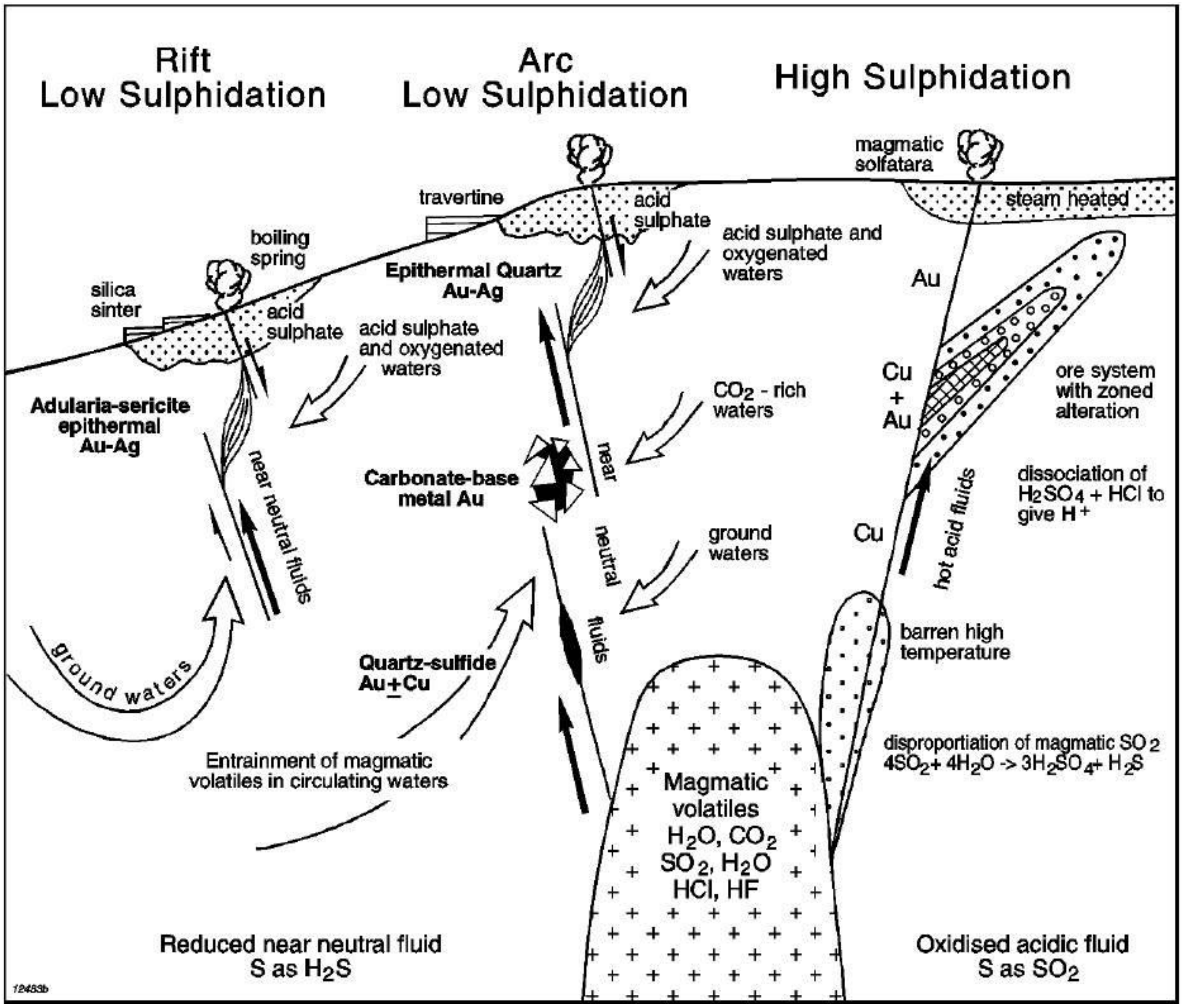


Figure 8-2: Schematic model showing the derivation of low and high sulphidation fluids in epithermal systems (Corbett, 2002).

Earlier geological literature would have assigned the term acid sulphate (Sillitoe, 1987; Heald et al., 1987) to the Pico Machay gold deposit, a term which is now reserved for alteration formed by the reaction with host rocks of collapsing cool surficial acidic waters, typically within low sulphidation systems (Corbett and Leach, 1998). White and Hedenquist (1990) noted that epithermal deposits are found in a variety of geological environments with specific types of epithermal deposits being dependent on various combinations of igneous, tectonic and structural settings. Most epithermal districts world-wide occur in younger Tertiary Period volcanic rocks that, on a continental scale, are associated with subduction zones at plate boundaries. Sillitoe (1987) noted that older epithermal deposits are less common because many have been destroyed by erosion and/or overprinted by metamorphism.

8.2 High Sulphidation Systems

High sulphidation gold (± Cu, Ag) ore systems develop from the reaction of hot acidic magmatic fluids with host rocks to produce characteristic zoned alteration and subsequent sulphide associated Au ± Cu ± Ag deposition (Corbett, 2002). The magmatic fluids, enriched in magmatic volatiles and migrating from intrusion source rocks at depth, interact at epithermal crustal levels with limited dilution by groundwaters or interaction with host rocks. As the rapidly rising fluid becomes depressurised, magmatic volatiles (i.e. SO_2 ± HCl, CO_2, HF) come out of solution and react with water and oxygen to produce increasing concentrations of H_2SO_4. Under low temperature (<300°C) conditions, dissociation produces hot acidic fluids (Corbett and Leach, 1998) and characteristically zoned high sulphidation alteration is derived from the progressive cooling and neutralization of the hot acidic fluid by interaction with host rocks.

Many high sulphidation ore systems display permeability controls that are related to lithology, structure and breccias, and are characterized by changes in wall rock alteration and ore mineralogy with depth of formation. Structural control commonly extends from major structural corridors which localize the ore system to dilatant ore-hosting fractures at outcrop scale. Major dilatant structures or phreatomagmatic breccia pipes commonly provide conduits for rapid fluid ascent and introduction of hot acidic fluids into the epithermal crustal levels (Corbett, 2002). In many instances structural controls predominate in the deeper portions where dilatant subsidiary structures with angular relationships to major structural corridors host ore and facilitate rock reaction. In shallower portions, lithological control predominates and is facilitated by permeable host rocks which may increase and control principal paths of fluid flow. In general however, both structural and lithological controls are integral to producing well mineralized high sulphidation deposits and in many instances, mineralisation occurs at the intersection of structures and lithology (Corbett and Hayward, 1994).

High sulphidation systems are characterised by zoned alteration patterns formed as a result of the progressive cooling and neutralization of the hot acidic fluids by reaction with host rocks and groundwaters (Corbett and Leach, 1998). Zoned alteration is overprinted by the deposition of sulphide ore and additional gangue minerals which is accounted for in the two phase fluid flow model (Corbett and Leach, 1998), in which alteration results from initial interaction of the more rapidly migrating volatile rich-component of the high sulphidation fluid, followed by a liquid-rich component that deposits sulphide and Au-Ag-Cu mineralisation (Corbett, 2002). At the core of a high sulphidation system, hot acidic fluids leach many components from the host rocks leaving mainly silica and some rutile, and resulting in the characteristic vuggy silica texture produced by the pseudomorphic removal of porphyritic feldspars and rock fragments (Corbett, 2002). In many breccias finely comminuted rock material is replaced by massive fine-grained silica, while porphyritic intrusion fragments display vuggy textures, the latter providing essential secondary permeability for later mineralisation. Progressive neutralization and cooling of the acidic fluids by rock reaction produces an alteration pattern that, moving outward from the core, is characterised by mineral assemblages dominated by alunite, pyrophyllite, kaolin, illite, and chloritic clays (Corbett and Leach, 1998). Although many deposits display similar zonation patterns, variations can be mainly attributed to crustal level of formation; a salient relationship to note with respect to mineral exploration and deposit modelling. Of particular note are the vertical metal zonations which are typified by higher copper contents at deeper levels and greater abundances of gold or gold-silver along with local mercury, tellurium and antimony, in the upper portions of poorly eroded systems, or at the margins (Corbett and Leach, 1998).

Most high sulphidation systems have been targeted through the recognition of outcropping alteration, commonly as Landsat TM image colour anomalies, and the Pico Machay Gold Property is no exception. However, not all high sulphidation systems contain gold mineralisation and many can be barren or non-economic acidic alteration systems that include lithocaps or barren shoulders, steam heated, magmatic solfatara (volcanic vent related) and acid sulphate alteration (Corbett, 2002). Field mapping of alteration mineralogies and alteration zones is critical in distinguishing mineralized regions and the recognition of rock textures such as vuggy silica allows exploration programs to focus in core areas of high sulphidation systems. Systematic surface sampling is also an important procedure as geochemical results may vector towards higher grade ores.

8.3 Pico Machay Interpreted Deposit Model

The Pico Machay system was emplaced as a large subvolcanic andesite stock into the sediments of the Auquivilca Fm. Both the sediments and the PMS were then intruded by felsic quartz-biotite-feldspar porphyry, which is believed to be related to the alteration and Au mineralisation. Prior to the development of the high sulphidation epithermal system the PMS underwent tectonic deformation resulting in its faulting, fracturing and brecciation. The deformation is believed to be related a compressional tectonic regime manifesting in a series of ENE-WSW trending high-angle reverse faults and a series of low-angle link structures between adjacent structures. Both the high and low angle structures are characterized by zones of increased fracture density and the development of tabular breccia bodies. The structural deformation provided essential ground preparation by greatly increasing the porosity of the PMS along an interconnecting framework of sub-vertical and sub-horizontal zones, which were utilized by the subsequent hydrothermal system.

Magmatic fluids exsolving off of the felsic porphyry following the latest models for high sulphidation systems are postulated to have partitioned into a low-density vapor and a hypersaline liquid. The vapor phase with its greater mobility ascends first to lower crustal levels where it begins to cool and be absorbed into meteoric waters. The contained SO_2 disproportionates to H_2S and H_2SO_4 at approximately 400°C then disassociates to HCl as it continues to cool. This produces a hot acidic fluid, which is preferentially channeled upward along zones of greatest porosity. At Pico Machay these zones consist of the tabular breccia bodes developed along the high-angle reverse faults and the fractured and brecciated sub-horizontal link structures. Observed low-angle banded veinlets within the link structures indicate that they were dilatational syn-mineralisation.

The hot acidic hydrothermal fluids react with the host rocks. This results in the formation of a zoned pattern of alteration. The up-flow zones at the core of the system are the most altered as denoted by residual silica textures. The fluid becomes progressively cooled and pH neutralized away from the core zones as reflected by formation of the characteristic zoned pattern of alteration grading through advanced argillic, intermediate argillic, argillic and finally to peripheral propylitic. The second pulse of hypersaline magmatic fluids is generally believed to transport the majority of precious and base metal mineralisation into the system. As these fluids ascend along the same plumping system as the earlier gas-rich phase they are funneled into the residual silica leach and highly porous core of the system. Here the metal-laden fluids begin to cool and mix with ground water or circulating hydrothermal fluids triggering the precipitation of their metal content, which overprints the existing alteration. The mineralisation is generally zoned with Cu at depth and Au-Ag higher in the system. The top of the system often contains toxics such as Hg, As, and Sb with no precious metals.

In typical high sulphidation systems the hot silica-rich hydrothermal fluids ascend to hydrostatic level and are quenched by the cold ground water forming the paleo water table. This results in the rapid precipitation of silica that often results in the formation of a massive horizon of pervasive silicification. Boiling at the paleo water table release gases that travel into the vadose zone where they condense with pore water to produce acidic fluids. These fluids leach the host rocks to produce an alteration style composed of low temperature silica and alunite referred to as "steam heated". Neither the steam heated nor massive silica horizons are recognized in the central mapped portion of PM. If these zones existed, they were removed by erosion, which is consistent with the exposure of residual silica and Au mineralisation at the present day surface.

