



**XALI**  
**GOLD CORP**

**Interim Condensed Consolidated Financial Statements**  
**As at and for the three and nine months ended**  
**December 31, 2020 and 2019**  
**(Expressed in United States dollars, unless otherwise noted)**

#### NOTICE

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

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

**Xali Gold Corp. (formerly “Candente Gold Corp.”)**  
**Interim Condensed Consolidated Statements of Financial Position**

At December 31, 2020 and March 31, 2020

(expressed in United States dollars unless otherwise noted)

	Note	December 31, 2020	March 31, 2020
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 110,248	\$ 6,767
Receivables		3,144	652
Prepaid expenses and deposits		8,732	5,803
		122,124	13,222
<b>Non-current assets</b>			
Unproven mineral right interests	4	330,400	291,104
Asset under acquisition	5	198,675	-
Equipment		778	1,104
<b>Total non-current assets</b>		<b>529,853</b>	<b>292,208</b>
<b>Total assets</b>		<b>\$ 651,977</b>	<b>\$ 305,430</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4,6,8	\$ 2,076,897	\$ 1,683,003
<b>Total Liabilities</b>		<b>2,076,897</b>	<b>1,683,003</b>
<b>Shareholders' deficiency</b>			
Share Capital	7	24,617,507	24,247,717
Obligation to issue shares	4,7	26,861	53,722
Reserves	7	5,842,053	5,841,914
Accumulated deficit		(31,911,341)	(31,520,926)
<b>Total shareholders' deficiency</b>		<b>(1,424,920)</b>	<b>(1,377,573)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 651,977</b>	<b>\$ 305,430</b>
<b>Nature of operations and going concern</b>	1		
<b>Subsequent events</b>	12		

Approved on behalf of the Board of Directors on February 25, 2021

(signed) Larry Kornze  
Director

(signed) Ian Ward  
Director

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

**Xali Gold Corp. (formerly “Candente Gold Corp.”)**  
**Interim Condensed Consolidated Statements of Comprehensive Loss**  
**For the three and nine months ended December 31, 2020 and 2019**  
(expresses in United States dollars unless otherwise noted)

		Three months ended December 31,		Nine months ended December 31,	
	Note	2020	2019	2020	2019
<b>Expenses</b>					
Exploration expenses	10	\$ 82,796	\$ 53,024	\$ 100,291	\$ 219,336
General and administrative expenses	10	77,659	40,590	188,962	123,284
		<b>160,455</b>	<b>93,614</b>	<b>289,253</b>	<b>342,620</b>
<b>Other expenses</b>					
(Gain) or loss on foreign exchange		100,039	77,549	101,162	78,605
Net loss		\$ (260,494)	\$ (171,163)	\$ (390,415)	\$ (421,225)
<b>Other comprehensive loss</b>					
Items that will not be reclassified to profit or loss:					
Foreign currency translation		(34,683)	(11,389)	(742)	(20,774)
<b>Comprehensive loss</b>		\$ (295,177)	\$ (182,552)	\$ (391,157)	\$ (441,999)
<b>Loss per share attributable to shareholders, basic and diluted</b>		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>Weighted average number of common shares outstanding: basic and diluted</b>					
		112,619,966	109,206,923	110,603,287	108,886,923

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

**Xali Gold Corp. (formerly “Candente Gold Corp.”)**  
**Interim Condensed Consolidated Statements of Changes in Shareholders’ Deficiency**

For the nine months ended December 31, 2020 and 2019

(expressed in United States dollars unless otherwise noted)