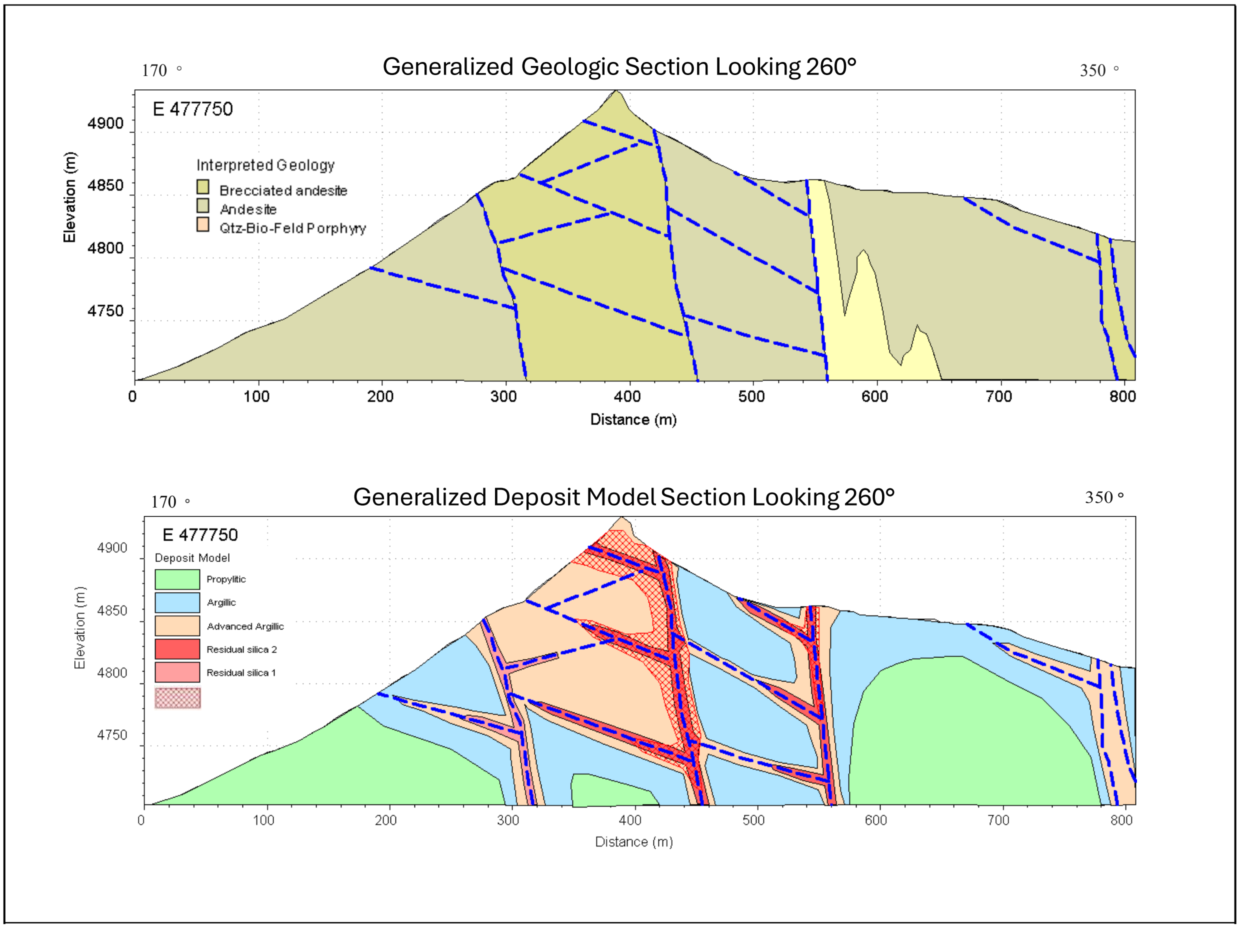


Figure 8-3: Schematic 2-D cross-section of Pico Machay based on drilling and geologic mapping

9.0 EXPLORATION

Xali Gold has not completed any exploration work on the Pico Machay Project. All historical exploration programs are summarized in section 6.0 Property History.

10.0 DRILLING

10.1 Introduction

Xali Gold has not completed any drilling campaigns on the Pico Machay Project. All historical drill programs are summarized in section 6.0 Property History.

10.2 Drill Methods

Newcrest

No information exists

Aquiline

The RC drilling programs were completed under contract from Absolut to AK Drilling International S.A. (Lima, Peru). Drilling utilized the Center Sample Rotary Method, otherwise known as reverse circulation, using a 4 inch outside diameter by 2 inch inside diameter, double-walled drill pipe, interchange, and a down-hole hammer, or face sampling hammer. The minimum hole diameter was 4.5 inches and the maximum hole diameter was 5.5 inches. During drilling, Calipuy personnel were on the drill rig at all times, and a drill monitoring sheet was maintained for each hole.

10.3 Logging Procedures

Newcrest

No information exists.

Aquiline

Paper geological logs were made for each of the drill holes, recording (in Spanish) information that included drill hole name, drill hole azimuth, inclination, location (UTM-PSA), start and finish dates, and final depth of hole. Also provided on the drill logs were observations on geology, rock type, and indications of epithermal alteration (weak-medium-strong), textures, mineralisation (percentages of oxide and/or sulphide), and level of chlorite-epidote alteration (weak-medium-strong).

10.4 Recovery

No information exists for sample recoveries or RC sample weights for either the Newcrest or Aquiline drilling campaigns.

10.5 Collar Surveys

Newcrest

No information exists.

Aquiline

Collar locations were determined by measuring with a tape from the locally established grid or from previous drill collars, and after drilling collar locations were surveyed (PSA Datum) using a handheld GPS unit. The preface ABS was used for all Absolut RC drill holes

10.6 Downhole Surveys

Newcrest

No information exists.

Aquiline

The drill itself was aligned using a compass to check azimuth and head inclination. No down hole surveys were conducted. The historical Mineral resource estimate assumed that there is only nominal downhole deviation from the inclination and azimuth measured at the drill collar.

10.7 Sample Length/True Thickness

Newcrest

The Newcrest RC holes were sampled on 1.5 m intervals. The Newcrest drilling was oriented inclined to the north at -55°. Only two of the seven holes intercepted the mineralized zone at an oblique angle.

Aquiline

The cuttings from the RC drilling were collected over 1.5 metre intervals, except for the first interval which was 1.0 metre. The drill holes were predominantly oriented along an azimuth of 350 and inclined at -55° to the north. Most of the holes intercepted the gently south-dipping mineralisation at angles close to perpendicular. Most of the intercepts represent 90% to 100% of the true width. The true widths of higher-grade mineralisation within the lower-grade mineralized envelope are not known at this time.

10.8 Drill Intercepts

Pre-Xali Gold

A complete table of drill intercepts from the drilling completed by parties prior to Xali Gold's Project interest is provided below in Table 10-8. This table includes the drill hole location, azimuth and dip and intercept depths with corresponding analytical results.

Example drill sections showing the mineralisation were included in Figures 7-5 and 7-6. These sections show examples of the mineralized intercepts, including zones of high grade, zones of low grade, higher-grade intervals within a lower-grade sequence, and zones where no anomalous gold or silver values were intersected.

Table 10-1: Historical Drill Hole Data

Hole_ID	Company	Northing (m)	Easting (m)	Elevation (m)	Total Depth (m)	Azim. (°)	Dip (°)	From (m)	To (m)	Drilled Thickness (m)	Au (g/t)	Ag (g/t)
ABS-101	Aquiline	8,560,566.10	477,880.48	4,925.12	181	350	-55	0	94	94	0.61	2.6
								101.5	118	16.5	0.64	0.6
								133	140.5	7.5	0.31	0.3
								142	148	6	0.26	0.3
								149.5	161.5	12	0.55	0.6
ABS-102	Aquiline	8,560,567.12	477,880.45	4,925.12	200.5	350	-85	0	91	91	0.55	2.5
								98.5	127	28.5	1.05	0.9
ABS-103	Aquiline	8,560,576.05	477,909.09	4,922.66	80.5	350	-60	0	22	22	1.36	8.7
								64	77.5	13.5	0.72	0.4
ABS-104	Aquiline	8,560,551.18	477,826.14	4,921.16	178	348	-55	0	71.5	71.5	1.82	7.2
								88	97	9	0.56	1.2
								111.5	116.5	5	0.49	0.6
								158.5	166	7.5	1.09	2.8
ABS-105	Aquiline	8,560,552.51	477,825.89	4,921.28	196	348	-85	1	97	96	1.53	6.5
								105.5	110.5	5	0.34	1.2
								161.5	166.5	5	0.43	0.5
ABS-106	Aquiline	8,560,521.70	477,784.22	4,915.47	154	343	-60	1	17.5	16.5	0.71	1.1

								44.5	55	10.5	0.30	0.6
								73	106	33	0.62	1.9
								110.5	118	7.5	0.27	0.1
ABS-107	Aquiline	8,560,520.47	477,656.59	4,914.32	150	349	-60	0	93	93	0.81	2.9
								145	150	5	0.39	0.4
ABS-108	Aquiline	8,560,508.44	477,705.39	4,915.66	150	350	-60	0	106.5	106.5	1.87	6.4
								138	150	12	0.49	0.1
ABS-109	Aquiline	8,560,482.66	477,749.31	4,902.30	222	350	-55	0	7.5	7.5	1.38	1.9
								21	31.5	10.5	0.45	0.6
								37.5	105	67.5	0.71	2.7
								111	118.5	7.5	0.41	0.3
								128.5	133.5	5	0.42	0.3
ABS-110	Aquiline	8,560,522.83	477,833.83	4,899.66	130.5	360	-90	0	19.5	19.5	0.57	1.6
								25.5	130.5	105	0.58	0.5
ABS-111	Aquiline	8,560,531.33	477,878.26	4,897.63	180	350	-80	0	52.5	52.5	0.47	0.9
								57	117	60	0.40	0.6
								121.5	129	7.5	0.35	0.2
								136.5	141.5	5	0.65	0.2
ABS-112	Aquiline	8,560,537.20	478,001.85	4,896.38	150	350	-55	13.5	18.5	5	0.31	0.2
								22.5	28.5	6	0.29	0.5
								37.5	108	70.5	0.51	0.6
								124.5	129.5	5	0.59	0.3
ABS-113	Aquiline	8,560,554.26	478,070.19	4,896.94	150	350	-55	0	7.5	7.5	0.56	0.4
								16	21	5	0.34	0.8
								27	91.5	64.5	0.65	0.8
ABS-114	Aquiline	8,560,565.32	478,188.45	4,891.32	150	335	-55	40	45	5	0.39	0.5
								75	88.5	13.5	0.57	0.3
								96	101	5	0.27	0.1
ABS-115	Aquiline	8,560,547.17	478,244.39	4,888.33	150	350	-55	19.5	31.5	12	0.40	0.4
								113.5	118.5	5	0.27	0.1
ABS-116	Aquiline	8,560,860.44	478,471.85	4,894.67	172.5	350	-55	25.5	46.5	21	0.82	2.5
ABS-117	Aquiline	8,560,483.58	478,267.86	4,851.24	150	350	-55	19.5	25.5	6	0.45	0.2
ABS-118	Aquiline	8,560,435.50	477,752.52	4,848.17	150	350	-55	0	64.5	64.5	0.51	0.5
								82.5	94.5	12	0.36	0.3
								103.5	118.5	15	0.49	0.4
								128.5	133.5	5	0.35	0.2
ABS-119	Aquiline	8,560,446.34	477,998.96	4,835.44	156	350	-55	4.5	24	19.5	1.71	1.5
								37.5	97.5	60	0.61	0.3
								123	130.5	7.5	0.97	1.9
								137.5	142.5	5	0.31	0.3
ABS-120	Aquiline	8,560,461.51	477,812.32	4,850.16	150	350	-55	70.5	78	7.5	0.54	0.2
								102	108	6	0.36	0.4