	Note	Share Capital		Reserves					Obligation to issue shares	Deficit	Total
		Total common shares	Share capital	Equity settled employee compensation and warrants	Other reserve	Foreign currency reserve	Total reserves				
Balance at March 31, 2019		107,206,923	\$ 24,193,995	\$ 5,907,257	\$ 52,046	\$ (153,871)	\$ 5,805,432	\$ 107,444	\$ (31,227,226)	\$ (1,120,355)	
Shares issued	4,7	2,000,000	53,722	-	-	-	-	(53,722)	-	-	
Share-based payments	7	-	-	4,648	-	-	4,648	-	-	4,648	
Net loss		-	-	-	-	-	-	-	(421,225)	(421,225)	
Foreign currency translation		-	-	-	-	(20,774)	(20,774)	-	-	(20,774)	
<b>Balance at December 31, 2019</b>		<b>109,206,923</b>	<b>\$ 24,247,717</b>	<b>\$ 5,911,905</b>	<b>\$ 52,046</b>	<b>\$ (174,645)</b>	<b>\$ 5,789,306</b>	<b>\$ 53,722</b>	<b>\$ (31,648,451)</b>	<b>\$ (1,557,706)</b>	
<b>Balance at March 31, 2020</b>		<b>109,206,923</b>	<b>\$ 24,247,717</b>	<b>\$ 5,912,332</b>	<b>\$ 52,046</b>	<b>\$ (122,464)</b>	<b>\$ 5,841,914</b>	<b>\$ 53,722</b>	<b>\$ (31,520,926)</b>	<b>\$ (1,377,573)</b>	
Shares issued for property	4,7	1,000,000	26,861	-	-	-	-	(26,861)	-	-	
Shares issued for cash	7	4,000,000	152,880	-	-	-	-	-	-	152,880	
Share issuance costs	7	-	(3,626)	-	-	-	-	-	-	(3,626)	
Shares issued for asset under acquisition	5,7	5,000,000	193,675	-	-	-	-	-	-	193,675	
Share-based payments	7	-	-	881	-	-	881	-	-	881	
Net loss		-	-	-	-	-	-	-	(390,415)	(390,415)	
Foreign currency translation		-	-	-	-	(742)	(742)	-	-	(742)	
<b>Balance at December 31, 2020</b>		<b>119,206,923</b>	<b>\$ 24,617,507</b>	<b>\$ 5,913,213</b>	<b>\$ 52,046</b>	<b>\$ (123,206)</b>	<b>\$ 5,842,053</b>	<b>\$ 26,861</b>	<b>\$ (31,911,341)</b>	<b>\$ (1,424,920)</b>	

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

**Xali Gold Corp. (formerly “Candente Gold Corp.”)**  
**Interim Condensed Consolidated Statements of Cash Flows**  
For the nine months ended December 31, 2020 and 2019  
(expresses in United States dollars unless otherwise noted)

	Nine months ended December 31,	
	2020	2019
<b>Cash provided by (use in)</b>		
<b>Operating</b>		
Loss for period	\$ (390,415)	\$ (421,225)
Items not affecting cash		
Depreciation	327	1,185
Share-based payments	881	4,648
Foreign exchange	117,464	76,681
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(2,492)	8,503
Decrease (increase) in prepaid expenses and deposits	(2,929)	3,969
Increase in accounts payable and accrued liabilities	275,687	185,717
<b>Net cash used in operating activities</b>	<b>(1,477)</b>	<b>(140,522)</b>
<b>Investing</b>		
Valued added tax	(4,905)	(8,085)
Option payments received	-	89,675
Option payments	(30,000)	-
Addition to unproven mineral right interests	(4,391)	(2,567)
Asset under acquisition	(5,000)	-
<b>Net cash provided by (used in) investing activities</b>	<b>(44,296)</b>	<b>79,023</b>
<b>Financing</b>		
Proceeds from private placement	152,880	-
Share issuance costs	(3,626)	-
<b>Net Cash Provided by Financing Activities</b>	<b>149,254</b>	<b>-</b>
<b>Effect on exchange rate changes on cash</b>		
<b>Net change in cash</b>	<b>103,481</b>	<b>(61,499)</b>
<b>Cash at beginning of period</b>	<b>6,767</b>	<b>64,455</b>
<b>Cash at end of period</b>	<b>\$ 110,248</b>	<b>\$ 2,956</b>
Significant non-cash transactions:		
Shares issued in accordance with obligation to issue shares	\$ 26,861	\$ 53,722
Shares issued in accordance with agreement for Asset under acquisition (Note 5)	\$ 193,675	\$ -

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

# Xali Gold Corp. (formerly “Candente Gold Corp.”) Interim Condensed Consolidated Financial Statements

For the six months ended September 30, 2020 and 2019

(Expressed in United States dollars unless otherwise noted)

---

## 1. Nature of operations and going concern

Xali Gold Corp. and its subsidiaries (the “Company”) are engaged in the exploration of mineral right interests in Mexico and Peru. The Company was incorporated on April 24, 2009 under the Business Corporation Act of British Columbia.