								113.5	118.5	5	0.29	0.1
								145	150	5	0.35	0.1
ABS-121	Aquiline	8,560,247.63	477,259.09	4,807.73	201	350	-55	26	31	5	0.26	1.1
								110.5	115.5	5	1.73	2.2
ABS-122	Aquiline	8,560,311.11	477,409.25	4,798.40	201	350	-55	106.5	111.5	5	0.25	0.5
ABS-123	Aquiline	8,560,475.61	477,883.75	4,857.96	150	350	-65	0	39	39	0.49	0.3
								64.5	84	19.5	0.38	0.5
								90	97.5	7.5	0.27	0.7
								115.5	144	28.5	0.56	0.4
ABS-124	Aquiline	8,560,170.57	477,004.06	4,830.17	127.5	170	-80	1.5	19.5	18	0.55	0.7
ABS-125	Aquiline	8,560,615.15	478,168.82	4,922.57	150	335	-55	0	72	72	0.61	2.2
								88.5	93.5	5	0.26	0.2
								130.5	138	7.5	0.48	0.1
ABS-126	Aquiline	8,561,092.86	477,730.60	4,833.91	100	315	-55	13	18	5	0.25	0.4
								55	68.5	13.5	2.39	0.9
ABS-127	Aquiline	8,560,542.22	477,684.86	4,920.91	151	350	-63	0	89.5	89.5	0.59	1.9
								101	106	5	0.27	0.2
								109	114	5	0.36	0.1
								131.5	145	13.5	0.52	0.4
ABS-128	Aquiline	8,560,525.03	477,727.72	4,931.02	151	350	-55	2.5	127	124.5	0.82	1.6
								139	144	5	0.26	0.1
ABS-129	Aquiline	8,560,457.93	477,698.43	4,881.99	151	350	-55	109	115	6	0.38	0.5
ABS-130	Aquiline	8,560,639.87	477,796.91	4,872.71	100	350	-60	11.5	16.5	5	0.37	1.0
								58	68.5	10.5	0.66	1.7
ABS-131	Aquiline	8,560,484.68	477,996.89	4,862.80	151	350	-55	5.5	112	106.5	0.78	0.8
								115	149.5	34.5	1.27	0.3
ABS-132	Aquiline	8,560,681.18	477,855.36	4,869.78	149.5	350	-55	16	21	5	0.34	0.3
								144.5	149.5	5	0.27	0.7
ABS-133	Aquiline	8,560,582.30	477,976.09	4,925.30	149.5	350	-55	0	37	37	0.79	1.2
								46	52	6	0.39	4.1
								79	84	5	0.27	0.6
								103	110.5	7.5	0.65	0.6
ABS-134	Aquiline	8,560,587.29	478,114.95	4,910.96	151	315	-55	0	85	85	0.61	3.0
ABS-135	Aquiline	8,560,584.47	478,059.90	4,916.73	151	350	-55	8.5	47.5	39	1.86	2.2
								61	66	5	0.33	1.0
								97	102	5	0.37	0.6
								115	143.5	28.5	0.41	0.6
ABS-136	Aquiline	8,560,506.48	477,695.63	4,913.77	149.5	70	-55	0	131.5	131.5	1.28	3.5
								134.5	149.5	15	0.50	0.8
ABS-137	Aquiline	8,560,193.67	477,703.44	4,797.13	151	315	-55	31	36	5	0.34	0.6
ABS-138	Aquiline	8,560,466.24	477,664.54	4,889.16	151	350	-55	56	61	5	0.32	0.1
								65	70	5	0.29	0.3

								74.5	82	7.5	0.39	0.7
								85	91	6	0.62	0.9
								92.5	101.5	9	0.38	0.8
ABS-139	Aquiline	8,560,405.87	477,712.12	4,847.43	151	350	-55	52	62.5	10.5	0.36	0.3
ABS-140	Aquiline	8,560,570.81	477,762.98	4,909.28	94	350	-55	4	68.5	64.5	1.29	3.0
								77.5	88	10.5	0.33	0.2
ABS-141	Aquiline	8,560,407.44	478,014.99	4,810.30	149.5	350	-55	1	10	9	0.37	0.6
								56.5	98.5	42	0.53	0.3
ABS-142	Aquiline	8,560,497.96	478,072.21	4,859.87	121	350	-55	4	17.5	13.5	1.22	1.4
								20.5	44.5	24	0.35	0.5
								76	98.5	22.5	0.41	0.3
ABS-143	Aquiline	8,560,659.67	478,154.34	4,934.99	149.5	315	-60	2.5	53.5	51	1.38	2.4
								68.5	73.5	5	0.28	0.4
								89.5	94.5	5	0.64	0.5
								104.5	115	10.5	0.36	0.1
ABS-144	Aquiline	8,560,897.80	478,495.02	4,919.47	151	315	-55	0	5	5	0.49	0.6
ABS-145	Aquiline	8,560,472.76	477,589.59	4,902.47	148	350	-55	29.5	44.5	15	0.65	1.9
								52	57	5	0.42	0.9
ABS-146	Aquiline	8,560,367.75	477,751.87	4,817.57	97	350	-55	0	5	5	0.30	0.9
								14.5	19.5	5	0.31	0.9
ABS-147	Aquiline	8,560,562.02	478,313.43	4,906.11	149.5	295	-55	0	22	22	0.51	0.5
ABS-148	Aquiline	8,560,625.43	478,109.68	4,936.49	149.5	315	-55	0	41.5	41.5	1.75	3.5
								77.5	86.5	9	0.41	0.2
ABS-149	Aquiline	8,560,520.45	477,782.74	4,915.41	151	60	-55	0	5	5	0.30	0.8
								8.5	94	85.5	0.77	1.7
								101.5	106.5	5	0.25	0.6
								109	148	39	0.45	0.7
ABS-150	Aquiline	8,560,535.94	477,933.39	4,895.97	149.5	350	-55	0	16	16	0.49	0.7
								28	70	42	0.39	0.5
								80.5	85.5	5	0.49	0.4
								118	124	6	0.26	0.3
ABS-151	Aquiline	8,560,441.35	477,789.68	4,841.55	151	315	-60	0	8.5	8.5	0.58	0.5
								10	16	6	0.28	0.4
								73	78	5	0.32	0.9
								119.5	125.5	6	0.44	0.6
								139	151	12	0.54	0.4
ABS-152	Aquiline	8,560,396.90	477,902.02	4,804.76	100	315	-55	2.5	8.5	6	0.41	0.5
								13	28	15	0.36	0.3
								38.5	44.5	6	0.28	0.5
								46	89.5	43.5	0.43	0.6
ABS-153	Aquiline	8,560,461.00	477,954.03	4,843.98	139	350	-55	0	7	7	0.44	0.7
								41.5	134.5	93	0.78	0.4

ABS-154	Aquiline	8,560,870.07	477,737.42	4,827.67	88	315	-55	11.5	20.5	9	0.60	0.5
								34	55	21	1.62	0.5
ABS-155	Aquiline	8,560,642.02	478,057.09	4,919.64	100	350	-55	0	5	5	0.29	0.8
ABS-156	Aquiline	8,560,854.25	478,417.27	4,894.63	119.5	350	-55	0	38.5	38.5	0.76	1.1
								47.5	56.5	9	0.26	0.7
ABS-157	Aquiline	8,560,545.47	477,647.85	4,915.23	149.5	350	-60	0	13	13	0.44	1.2
								25	142	117	1.08	3.4
ABS-158	Aquiline	8,560,489.97	477,156.88	4,925.63	149.5	315	-60	No Significant Intercept				
ABS-159	Aquiline	8,560,694.19	476,583.00	4,896.07	149.5	135	-80	No Significant Intercept				
ABS-160	Aquiline	8,560,684.07	476,674.34	4,890.55	100	350	-60	No Significant Intercept				
ABS-161	Aquiline	8,560,647.57	476,989.06	4,872.43	149.5	340	-60	No Significant Intercept				
ABS-162	Aquiline	8,560,624.49	477,438.96	4,849.35	146.5	345	-60	No Significant Intercept				
ABS-163	Aquiline	8,560,683.24	478,212.98	4,929.77	100	315	-55	14.5	85	70.5	1.17	2.0
ABS-164	Aquiline	8,560,503.09	477,220.16	4,920.57	151	315	-57	No Significant Intercept				
ABS-165	Aquiline	8,560,721.53	478,252.67	4,919.92	121	335	-55	28	58	30	0.89	0.6
ABS-166	Aquiline	8,560,751.37	478,298.57	4,912.36	100	350	-60	59	64	5	0.32	0.2
								89.5	94.5	5	0.36	0.9
ABS-167	Aquiline	8,560,786.31	478,344.57	4,903.21	100	350	-55	32	37	5	0.27	0.3
ABS-168	Aquiline	8,560,828.97	478,378.12	4,894.69	131.5	350	-55	47.5	79	31.5	0.75	0.7
								95.5	103	7.5	0.48	0.5
ABS-169	Aquiline	8,560,525.44	477,588.13	4,920.21	148	350	-60	10	19	9	0.32	7.8
								61	88	27	0.46	8.6
								122.5	128.5	6	0.40	0.3
ABS-170	Aquiline	8,560,592.31	477,627.02	4,886.03	100	350	-62	0	91	91	1.09	3.0
ABS-171	Aquiline	8,560,577.85	477,580.05	4,887.96	150	350	-60	7	23.5	16.5	0.37	4.2
								43	82	39	0.81	9.2
								109	114	5	0.32	0.2
ABS-172	Aquiline	8,560,568.11	477,530.87	4,884.92	100	350	-60	71	76	5	0.30	1.6
ABS-173	Aquiline	8,560,575.80	477,731.97	4,902.94	100	350	-55	0	22	22	0.55	3.0
								35.5	52	16.5	0.52	0.4
								58	65.5	7.5	0.34	0.4
ABS-174	Aquiline	8,560,638.50	478,218.67	4,926.05	145	350	-60	19	37	18	0.51	4.1
								43	76	33	0.45	1.1
								95.5	100.5	5	0.33	0.7
ABS-175	Aquiline	8,560,709.18	478,156.02	4,914.91	100	350	-60	56.5	71.5	15	0.90	0.3
								80.5	85.5	5	0.48	0.2
ABS-176	Aquiline	8,560,738.48	478,202.54	4,914.86	100	350	-60	33.5	38.5	5	0.39	0.7
ABS-177	Aquiline	8,560,769.68	478,245.60	4,909.57	100	335	-58	5.5	10.5	5	0.40	0.8
ABS-178	Aquiline	8,560,798.47	478,290.49	4,905.02	100	350	-55	5	10	5	0.71	0.7
								35	40	5	0.25	0.4
								51.5	56.5	5	0.44	0.2
ABS-179	Aquiline	8,560,838.71	478,333.46	4,898.80	100	350	-55	No Significant Intercept				