The principal subsidiaries of the Company as at December 31, 2020 are as follows:

Subsidiary	Interest	Functional Currency
Candente Mexico Resource Corp.	100%	CDN Dollars
El Oro (BC) Exploration Inc.	100%	CDN Dollars
Candente Gold Peru S.A.	100%	US Dollars
Minera CCM, S.A. de C.V. (“CCM”)	100%	US Dollars
Minera CCM El Oro Jales S.A. de C.V.	100%	US Dollars
Candente Mexico Servicios S.A. de C.V.	100%	US Dollars
Minera Xali Oro S.A. de C.V.	100%	US Dollars

The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol XGC.V. The Company’s share options and warrants are not listed.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2021.

As of the date of these interim condensed consolidated financial statements, the Company has not yet determined whether any of its mineral right interests contain economically recoverable mineral reserves. Accordingly, the value of mineral right interests represents cumulative acquisition costs incurred to date and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to complete their exploration and development and to resolve any environmental, regulatory, or other constraints.

These interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the nine months ended December 31, 2020, the Company had a net loss of \$390,415, and, as at December 31, 2020, current liabilities exceed current assets by \$1,954,773, and the Company had cumulative losses of \$31,911,341. The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds through the issuance of securities, resource secured debt or joint venture projects. Although, the Company has been successful in raising funds in the past there can be no assurance that the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. In addition, the Company is subject to sovereign risk, including political and economic instability, changes in existing government regulations relating to mining, as well as currency fluctuations and local inflation. These factors indicate the existence of a material uncertainty that may cast significant doubt regarding the Company’s ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

## 2. Statement of compliance and basis of presentation

Except as indicated below in respect of asset under acquisition, these interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

# Xali Gold Corp. (formerly “Candente Gold Corp.”) Interim Condensed Consolidated Financial Statements

For the six months ended September 30, 2020 and 2019

(Expressed in United States dollars unless otherwise noted)

## 2. Statement of compliance and basis of presentation (continued)

These interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2020, which have been prepared in accordance with IFRS issued by the IASB.

### Asset under acquisition

Assets under acquisition represents costs incurred under an option agreement for the right to earn up to a 100% interest in an ore mill processing plant and to take over a certain lease agreement on the El Dorado property, both located in Mexico. The Company can, at its discretion, elect to terminate this agreement either by serving a notice of termination in writing or by failure to complying with options within the prescribed time for each option.

Costs include the cash consideration and the fair value of shares issued on the acquisition of interest. Rights are acquired under the option agreement when cash payments are made or shares of the Company issued. Upon commissioning, the cost is transferred to the appropriate category of unproven mineral right interests costs or property, plant and equipment, and will be amortized over the estimated useful life of those rights and assets or written-off if the rights are disposed of, impaired or abandoned.

## 3. New Accounting Standards

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

## 4. Unproven mineral right interests

As at December 31, 2020 and March 31, 2020, the Company’s capitalized unproven mineral right interests costs are as follows:

	Balance at April 1, 2020	Acquisition costs and additions	Balance at December 31, 2020
<b>Mexican Properties</b>			
El Oro - Hardrock	\$ 1	\$ -	\$ 1
Option payment	-	30,000	30,000
Cocula project	-	493	493
<b>Peruvian Properties</b>	<b>215,130</b>	<b>3,898</b>	<b>219,028</b>
<b>Value-added tax</b>	<b>75,973</b>	<b>4,905</b>	<b>80,878</b>
<b>Closing balance</b>	<b>\$ 291,104</b>	<b>\$ 39,296</b>	<b>\$ 330,400</b>

	Balance at April 1, 2019	Acquisition costs and additions	Balance at March 31, 2020
<b>Mexican Properties</b>			
El Oro - Hardrock	\$ 1	\$ -	\$ 1
<b>Peruvian Properties</b>	<b>212,538</b>	<b>2,592</b>	<b>215,130</b>
<b>Value-added tax</b>	<b>74,762</b>	<b>1,211</b>	<b>75,973</b>
<b>Closing balance</b>	<b>\$ 287,301</b>	<b>\$ 3,803</b>	<b>\$ 291,104</b>