ABS-180	Aquiline	8,560,984.69	477,968.70	4,847.66	121	180	-55	No Significant Intercept				
ABS-181	Aquiline	8,560,988.44	478,128.90	4,860.54	121	170	-55	94	99	5	0.96	0.2
ABS-182	Aquiline	8,560,580.34	478,032.99	4,917.87	151	350	-55	2.5	13	10.5	0.45	0.7
								14.5	64	49.5	0.87	1.4
								68.5	76	7.5	0.35	0.3
								100	145	45	0.48	0.4
ABS-183	Aquiline	8,560,524.18	478,044.11	4,880.40	151	350	-55	1	8.5	7.5	0.34	0.5
								38.5	100	61.5	0.65	1.3
ABS-184	Aquiline	8,560,633.37	477,569.78	4,854.84	103	350	-55	3.5	8.5	5	0.33	1.1
								17.5	28	10.5	0.36	1.5
								47.5	88	40.5	0.59	1.7
								95.5	103	7.5	0.32	2.3
ABS-185	Aquiline	8,560,629.39	477,520.56	4,850.08	121	350	-55	4	9	5	0.26	0.7
								14.5	23.5	9	1.17	1.6
								37	61	24	0.40	0.4
								68.5	76	7.5	0.29	0.7
								85	91	6	0.30	0.2
								92.5	98.5	6	0.32	0.4
ABS-186	Aquiline	8,560,883.10	478,253.97	4,885.99	121	170	-55	No Significant Intercept				
ABS-187	Aquiline	8,560,474.74	478,052.20	4,849.05	139	350	-55	0	40	40	0.98	0.8
								79	84	5	0.26	0.2
ABS-188	Aquiline	8,560,995.93	477,811.89	4,822.11	121	165	-55	20.5	38.5	18	1.43	0.9
ABS-189	Aquiline	8,560,663.07	478,257.04	4,921.69	119.5	350	-55	20.5	25.5	5	0.36	0.8
								56.5	76	19.5	0.72	1.2
ABS-190	Aquiline	8,560,519.24	477,539.53	4,914.00	142	350	-58	65.5	70.5	5	0.40	3.8
								81.5	86.5	5	0.39	1.8
								116.5	122.5	6	0.45	3.9
ABS-191	Aquiline	8,560,664.83	477,581.81	4,842.57	80	350	-57	17.5	46	28.5	0.32	0.3
								53	58	5	0.31	0.3
ABS-192	Aquiline	8,560,643.35	477,542.46	4,847.30	100	350	-61	4	9	5	0.25	1.1
								55	60	5	0.26	0.5
ABS-193	Aquiline	8,560,602.89	477,551.54	4,867.19	80	350	-70	0	5	5	0.27	1.2
								10	47.5	37.5	0.43	1.1
								71.5	76.5	5	0.30	0.1
ABS-194	Aquiline	8,560,608.04	478,023.83	4,927.46	110.5	350	-58	0	49	49	0.61	1.3
								55	71.5	16.5	0.37	0.7
								95.5	110.5	15	0.73	0.3
ABS-195	Aquiline	8,560,721.13	478,230.02	4,923.36	70	350	-55	19	25	6	0.39	2.3
								26.5	34	7.5	0.36	0.3
								38.5	43.5	5	0.34	0.5
ABS-196	Aquiline	8,560,680.66	478,237.80	4,928.28	100	350	-58	53.5	58.5	5	0.47	0.6
								82	95.5	13.5	0.56	0.2

ABS-197	Aquiline	8,560,687.47	478,186.85	4,928.93	80.5	350	-55	31	64	33	0.33	0.3
ABS-198	Aquiline	8,560,652.15	478,193.59	4,934.42	112	350	-60	0	7	7	0.46	3.6
								8.5	17.5	9	0.28	1.5
								21.5	26.5	5	0.28	0.9
								29.5	77.5	48	1.19	1.5
								82	98.5	16.5	0.31	0.4
								106	111	5	0.33	0.3
ABS-199	Aquiline	8,560,651.60	478,166.85	4,938.21	85	350	-60	11.5	82	70.5	1.47	2.2
ABS-200	Aquiline	8,560,589.19	477,653.08	4,889.56	100	350	-63	0	55	55	0.67	1.4
								62.5	68.5	6	0.50	0.4
								77	82	5	0.30	0.3
ABS-201	Aquiline	8,560,574.41	477,682.62	4,900.77	100	350	-63	0	37	37	0.49	1.4
								43	80.5	37.5	0.42	0.4
								84.5	89.5	5	0.29	0.1
								95	100	5	0.35	0.1
ABS-202	Aquiline	8,560,522.89	477,639.86	4,919.36	170.5	350	-58	8.5	16	7.5	0.30	1.2
								25	32.5	7.5	0.44	2.4
								37	68.5	31.5	1.32	4.6
								73	97	24	0.32	1.2
								143.5	152.5	9	0.54	0.1
ABS-203	Aquiline	8,560,418.92	478,007.97	4,817.38	80.5	350	-55	0	8.5	8.5	0.27	0.9
								13	19	6	0.39	0.6
								34	43	9	0.37	0.3
								56.5	80.5	24	0.39	0.2
ABS-204	Aquiline	8,560,515.01	478,020.49	4,880.73	116.5	350	-55	0	32.5	32.5	0.51	0.6
								44	49	5	0.31	2.3
								61	95.5	34.5	0.53	0.2
ABS-205	Aquiline	8,560,529.42	478,091.95	4,877.75	80.5	350	-55	0	22	22	0.66	1.0
								53.5	80.5	27	0.64	0.4
ABS-206	Aquiline	8,560,506.86	477,618.12	4,918.59	119.5	350	-60	5.5	16	10.5	0.52	2.0
								25	32.5	7.5	1.25	1.9
								35.5	40.5	5	0.28	0.6
								70	86.5	16.5	0.52	2.1
ABS-207	Aquiline	8,560,593.12	477,851.67	4,903.17	70	350	-65	0	37	37	0.58	1.1
								40	70	30	0.33	0.9
ABS-208	Aquiline	8,560,598.23	477,874.70	4,904.16	80.5	350	-58	0	37	37	0.74	3.5
								40	52	12	0.39	0.3
								55	60	5	0.26	1.0
								70	75	5	0.27	0.9
ABS-209	Aquiline	8,560,625.07	478,120.58	4,937.08	80.5	350	-55	0	50.5	50.5	1.84	5.0
								52	57	5	0.25	0.3
								74.5	79.5	5	0.38	0.3

ABS-210	Aquiline	8,560,623.17	478,144.03	4,935.00	85	350	-62	5.5	79	73.5	0.80	1.4
ABS-211	Aquiline	8,560,604.10	478,072.06	4,928.62	80.5	350	-55	0	32.5	32.5	1.13	1.5
ABS-212	Aquiline	8,560,595.37	478,126.27	4,916.43	85	350	-55	0	19	19	1.10	3.2
								25	56.5	31.5	1.35	2.5
								61	68.5	7.5	0.45	0.4
								77.5	82.5	5	0.34	0.2
ABS-213	Aquiline	8,560,593.72	478,103.03	4,916.92	80.5	350	-60	0	49	49	2.99	3.8
								52	58	6	0.40	2.2
ABS-214	Aquiline	8,560,543.75	477,909.48	4,903.48	89.5	350	-60	0	29.5	29.5	0.42	0.4
								35.5	61	25.5	0.43	0.3
								68.5	76	7.5	0.31	0.8
								79	86.5	7.5	0.32	0.2
ABS-215	Aquiline	8,560,550.31	477,963.39	4,905.77	80.5	350	-55	0	11.5	11.5	0.50	0.6
								14	19	5	0.27	0.7
								32.5	67	34.5	0.49	0.4
								68.5	74.5	6	0.28	0.2
ABS-216	Aquiline	8,560,553.48	478,008.88	4,907.42	89.5	350	-55	0	10	10	0.60	0.8
								16	31	15	0.44	0.4
								41.5	85	43.5	0.51	0.3
ABS-217	Aquiline	8,560,555.85	477,611.35	4,906.89	130	350	-60	4	31	27	0.75	9.1
								34	89.5	55.5	0.54	2.9
								91	100	9	0.28	0.6
ABS-218	Aquiline	8,560,544.83	477,708.44	4,921.05	100	350	-65	0	5.5	5.5	0.45	1.0
								7	83.5	76.5	0.39	0.9
								92.5	100	7.5	0.52	0.2
ABS-219	Aquiline	8,560,533.44	477,760.27	4,930.84	119.5	350	-61	0	8.5	8.5	0.33	0.5
								17.5	58	40.5	0.53	0.8
								68.5	97	28.5	0.41	0.5
								112	119.5	7.5	0.60	0.2
ABS-220	Aquiline	8,560,601.94	477,604.20	4,876.25	89.5	350	-58	0	40	40	1.82	8.7
								47.5	52.5	5	0.32	0.1
ABS-221	Aquiline	8,560,566.88	477,933.28	4,915.94	80.5	350	-55	0	5.5	5.5	0.68	2.1
								31	71.5	40.5	0.51	1.6
ABS-222	Aquiline	8,560,555.08	477,860.45	4,927.92	89.5	330	-61	0	86.5	86.5	0.93	2.9
ABS-223	Aquiline	8,560,552.97	477,862.21	4,927.90	89.5	170	-85	0	62.5	62.5	1.61	4.9
								67	83.5	16.5	0.35	0.4
ABS-224	Aquiline	8,560,552.03	477,828.75	4,922.09	80.5	350	-60	0	80.5	80.5	1.69	7.4
ABS-225	Aquiline	8,560,552.95	477,789.62	4,922.84	89.5	350	-60	2.5	67	64.5	0.66	2.0
								74.5	79.5	5	0.28	0.2
ABS-226	Aquiline	8,560,527.74	477,837.78	4,900.97	76	350	-55	0	76	76	1.30	3.1
ABS-227	Aquiline	8,560,505.89	477,794.17	4,901.73	110.5	350	-55	37	110.5	73.5	0.94	2.6
ABS-228	Aquiline	8,560,496.26	477,773.63	4,902.19	85	350	-61	32.5	73	40.5	0.89	3.3

ABS-229	Aquiline	8,560,489.49	477,719.72	4,904.82	119.5	350	-60	0	8.5	8.5	0.31	0.6
								13	19	6	0.34	0.7
								32.5	55	22.5	0.66	4.0
								59.5	119.5	60	1.54	5.1
ABS-230	Aquiline	8,560,464.38	477,977.29	4,847.78	85	350	-55	0	85	85	0.70	0.7
ABS-231	Aquiline	8,560,465.81	478,027.54	4,846.68	100	350	-55	10	35.5	25.5	0.33	0.5
								59	64	5	0.29	0.1
								67	86.5	19.5	0.46	0.2
								95	100	5	0.31	0.2
ABS-232	Aquiline	8,560,603.51	478,157.26	4,919.25	88	342	-70	0	26.5	26.5	0.45	1.1
								32.5	88	55.5	0.87	0.5
ABS-233	Aquiline	8,560,551.54	478,039.26	4,899.31	80.5	350	-55	1	7	6	0.33	0.4
								13	80.5	67.5	0.47	0.7
ABS-234	Aquiline	8,560,569.09	478,088.50	4,903.71	80.5	350	-55	0	79	79	0.72	0.9
ABS-235	Aquiline	8,560,620.64	478,197.85	4,923.01	82	350	-60	14.5	29.5	15	0.48	1.8
								46	65.5	19.5	0.38	1.5
								67	74.5	7.5	0.27	0.5
								77	82	5	0.58	0.5
ABS-236	Aquiline	8,560,507.49	477,895.18	4,879.50	100	350	-60	0	76	76	0.49	0.2
								80	85	5	0.28	0.5
								91	100	9	0.40	1.2
ABS-237	Aquiline	8,560,511.07	477,918.98	4,879.04	89.5	350	-55	0	47.5	47.5	0.42	0.2
								56.5	67	10.5	0.33	0.1
								79	89.5	10.5	0.50	0.4
ABS-238	Aquiline	8,560,513.64	477,972.72	4,879.56	80.5	350	-55	4	35.5	31.5	0.39	0.3
								62.5	79	16.5	0.56	0.2
ABS-239	Aquiline	8,560,635.65	477,595.10	4,857.33	80.5	350	-60	7	17.5	10.5	1.23	1.8
								29.5	37	7.5	0.43	0.1
								46	53.5	7.5	0.27	0.1
ABS-240	Aquiline	8,560,513.13	477,811.93	4,901.40	95.5	350	-85	4	25	21	0.61	0.6
								35.5	41.5	6	0.29	1.0
								50.5	55.5	5	0.30	1.7
								74.5	79.5	5	0.29	0.3
								88	94	6	0.41	0.2
ABS-241	Aquiline	8,560,477.41	477,748.07	4,902.22	70	170	-75	0	5.5	5.5	1.24	4.7
								11.5	61	49.5	0.83	1.0
								62.5	70	7.5	0.60	0.5
ABS-242	Aquiline	8,560,480.66	477,747.46	4,902.43	100	350	-80	0	94	94	0.87	2.0
ABS-243	Aquiline	8,560,722.29	477,368.11	4,814.12	80.5	140	-55	No Significant Intercept				
ABS-244	Aquiline	8,560,491.98	477,947.16	4,863.92	100	350	-55	7	50.5	43.5	0.66	0.5
								65.5	85	19.5	0.38	0.2
								91	100	9	0.54	0.2

ABS-245	Aquiline	8,560,479.40	477,860.39	4,861.22	80.5	350	-55	0	70	70	0.68	0.3
ABS-246	Aquiline	8,560,753.03	477,297.14	4,787.82	50.5	170	-55	No Significant Intercept				
PMRC-01	Newcrest	8,560,591.18	477,810.94	4,898.76	222	180	-55	0	72	72	0.70	0.0
								76.5	81.5	5	0.33	0.0
								91.5	106.5	15	0.41	0.0
								120	148.5	28.5	0.36	0.0
								151.5	171	19.5	0.38	0.0
PMRC-02	Newcrest	8,560,589.19	477,415.18	4,865.14	210	180	-55	2.5	7.5	5	0.56	0.0
								42	47	5	0.39	0.0
PMRC-03	Newcrest	8,560,639.66	477,077.42	4,865.09	249	180	-55	233.5	238.5	5	0.27	0.0
PMRC-04	Newcrest	8,560,810.69	477,297.93	4,763.31	246	180	-55	107.75	112.75	5	0.45	0.0
PMRC-05	Newcrest	8,560,636.83	478,316.03	4,897.11	192	180	-55	21	27	6	1.21	0.0
PMRC-06	Newcrest	8,560,678.26	477,761.02	4,849.74	210	180	-55	24	52.5	28.5	0.82	0.0
PMRC-07	Newcrest	8,560,704.97	477,979.68	4,887.54	240	180	-55	23.5	28.5	5	0.26	0.0
PMRC-08	Newcrest	8,560,714.00	477,568.21	4,810.99	279	180	-55	52.5	60	7.5	1.05	0.0
								76.5	93	16.5	0.42	0.0

Note: Intercepts reported using 0.25 g/t Au and a minimum thickness of 5 m downhole length.

10.9 Geotechnical Investigations

Newcrest

There is no information available.

Aquiline

Eight core drill holes totaling 220 m were completed by Aquiline. The holes were evaluated by Golder and Associates. No other information exists.

10.10 QP Comments on Item 10

The QP reviewed the historical drill data to:

- Determine if the historical estimate discussed in Section 6 that was based on those data was suitable for public disclosure;
- Determine if the drill plans proposed by Xali Gold are reasonable for exploration purposes.

The QP notes, for the Absolut and Aquiline drilling, that the drill data can be used to guide areas to be drill tested by Xali Gold, can be used in exploration vectoring and for geological interpretations, and could be used to support future Mineral Resource estimates for gold and silver.

A complete verification of the drill programs completed by Absolut and Aquiline is required prior to contemplation of any Mineral Resource estimate for Pico Machay.

11.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

Sampling and analysis completed on the Property was done by parties prior to Xali Gold's Project interest.

11.1 Sampling Methods

11.1.1 Geochemical Sampling

Newcrest

There is no information describing Newcrest's geochemical sampling methods.

Aquiline

There is no information describing Aquiline's geochemical sampling methods.

11.1.2 Drill Sampling

Newcrest

There is no information available describing Newcrest's geochemical sampling methods.

Aquiline

The cuttings from the RC drilling were collected over 1.5 metre intervals, except for the first interval which was 1.0 metres. The samples were collected utilizing either a three-tier Jones Splitter or a hydraulic wet splitter, depending on the moisture content of the sample. A total of 12804 samples were collected over the five phases of drilling. Appendix II lists all assay data collected.

For dry cuttings, the total interval of cuttings was collected and weighed to estimate percent recovery, then split, using a Jones Splitter, placing a 0.25 (¼) split in a labelled plastic bag and stored for shipment to the analytical lab. The remaining sample was also labelled and placed in a plastic bag and stored in an on-site facility. The Jones Splitter was cleaned with compressed air and/or brushes between each sample interval.

For wet cuttings a hydraulic wet splitter was used and was preset to split the sample into 0.25 (¼) and 0.75 (¾) portions. The samples were numbered and bagged in cloth bags and allowed to dry. Once sufficiently dry, the entire sample (¼ and¾ splits) was weighed to determine percent recovery. The 0.25 (¼) split was then sent to the analytical lab and the 0.75 (¾) split was stored in an on-site facility.

11.2 Density Determinations

Aquiline

In August 2005, Absolut submitted 11 samples to ALS Chemex S.A., a division of ALS Chemex, for density determination (Table 11-1). No additional density work has been conducted for the project. A mean specific gravity value of 2.32 g/cm^3 was employed in the historical Mineral Resource Estimate and is based on the limited density data.

Table 11-1: Samples for density determination

Location (Drill Pad)	Sample No.	Density (g/cm^3)	Mineralisation Type
ABS-101	1011	2.30	Oxide
	1012	2.38	Mixed Oxide-Sulphide
	1013	2.29	Oxide
ABS-104	1041	2.40	Oxide
	1042	2.36	Mixed Oxide-Sulphide
	1043	2.42	Mixed Oxide-Sulphide
ABS-106	1061	2.25	Oxide
	1062	2.25	Oxide
ABS-107	1071	2.17	Oxide
	1072	2.16	Oxide
	1073	2.49	Sulphide
	AVERAGE:	**2.32**	

11.3 Analytical and Test Laboratories

RC drill samples were analysed at the ACME and ALS Chemex Labs in Lima, Peru. Both laboratories were independent of Aquiline and are independent of Xali Gold. The ACME and ALS Chemex laboratories had ISO 9001:2008 accreditations.

11.4 Sample Preparation

Newcrest

No information exists

Aquiline

The RC cuttings samples were subjected to the following preparation regime at both ALS Chemex and ACME laboratories:

- dried in an oven at 110°C
- entire sample crushed to 70% at -2 mm using a large pulverizing mill
- a 250 g split is collected using a riffle splitter
- the 250 g split is then pulverized to 85% at -75 micron using a ring and puck mill

11.5 Analysis

Newcrest

No information exists

Aquiline

Drill core samples were analysed at the ACME and ALS Chemex Labs in Lima, Peru. Both labs used the same analytical methods. The samples were then analyzed for gold using a conventional 30 g fire assay process and an Atomic Absorption (AA) finish (code AA23). The samples were also analyzed for 34 elements by aqua regia digestion ICP-AES and for Hg by Cold Vapour/MS (code Hg-CV41).

11.6 Quality Assurance and Quality Control

Newcrest

No information exists

Aquiline

Two assay standards and an analytical blank, were inserted for every 40 samples, which corresponds to a sample batch at the laboratory. Two duplicate samples were also included with each shipment. Assay standards consisted of both a laboratory certified high grade and low grade 100 g pulp. The analytical blank consisted of coarse-grained barren quartz. The duplicate sample, a 0.25 (¼) split, was collected at the same time as the original sample, using the same procedure. In order to check for lab analysis reproducibility, duplicate samples were labelled with an out of sequence number so that they would not be analyzed in the same batch as the original sample.

11.7 Databases

The Project data is contained in flat file Excel spreadsheet and comma delimited files. The QP recommends that a relational database is constructed for the Project.

11.8 Sample Security

Aquiline

RC sample cuttings that are not shipped to the laboratory for analyses are stored in an on-site warehouse structure on the Property. The remaining course rejects and pulps returned to Aquiline by the laboratory are stored in Lima with Abil Corporaci6n S.A., a company that specializes in the secure storage of sample material. Representative RC cuttings from each drill hole are stored in well labelled and secured sample trays in a locked shed within the Aquiline office compound in Lima.

11.10 QP Comments on Item 11

In the opinion of the QP:

- Sample collection, preparation, analysis and security for RC drill programs completed by Absolut and Aquiline are in line with industry-standard methods for gold–silver deposits;
- The Absolut and Aquiline drill programs included insertion of blank, duplicate, and standard reference material samples;
- QA/QC results from those programs do not indicate any problems with the analytical programs (refer to discussion in Section 12);
- The Azure and Teck data were subject to validation, which includes checks on surveys, collar co-ordinates, and assay data. The checks are appropriate, and consistent with industry standards at the time the checks were completed (refer to discussion in Section 12);
- Sample security during the Newcrest program was not historically monitored.

- Absolut and Aquline sample collection from drill point to laboratory relied upon the fact that samples were either always attended to, or stored in the locked on-site preparation facility, or stored in a secure area prior to laboratory shipment. Chain-of-custody procedures consisted of sample submittal forms to be sent to the laboratory with sample shipments to ensure that all samples were received by the laboratory.

The QP is of the opinion that the quality of the gold and silver analytical data from the Absolut and Aquline programs are sufficiently reliable to support future Mineral Resource estimation.

The QP reviewed available analytical data to:

- Determine if the historical estimate discussed in Section 6 that were based on those data were suitable for public disclosure;
- Determine if the drill plans proposed by Xali Gold based on the analytical data available are reasonable for exploration purposes.

12.0 DATA VERIFICATION

12.1 External Data Verification

In 2003, Jeff Reeder (P.Geo.) was retained by Calipuy to complete an Independent Summary Report for the Property. As part of the report Reeder collected 12 random samples from the Property (Table 12-1).

Table 12-1: Assay results and alteration types as collected and described by Reeder (2003).

Sample	Au (ppb)	Ag (ppm)	Alteration Type
PICO-001	28	0.4	silica-clay
PICO-002	690	5.8	vuggy silica
PICO-003	149	1.1	silica-alunite
PICO-004	404	1.5	silica-alunite
PICO-005	1800	7.6	vuggy silica
PICO-006	1770	5.5	vuggy silica
PICO-007	1385	2.9	vuggy silica
PICO-008	1205	3.7	vuggy silica
PICO-009	12600	126	strong silicification
PICO-010	661	2.0	strong silicification
PICO-011	510	0.3	silica-clay
PICO-012	879	0.3	silica-alunite

Reeder (2003) showed that the alteration types all contain anomalous gold with the highest gold values being associated with intense silicification or vuggy silica type alteration. Five samples from the central zone showed vuggy silica type alteration and averaged 1370 ppb Au. Reeder noted strong secondary silica alteration along structures.

Brophy (2008)

In 2008, John Brophy completed a review of Aquiline's data collection, sample storage and assay QA/QC procedures. A total of 60 coarse reject samples were collected (using a Gilson riffle splitter) and re-assayed at ALS Chemex in Lima, Peru. An additional 6 check-assay samples were analysed at a third-party laboratory (CIMM). The results of the check assay program showed a good correspondence with the original results obtained by Aquiline.

Caracle Creek (2009)

Caracle Creek completed the following data verification:

- Discussions with Project geologists

- Site visit to the Property
- Examination of drill hole RC chip samples
- Collection and assay of rock samples from surface outcrops (7 samples)
- Collected GPS coordinates of drill hole collars (2 collars)
- Verification of the 100 highest grade assays with original assay certificates
- Verification of 12,679 assays using spreadsheet files provided by the assay laboratory

12.2 Data Verification by the QP

The QP reviewed the internal and external data verification programs completed by the previous Property owners and their consultants. Mr. Thomas visited the Pico Machay property from October 21st to 24th, 2025. During the site visit, the QP examined the surface outcrops to verify the geological models, collected GPS coordinates of the drill hole collars to verify their positions, collected 26 samples (9 from surface outcrops and 17 from drill hole pulp and coarse reject material) and inspected the RC drill hole chip samples stored in Lima, Peru.