**Xali Gold Corp. (formerly “Candente Gold Corp.”)**  
**Interim Condensed Consolidated Financial Statements**  
**For the six months ended September 30, 2020 and 2019**  
(Expressed in United States dollars unless otherwise noted)

---

**4. Unproven mineral right interests (continued)**

**Mexican Properties:**

**El Oro – Hardrock**

On January 31, 2017, the Company acquired the remaining 30% interest in the El Oro Project (the “El Oro Project”) in Mexico (the “Transferred Interest”) from Desarrollos Mineros San Luis, S.A. de C.V. (“DMSL”), a subsidiary of Goldcorp Inc. (“Goldcorp”). The Company now holds a 100% interest in the El Oro Project as it had previously earned a 70% interest in the El Oro Project from Goldcorp. As consideration for the acquisition of the Transferred Interest, the Company agreed to issue to DMSL (or its nominee) an aggregate of 5,000,000 common shares of the Company. 1,000,000 common shares were issued on the date of acquisition of the Transferred Interest (issued with a fair value of \$26,861 (CDN\$35,000)) and further tranches of 1,000,000 common shares are to be issued to DMSL (or its nominee) on the four successive anniversary dates, with the Company having the right but not the obligation to issue any or all of such 4,000,000 common shares in advance of such anniversary dates in its sole discretion. The 4,000,000 common shares were fair valued at \$107,444 (CDN\$140,000) and were recorded as an obligation to issue shares as at March 31, 2017. During the year ended March 31, 2020, 2,000,000 of the 4,000,000 common shares were issued and the obligation to issue shares was reduced to \$53,722. During the nine months ended December 31, 2020, 1,000,000 common shares were issued and the obligation to issue shares was reduced to \$26,861 (Note 7 b).

The property consists of twenty-six claims and is subject to two 3% net smelter return (“NSR”) royalty agreements. One agreement is on twenty of the twenty-six claims and the other is on twelve of the twenty-six claims.

For the year ended March 31, 2017, bi-annual land holding payments were made by Goldcorp. When the Company acquired the remaining 30% of the El Oro property in January 2017, these payments became the responsibility of the Company, and, as at December 31, 2020, \$1,030,553 (March 31, 2020 - \$756,392) has been accrued as a liability to the Mexican government for land holding costs.

**El Oro Mine Tailings**

During the year ended March 31, 2014, the Company signed an agreement with the Municipality of El Oro (“Municipality”) that provides the Company with the access and processing rights to tailings deposits. Upon signing the agreement, \$25,000 was due and paid with monthly contributions of \$3,000 for community projects. The Municipality cancelled the obligation to pay \$3,000 per month in April 2015, when their tourist activities in the San Juan tunnel started interfering with normal usage of the tunnel by the Company. Under the terms of the agreement, the Company will pay an 8% net profits interest (“NPI”) royalty to the Municipality on any products produced from the tailings properties. The Company is entitled to retain the first \$1,500,000 of the 8% NPI payable to the Municipality.

On March 8, 2016, the Company entered into an agreement with Sun River Gold Corp. (“SRG”) to grant SRG the right and option to earn a 51% interest in the Company’s tailings project in El Oro Mexico. On November 9, 2018, the 2016 Agreement was superseded by a new Letter of Intent (“LOI”) granting SRG the right and option to further test and, if proven economic, develop and operate the Company’s tailings project in El Oro Mexico, through an indirect ownership of the Company’s Mexican subsidiary, Minera CCM EL Oro Jales, S.A. de C.V. (“CCM El Oro Jales”), according to the agreement CCM EL Oro Jales executed with the Municipality of El Oro.

The LOI was superseded by a definitive agreement signed in November 2018. In order to exercise the option, SRG is required to make staged payments totaling US\$300,000 (paid), over a period of fifteen months, commencing upon the date of signing of the LOI; bring the mine tailings properties into commercial production within 36 months of the effective date of the option agreement; and grant to the Company a 10% of NPI royalty on production from the properties. The definitive agreement also allows

# **Xali Gold Corp. (formerly “Candente Gold Corp.”)**

## **Interim Condensed Consolidated Financial Statements**

**For the six months ended September 30, 2020 and 2019**

(Expressed in United States dollars unless otherwise noted)

---

#### **4. Unproven mineral right interests (continued)**

SRG to reduce the NPI payable to the Company from 10% to 5% by paying an additional US\$200,000 in increments of \$50,000 at the end of each quarter, commencing 18 months from the date of the LOI.