The QP completed verification of the available drill hole assay data collected since 2004. The QP's assay data verification consisted of:

- Comparisons between primary data (assay certificates) and the project database.
- Collection and assay of coarse reject and pulp reject samples and comparison of the results with original assays
- Examination of the RC drill hole assays for signs of contamination using downhole histograms.

No significant issues were found.

12.2.1 Site Visit

The QP visited the Pico Machay Project from 21 to 24 October, 2025. The QP examined outcrops of the mineralized zone to verify the geological model, collected hand-held GPS coordinates of the drill hole collars to verify their positions and collected 9 rock chip samples from surface outcrops.

A total of 17 collar coordinates were collected by the QP, representing approximately 10% of the total number of drill holes. The distribution of the collar coordinates collected by the QP relative to a surface projection of the mineralized zone is shown in Figure 1-1.

Table 1-1 shows a comparison of the GPS coordinates with the collar coordinates in the database. Only one drill hole coordinate has a difference of more than 10 metres in the Northing. The differences in the elevation are to be expected when using a hand-held GPS.

The QP collected 7 rock chip samples from surface outcrops of the mineralized zone. The locations of the samples are shown in Figure 1-2 and the assay results are shown in Table 1-2. The assay results demonstrate the presence of lower-grade and higher-grade gold and silver mineralisation on the Property.

The mineralized zone consists of variably silicified and alunite-altered andesitic volcanic rocks. The higher -grade samples contain significant amounts of vuggy silica. The vugs are frequently filled with native sulphur crystals.

The QP inspected the drill hole RC chip samples at the sample storage facility in Lima, Peru. The chip trays are stored in sealed plastic trays. The trays are stacked and wrapped in plastic film to protect them. The QP observed similar alteration and mineralisation in the RC chips to that seen in surface outcrop. Inspection of the RC chips confirmed the presence of complete oxidation within the first few metres from surface above a more vertically extensive zone of mixed oxides and sulphides.

12.2.2 Database Verification

The QP received the project database in the form of flat-file CSV files of the drill hole collars, survey (downhole deviations) and assay files.

The assay file used for verification was compiled from original assay certificates provided by the ALS Chemex and ACME laboratories. The assays were selected at random to cover the entire drill hole database (at a frequency of approximately 1 in 10 holes). A total of 1,483 assays were verified out of a total of 13,219 assays, representing approximately 11% of the total assay data. One minor error was found in Sample 9269 where a value of 6 ppb Au was entered instead of 40 ppb Au. Below detection limit silver assays are stored in the database with a value of -0.3. The QP recommends storing these in the database as one-half the detection limit (0.15 g/t Ag).

During the site visit, the QP collected 17 samples from the RC drill hole pulp reject and coarse reject samples stored at a dedicated facility in Lima, Peru. The samples were selected to cover the strike extent of the mineralized zone. The coarse reject samples were collected using a riffle splitter to reduce the sample weight to between 1 Kg and 1.5 Kg. The pulp reject samples were collected by manually quartering the samples to approximately 100 g.

The pulp reject assay results are shown in Table 1-3. A linear regression shows a bias of -4.3% in the slope of regression, a comparison of the means shows a bias of -4.2%.

The coarse reject assay results are shown in Table 1-4. A linear regression shows a bias of 0.1% in the slope of regression, a comparison of the means shows a bias of -1.5%.

The QP inspected downhole histograms of gold grades for signs of contamination. Downhole contamination may be observed as asymmetry in grade profiles where a high-grade interval is followed by a series of systematically decreasing grades. Only one example of a highly asymmetric grade was found in hole ABS-213. The grade profile is shown in Figure 1-3.

12.3 QP Conclusion and Recommendations

Based on the QPs review of previous data verification programs and the QP's own data verification, the following conclusions are drawn:

- External data verification completed by consultants on behalf of previous operators has not shown significant data quality issues.
- The collar coordinates in the database are reasonably accurate.
- Rock chip samples collected on the Property confirm the presence of lower-grade and higher-grade gold and silver.
- The style of alteration and mineralisation (high-sulphidation epithermal) observed in outcrop is consistent with that observed in RC drill hole chips and is consistent with the geological model used by previous Property operators.
- Check assay results from pulp and coarse rejects shows that the assays are accurate.
- Inspection of downhole grade profiles does not show evidence of significant downhole contamination.
- The database is sufficiently error free and the assays are sufficiently accurate to be used for Mineral Resource estimation.

The QP makes the following recommendations:

- Compile all available data and construct a relational database for the Project
- Replace missing silver values (currently stored as negative values) with half lower-detection limit values
- Complete core drilling of twin holes to confirm the grades and widths intercepted in historical RC drilling.

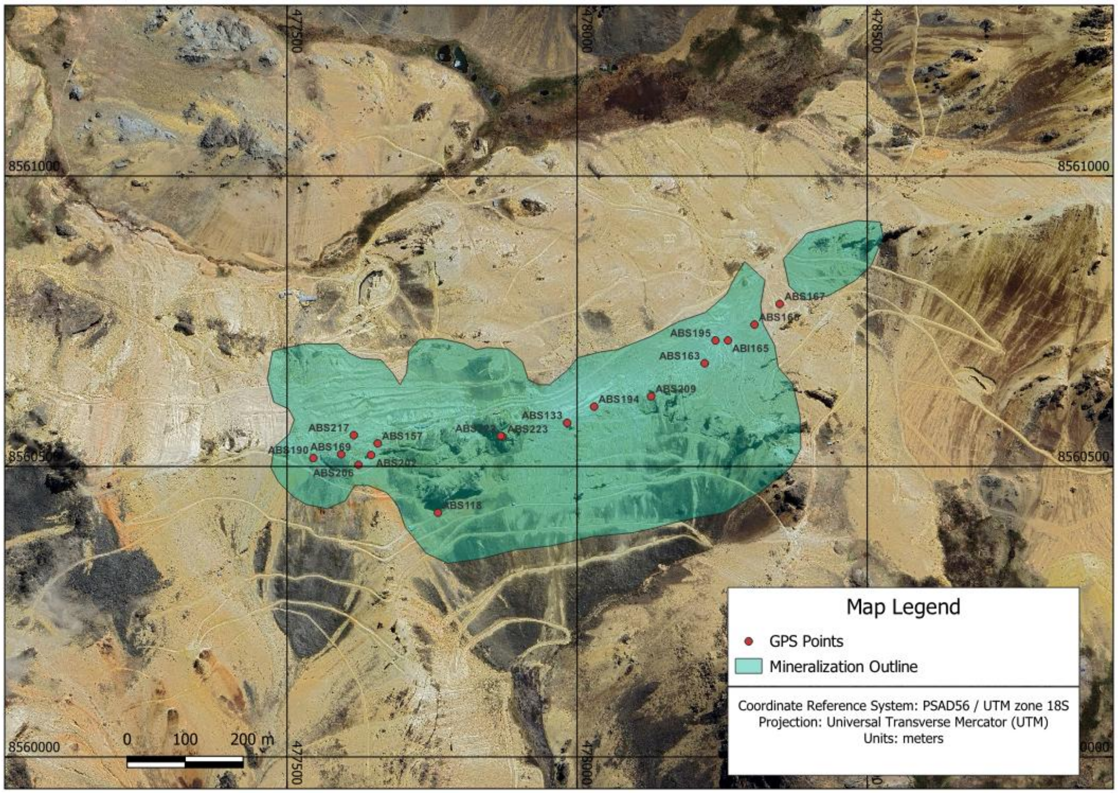


Figure 12-1: Collar GPS Points and Mineralisation Outline

Table 12-2: Comparison of Collar GPS and Database Coordinates

	GPS (m)				Database (m)			Difference (m)		
Drill Hole	**Easting**	**Northing**	**Elevation**	**Drill Hole**	**Easting**	**Northing**	**Elevation**	**Easting**	**Northing**	**Elevation**
ABS-118	477,760.0	8,560,420.3	4,865.4	ABS-118	477,752.5	8,560,435.5	4,848.2	7.5	-15.2	17.3
ABS-133	477,982.8	8,560,575.0	4,947.1	ABS-133	477,976.1	8,560,582.3	4,925.3	6.7	-7.3	21.8
ABS-157	477,656.3	8,560,539.7	4,936.3	ABS-157	477,647.9	8,560,545.5	4,915.2	8.4	-5.8	21.0
ABS-163	478,219.8	8,560,677.6	4,953.1	ABS-163	478,213.0	8,560,683.2	4,929.8	6.8	-5.6	23.3
ABS-165	478,260.0	8,560,716.9	4,942.9	ABS-165	478,252.7	8,560,721.5	4,919.9	7.3	-4.6	23.0
ABS-166	478,305.6	8,560,744.1	4,935.9	ABS-166	478,298.6	8,560,751.4	4,912.4	7.0	-7.2	23.5
ABS-167	478,349.1	8,560,779.8	4,927.2	ABS-167	478,344.6	8,560,786.3	4,903.2	4.5	-6.5	24.0
ABS-169	477,593.4	8,560,520.8	4,941.6	ABS-169	477,588.1	8,560,525.4	4,920.2	5.3	-4.6	21.4
ABS-190	477,545.4	8,560,514.5	4,934.9	ABS-190	477,539.5	8,560,519.2	4,914.0	5.8	-4.8	20.9
ABS-194	478,029.3	8,560,603.0	4,950.4	ABS-194	478,023.8	8,560,608.0	4,927.5	5.5	-5.0	23.0
ABS-195	478,238.5	8,560,716.9	4,947.2	ABS-195	478,230.0	8,560,721.1	4,923.4	8.5	-4.3	23.8

ABS-202	477,644.9	8,560,519.5	4,940.2	ABS-202	477,639.9	8,560,522.9	4,919.4	5.0	-3.3	20.8
ABS-206	477,623.1	8,560,502.6	4,940.6	ABS-206	477,618.1	8,560,506.9	4,918.6	5.0	-4.3	22.0
ABS-209	478,127.6	8,560,620.7	4,958.7	ABS-209	478,120.6	8,560,625.1	4,937.1	7.0	-4.4	21.6
ABS-217	477,615.2	8,560,553.8	4,926.1	ABS-217	477,611.4	8,560,555.9	4,906.9	3.8	-2.0	19.2
ABS-222	477,868.2	8,560,552.6	4,949.4	ABS-222	477,860.5	8,560,555.1	4,927.9	7.8	-2.5	21.5
ABS-223	477,871.2	8,560,551.5	4,949.0	ABS-223	477,862.2	8,560,553.0	4,927.9	9.0	-1.5	21.1