As of December 31, 2020, Sun River had paid the Company \$200,000 required to reduce the NPI to 5%. The Company received the final payment of \$105,000, on August 17, 2020.

Upon making the totality of the staged payments and, if commercial production has been achieved by October 31, 2021, Sun River will indirectly acquire a 100% interest in the subsidiary Minera CCM El Oro Jales.

During the year ended March 31, 2019, the Company recorded an impairment charge of \$7,949,175 on the El Oro property. The charge was in keeping with the Company’s accounting policies and IFRS. Should the circumstances arise in the future, IFRS permits a reversal of charges. The Company will be maintaining the title to the property and will continue to seek opportunities to advance the project.

#### **Peruvian properties:**

As at December 31, 2020, the Company has maintained in good standing a portion of the Tres Marias and Las Brujas properties. There is a legal mortgage over the mining concession associated with the Tres Marias property of \$50,000 and a 1.5% NSR royalty on the sale of mineral products extracted from the concession, both in favour of a third party.

#### **5. Asset under acquisition**

##### **Mill**

The “SDA Plant” is an ore mill processing plant located in San Dieguito de Arriba, Nayarit State, Mexico. The plant comprises equipment, tools, supporting infrastructure and other facilities required to process ore into flotation derived concentrates. The plant lies within the historically productive Sierra Madre Occidental mineralized belt.

The plant was operational from 2007 to April 2017 (by former owner Minerales Vane S.A. de C.V.), processing ore from various operators in the region on a toll basis. Subsequently the plant was operational in February of 2019 for the processing of a bulk sample of approximately 600 tons. Due to challenges in the consistent acceptable recovery rates, that test failed to result in a toll processing contract, the plant has not operated since.

On December 22, 2020, the Company closed on an agreement with Magellan Acquisition Corp. following satisfactory completion of (i) due diligence visits to both the SDA plant and the historic El Dorado Mine; and (ii) receipt of final TSX Venture Exchange (“TSXV”) approval for the Definitive Agreement to acquire the SDA plant and the rights to an agreement on the El Dorado property from Magellan Acquisition Corp. (“Magellan”). The agreement gives the Company through its wholly owned subsidiary Minera Xali Oro S.A. de C.V. in Mexico the right to earn up to a 100% interest in the SDA Plant and take over a lease agreement on the El Dorado property to make the following payments in cash and common shares:

- i) A payment of \$5,000 upon the signing of the MOU (paid);
- ii) 5,000,000 common shares upon the completion of due diligence and the signing of a definitive agreement to earn a 10% interest (issued);
- iii) Common shares with a value of \$100,000 within 6 months following the signing of a definitive agreement to earn a 20% interest;
- iv) Common shares with a value of \$150,000 within 12 months following the signing of a definitive agreement to earn a 30% interest;

# Xali Gold Corp. (formerly “Candente Gold Corp.”) Interim Condensed Consolidated Financial Statements

For the six months ended September 30, 2020 and 2019

(Expressed in United States dollars unless otherwise noted)

## 6. Asset under acquisition (continued)

- i) Common shares with a value of \$275,000 within 18 months following the signing of a definitive agreement to earn a 50% interest;
- ii) Common shares with a value of \$400,000 within 24 months following the signing of a definitive agreement to earn a 70% interest and
- iii) Common shares with a value of \$500,000 within 30 months following the signing of a definitive agreement to earn a 100% interest.

The total number of shares to be issued for the 100% interest will not exceed 33,500,000 common shares. Further on December 31, 2020, the Company reached a 10% interest by fulfilling obligations (i) and (ii) of the agreement.