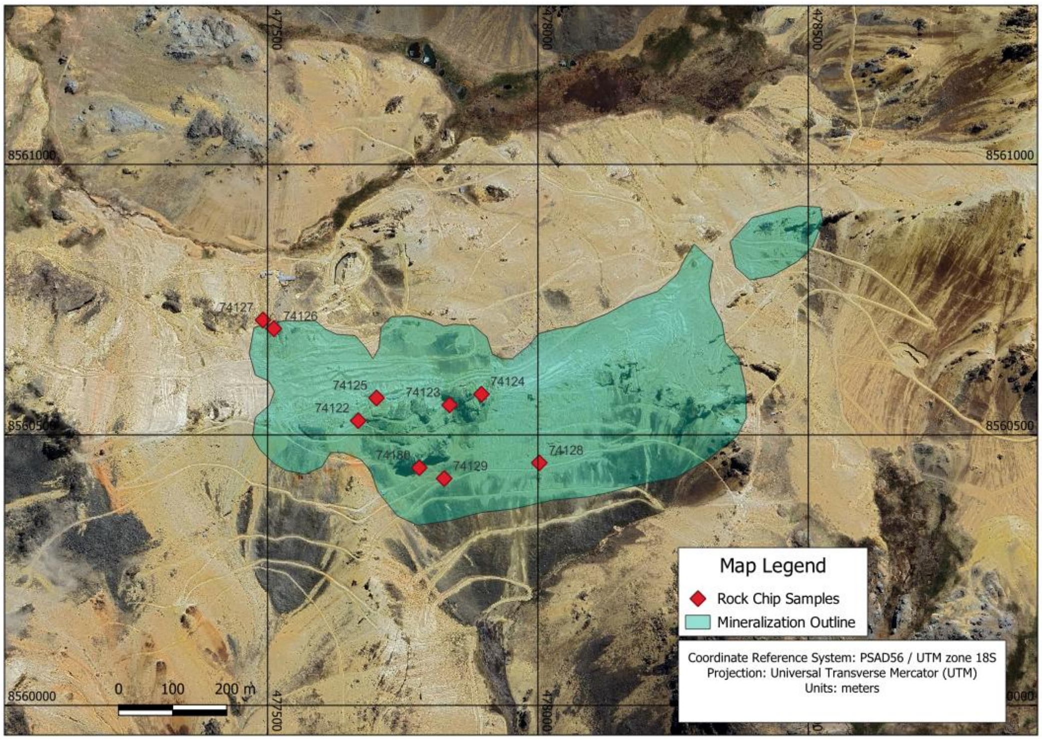


Figure 12-2: Rock Chip Sample Locations and Mineralisation Outline

Table 12-3: Coordinates and Assay Results, Surface Rock Chip Samples

Sample Number	Easting (m)	Northing (m)	Elevation (m)	Gold (g/t)	Silver (g/t)
74122	477,435	8,560,162	4,942	0.21	0.5
74123	477,604	8,560,191	4,960	3.98	25.8
74124	477,663	8,560,211	4,934	2.23	11.2
74125	477,469	8,560,204	4,920	2.86	7.3
74126	477,279	8,560,332	4,829	0.14	1.4
74127	477,259	8,560,348	4,837	0.16	<0.5
74128	477,770	8,560,084	4,852	2.60	1.3
74129	477,594	8,560,055	4,849	2.07	1.0
74130	477,548	8,560,075	7,873	1.80	1.0

Table 12-4: Comparison of Assay Results, Pulp Reject Samples

Drill Hole	From (m)	To (m)	Length (m)	Coordinates Zone 18S UTM PSAD56 Easting (m)	Northing (m)	Elevation (m)	Original Au (g/t)	Original Ag (g/t)	Check Assay Au (g/t)	Check Assay Ag (g/t)	Sample Number
ABS-127	136.0	137.5	1.5	477,684.9	8,560,542.2	4,920.9	0.55	0.2	0.53	0.3	3032
ABS-136	127.0	128.5	1.5	477,695.6	8,560,506.5	4,913.8	0.42	0.3	0.40	0.3	3943
ABS-193	34.0	35.5	1.5	477,551.5	8,560,602.9	4,867.2	0.25	1.3	0.23	1.9	9178
ABS-194	32.5	34.0	1.5	478,023.8	8,560,608.0	4927.5	0.52	1.1	0.52	1.1	9234
ABS-199	26.5	28.0	1.5	478,166.9	8,560,651.6	4,938.2	7.37	11.8	7.04	12.3	9564
ABS-204	14.5	16.0	1.5	478,020.5	8,560,515.0	4,880.7	0.41	0.5	0.40	0.5	9929
ABS-205	70.0	71.5	1.5	478,092.0	8,560,529.4	4,877.8	1.14	0.4	1.10	0.3	10050
ABS-217	37.0	38.5	1.5	477,611.4	8,560,555.9	4,906.9	0.25	1.4	0.19	1.6	10748
ABS-223	28.0	29.5	1.5	477,862.2	8,560,553.0	4,927.9	2.00	4.3	1.96	4.3	11170
ABS-229	20.5	22.0	1.5	477,719.7	8,560,489.5	4,904.8	0.13	0.5	0.13	0.7	11531

Table 12-5: Comparison of Assay Results, Coarse Reject Samples

Drill Hole	From (m)	To (m)	Length (m)	Coordinates Zone 18S UTM PSAD56 Easting (m)	Northing (m)	Elevation (m)	Original Au (g/t)	Original Ag (g/t)	Check Assay Au (g/t)	Check Assay Ag (g/t)	Sample Number
ABS-193	34.0	35.5	1.5	477,551.5	8,560,602.9	4,867.2	0.25	1.3	0.23	2.1	9178
ABS-194	32.5	34.0	1.5	478,023.8	8,560,608.0	4,927.5	0.52	1.1	0.52	1.2	9234
ABS-204	14.5	16.0	1.5	478,020.5	8,560,515.0	4,880.7	0.41	0.5	0.39	0.5	9929
ABS-205	70.0	71.5	1.5	478,092.0	8,560,529.4	4,877.8	1.14	0.4	1.05	0.3	10050
ABS-217	37.0	38.5	1.5	477,611.4	8,560,555.9	4,906.9	0.25	1.4	0.26	1.5	10748
ABS-223	28.0	29.5	1.5	477,862.2	8,560,553.0	4,927.9	2.00	4.3	2.06	4.2	11170
ABS-229	20.5	22.0	1.5	477,719.7	8,560,489.5	4,904.8	0.13	0.5	0.12	0.6	11531

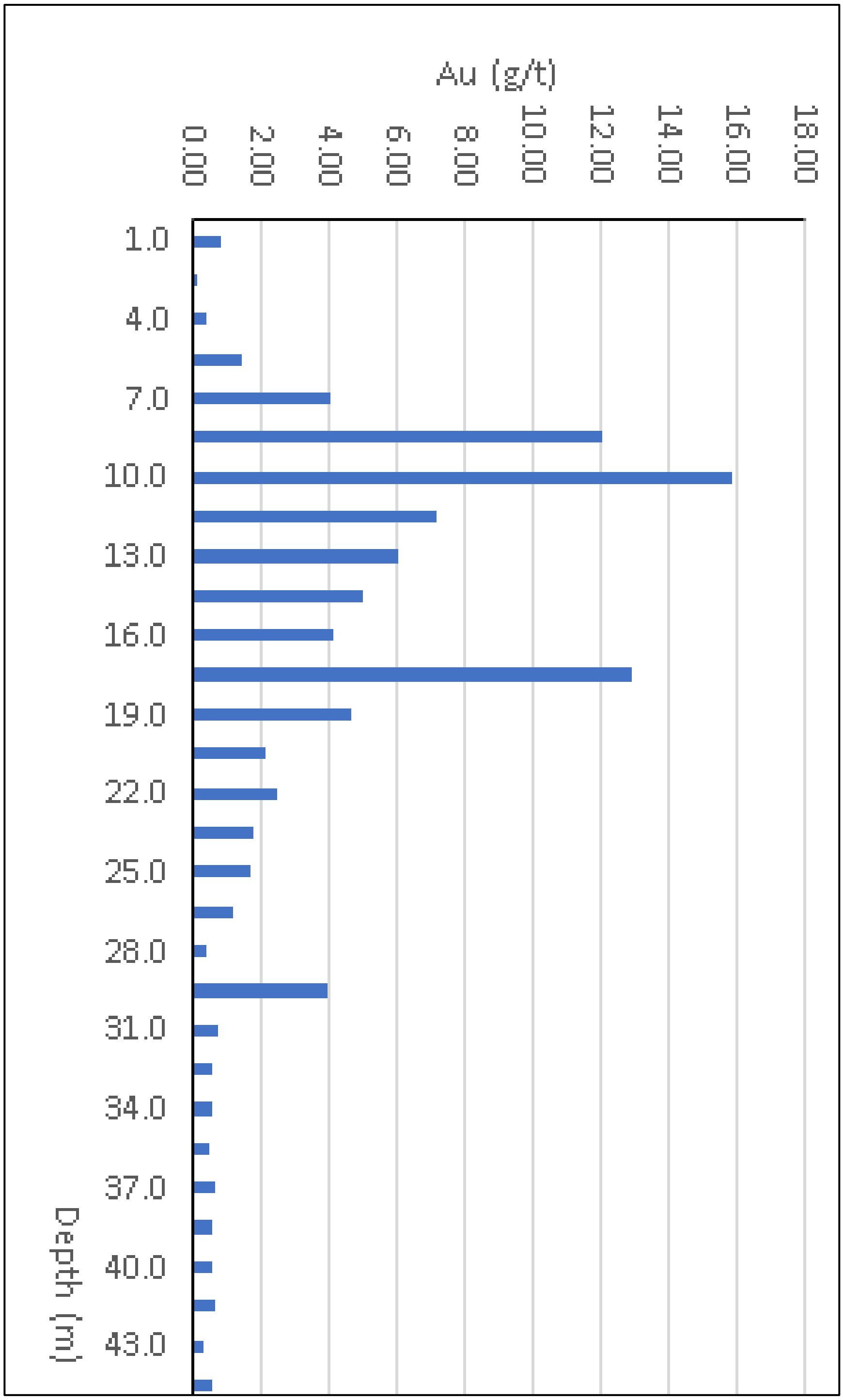


Figure 12-3: Asymmetric Grade Profile, ABS-213

13.0 MINERAL PROCESSING AND METALLURGICAL TESTING

Xali Gold has not carried out any metallurgical testing on Pico Machay.

Minera Calipuy S.A.C. contracted Metcom Ingenieros S.A.C, an independent engineering firm in Lima, Peru to conduct metallurgy tests in 2007 /2008. Based on those results a metallurgical recovery of 70% gold and 30% silver was estimated by Metcom. The metallurgical balance results in an Au- Ag dore with percentages of 60% gold and 35% silver overall.

14.0 MINERAL RESOURCE ESTIMATES

There are no current estimates of mineral resources on the Property. Historical resources are disclosed in Item 6 “History”.

15.0 ADJACENT PROPERTIES

15.1 Adjacent Properties and Mining Districts

The Project lies in the eastern part of the Western Cordillera Andes within the District of Santa Ana, Province of Castrovirreyna and Department of Huancavelica. Huancavelica is a well-established mining district which hosts mines that have been active for over 75 years. The Santa Barbara Mine and Julcani Mine have been operating since 1953 by Compañia de Minas Buenaventura S.A. There are also several mines that have operated within a 45km radius of Pico Machay including: San Genoro, Astohuaraca, El Paloma, Cauduloso, Reliquias and Recuperada (see Figure 15.1). Most of these mines are poly-metallic and silver vein underground mines. Several of these mines are currently being reactivated and expanded due to a recent rise in metal prices.

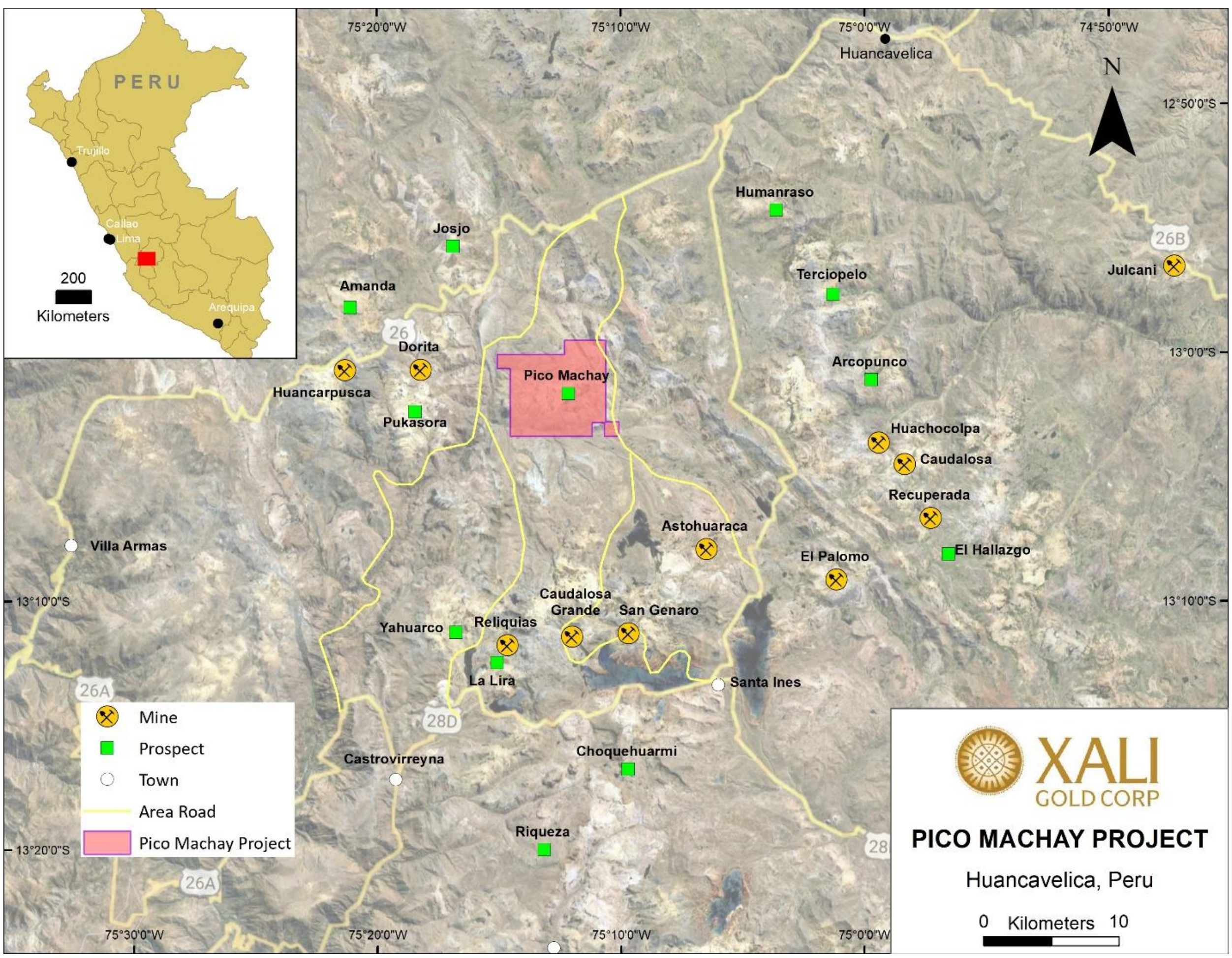


Figure 15-1: Mines and prospects surrounding Pico Machay.

15.1.1 Exploration Activity

Several major and junior mining and exploration companies, along with a number of private companies, hold title to mineral concessions within the region surrounding the Property. Many of these concessions are prospective for both high and low sulphidation epithermal gold mineralisation and cover geology that is similar to that found on the Property. The geology of this area is similar to most of the high sulphidation gold deposits in Peru, which are hosted by the highly prospective Tertiary Period Calipuy Formation volcanic rocks, and thought to be equivalent in age and geological environment to the Tertiary volcanic rocks that host the Pico Machay gold deposit (Melnyk, 2004;).

Although little information is available about some of the larger mineral concession blocks in the area, several mining and exploration companies are working in the immediate region of the Property. The majority of mineral concessions staked to date are located over satellite (Landsat TM) colour anomalies generally consisting of clay and iron oxide alteration that could be related to porphyry Cu-Au and epithermal high sulphidation gold systems.

15.1.2 Huachacolpa District

The Huachacolpa Mining District is located about 23 kilometres east of the Property and is one of the principal mining districts in south-central Peru (Figure 15.1). The geology of the area consists of andesite lava flows pyroclastic rocks, and intrusive and subvolcanic rocks ranging from andesite to dacite (Morche and Larico, 1996).

There are three principal mines in the area; the Recuperada, Huachacolpa, and Caudalosa. All three mines are owned by Compania de Minas Buenaventura. The mines exploit epithermal silver-zinc-lead-gold veins considered to be low Sulphidation epithermal systems which often occur peripheral to high sulphidation systems.

15.1.3 Castrovirreyna District

The Castrovirreyna Mining District is located about 18 kilometres south of the Property, occurring at elevations of up to 5,000 metres above sea level. The geology of the Castrovirreyna District consists of Tertiary andesite flows and volcaniclastic rocks, and andesite to dacite intrusive and subvolcanic rocks (Morche and Larico, 1996).

This district contains high grade silver and base metal veins, typical of low-sulphidation deposits, that were first exploited on a major level during Colonial times. Individual ore shoots have been reported to contain as much as 2,000 oz/t Ag, but the average grade for veins in this district is about 100 to 200 oz/t Ag, 3% Pb, and 4% Zn. Historically, this district has produced over 100,000,000 ounces of Ag, with abundant lead, zinc, and lesser copper (Fox, Roy and Williams, 2009). There are three principal mines in the Castrovirreyna district, two of which, the Caudalosa Grande and the Reliquias mines, were both owned by Castrovirreyna Compania Minera S.A. Silver Mountain Resources Inc., the new owner of Reliquias is currently working to reopen the mine and recently signed a 20-year agreement with the Santa Ana community.

The third mine, in Castrovirreyna, San Genaro is reported to have produced over 60+ million ounces of silver and is currently under new ownership that seek to bring it back into production.

David Thomas, the qualified person for this report, has not been able to verify the information and the information is not necessarily indicative of the mineralization on the property that is the subject of this report.

16.0 OTHER RELEVANT DATA AND INFORMATION

There is no other relevant data or information for Pico Machay.

17.0 INTERPRETATION AND CONCLUSIONS

The Pico Machay property is a high-sulphidation epithermal gold deposit similar to other deposits found in the South American Andes (Yanacocha and Pierina, Peru). Previous work on the Property outlined a Historical Measured and Indicated Resource of 264,600 ounces of gold (10.6M tonnes grading 0.78 gpt gold) and an additional Historical Inferred Resource of 446,000 ounces of gold (23.9 M tonnes grading 0.58 gpt gold). A total of 168 reverse circulation exploration holes totalling 20,136.5 m, drilled prior to 2009, were relied upon to delineate the Historical Resource. Most of these holes were drilled in a central zone while nine additional high-potential exploration targets remain untested.

All resource estimates for Pico Machay are considered historical in nature and are based on prior data and reports prepared by previous property owners. A qualified person has not done sufficient work yet to classify the historical estimates as current resources in accordance with current CIM categories and the Company is not treating the historical estimates as current resources. Significant data compilation, redrilling, resampling and data verification may be required by a qualified person before the historical estimates on the project can be classified as a current resource. There can be no assurance that any of the historical mineral resources, in whole or in part, will ever become economically viable. In addition, mineral resources are not mineral reserves and do not have demonstrated economic viability. Even if classified as a current resource, there is no certainty as to whether further exploration will result in any inferred mineral resources being upgraded to an indicated or measured resource category.

Although historical mineral resource estimates and metallurgy tests have been completed, the Property is not considered an advanced stage property for the purposes of NI43-101 since there is no current mineral resource estimate.

To advance Pico Machay, Xali Gold plans include a bulk sampling program, both to confirm grades from previous drilling and better understand the higher-grade zones; to commence a field mapping and sampling program to advance the exploration targets in preparation for drill testing; and conduct additional metallurgical testing to increase the level of confidence in estimated recoveries from previous work. Importantly, all of this immediate work can be conducted without the need for additional permits, allowing Xali Gold to continue advancing the Project while applying for the necessary permits for drilling from surface.

In addition to the main Pico Machay Deposit, mapping by Aquiline identified structural and alteration controls on the distribution of mineralisation, which resulted in the recognition of nine near-deposit exploration targets. The mapping focused on describing alteration mineral assemblages, textures and styles of alteration to assist in understanding the mineralized system. Eight categories of alteration were defined and a typical zoned pattern characteristic of high sulphidation systems was observed. Structural mapping identified flat structures concentrated in narrow zones that may have acted as conduits for mineralized fluids as well as brecciated zones up to 400 m in length and 150 m width that are believed to control much of the higher grades for the nearby Pico Machay Deposit.

Aquiline's mapping was followed by a re-interpretation of geology from previous workers which Xali Gold should re-visit based on previous mapping by M. Melnyk. The most notable difference is Aquiline's failure to observe the Astobamba Fm. volcanic package containing pyroclastics, lavas and agglomerates and interpretation that the central portion of the deposit as a large andesitic subvolcanic stock (PMS) intruded by felsic porphyry. Based on the results of mapping and the subsequent re-interpretation of the geology, Aquiline identified nine near-deposit target zones for exploration drilling. Xali Gold understands from Melnyk (personal communication), that the agglomerate unit, identified in unaltered areas of the property, could provide a more porous unit that could more easily carry disseminated mineralisation. This would add to the exploration potential of the Property.

18.0 RECOMMENDATIONS

1) Relogging of RC drill cuttings and systematically recording the lithology, alteration and mineralisation.
2) Geological mapping of the entire property, checking previous work and adding detail to understand better the local stratigraphy, mineralization and undrilled exploration targets.
3) Spectrographic Analysis using PIMA studies – to determine alteration assemblages which allow advanced geological and geo-metallurgy modelling,
4) Rock chip and bulk sampling both on surface and within all current underground workings that can be safely accessed.
5) Collect additional Specific Gravity (“SG“) measurements. The work is to be carried out in-house with check sampling at an independent laboratory. 150 samples from the mineralised zones are recommended for this phase, with 10% of the samples being verified independently. The objective of the work is to determine if SG values differ between oxidation levels or alteration types.
6) Collect downhole surveys on a selection of existing "open" holes. Approximately ten holes are sufficient to verify potential downhole deviations. The purpose of the down hole surveys is to verify the location of intersections of mineralisation to increase the level of accuracy of data used in the resource and future reserve estimates.
7) Topographic Surveys for better control of historical and future data, resource models and estimations.
8) Complete diamond core drilling with the area of the historical resource to compare with and verify the widths and grades of previous intercepts in reverse-circulation holes. Approximately 7 core holes (350 metres total) are recommended.
9) Initiate and develop a strong community relations program.
10) Contract consultants to conduct ESIA studies as required for drilling and development permits.
11) For future work ensure that: downhole surveys are conducted on all drill holes and a formal QA/QC program for samples and logging is established and followed

This Phase 1 work will provide a solid foundation to support Phase II, which will include updating the

Historical Mineral Resource and advancing the geological understanding of the Property in order to better identify future exploration targets. While Phase 1 is important for strengthening the overall Property, Phase 2 is not dependent on the results of Phase 1, as it is supported by existing historical data.

18.1 Proposed Budget

The budget proposed below (Table 18-1) is for Phase 1 project advancement as discussed in the recommendations. It would take approximately 3 months of field work to complete the Phase 1 program.

Table 18-1: Proposed Budget for Phase 1 at Pico Machay

		Cost in USD
Relogging of historical drill chips	154 holes	$6,500
Surface and underground mapping		$10,000
Spectrographic Analysis - Alteration		$6,750
Rock chip and bulk samples		$20,000
Specific Gravity program		$10,200
Downhole surveys	10 holes	$6,750
Topographic surveys		$4,300
Diamond drilling (underground)	7 holes @ 50m @ $300/m	$105,000
Rental of heavy equipment	10 days	$6,400
Food and accommodation		$20,000
Community engagement		$25,000
EIS studies for drilling & other permits		$25,000
	Subtotal	**$245,900**
	Contingency 20%	$49,180
	Total	**$295,080**

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