The Company can, at its discretion, elect to terminate this agreement either by serving a notice of termination in writing or by failure to complying with options (ii) through (vii) noted above within the prescribed time for each option. The consequences of such a termination event would be:

- a) the Company will have no further right under this Agreement to acquire any Ownership Interest in addition to the Ownership Interest already acquired;
- b) the respective Ownership Interests of the Company and Minerales Vane 2 in the Assets shall be equal to the interest earned from last option exercised prior to the termination;
- c) all liabilities and obligations to third parties arising out of the Facility Operations shall be borne by both parties in proportion to their respective ownership interests; and
- d) the Company shall pay a penalty of US\$5 per tonne of ore processed for a period 24 months. This rate will be reduced in proportion to the Company’s ownership interests prior to such termination.

As of December 31, 2020, the Company has acquired 10% interest by complying with (i) and (ii) noted above.

## 6. Accounts payable and accrued liabilities

	December 31, 2020		March 31, 2020	
Accounts payable	\$	1,112,624	\$	914,168
Accrued liabilities		964,273		768,835
	\$	2,076,897	\$	1,683,003

## 7. Capital and equity reserve

### a. Shares authorized

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

### b. Shares issued

At December 31, 2020, the Company had 119,206,923 common shares issued and outstanding.

During the period ended December 31, 2020, the following common shares were issued:

- (1) 1,000,000 common shares were issued to DMSL in accordance with the agreement for the acquisition of the Transferred Interest (Note 4);

# Xali Gold Corp. (formerly “Candente Gold Corp.”)

## Interim Condensed Consolidated Financial Statements

For the six months ended September 30, 2020 and 2019

(Expressed in United States dollars unless otherwise noted)

### 7. Capital and equity reserve (continued)

#### b. Shares issued (continued)

- (2) 4,000,000 common shares issued for cash; and
- (3) 5,000,000 common shares were issued in accordance with the agreement for Asset under acquisition (Note 5).

#### c. Share options

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

Stock option transactions for the period ended December 31, 2020 were as follows:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Options outstanding March 31, 2020	7,500,000	0.06
Options granted	-	-
Options expired	-	-
<b>Options outstanding December 31, 2020</b>	<b>7,500,000</b>	<b>0.06</b>

As at December 31, 2020, the following options were exercisable and outstanding:

Grant date	Outstanding		Exercisable		Expiry date
	Exercise price (CDN\$)	Number of options	Exercise price (CDN\$)	Number of options	
20-May-16	0.05	5,000,000	0.05	5,000,000	20-May-26
28-Feb-17	0.05	300,000	0.05	300,000	28-Feb-22
28-Feb-17	0.05	250,000	0.05	250,000	28-Feb-27
07-May-18	0.05	1,450,000	0.05	1,450,000	07-May-23
01-Oct-18	0.05	250,000	0.05	250,000	01-Oct-23
29-Jul-19	0.05	250,000	0.05	125,000	29-Jul-24
	0.05	7,500,000	0.05	7,375,000	

#### d. Warrants

At December 31, 2020, the Company had 5,000,000 warrants exercisable at \$0.10 until August 20, 2021.

#### e. Reserves

Other *reserve*:

Other reserve records the reserve resulting from the acquisition of subsidiaries.

# Xali Gold Corp. (formerly “Candente Gold Corp.”) Interim Condensed Consolidated Financial Statements

For the six months ended September 30, 2020 and 2019

(Expressed in United States dollars unless otherwise noted)

## 7. Capital and equity reserve (continued)

### e. Reserves (continued)

#### *Equity settled employee compensation and warrants reserve*

Equity settled employee compensation and warrants reserve consists of share-based payments expense and other warrant payments. When stock options or warrants are exercised, the corresponding amount will be transferred from this reserve to share capital.

#### *Foreign currency reserve:*

Foreign currency reserve records unrealized exchange differences arising on translation of group companies that have a functional currency other than the Company’s reporting currency.

### f. Obligation to issue shares

Obligation to issue shares consists of the fair value of 1,000,000 common shares that are due to be issued to DMSL for the acquisition of the Transferred Interest (Note 4).

## 8. Related party disclosures

The Company’s related parties consist of companies owned by executive officers and directors. The following is a list of related parties that the Company enters into trading transactions with:

- Ridley Rocks Inc. – Management fees;
- SW Project Management – Project management and engineering fees;
- Michael Thicke Geological Consulting Inc. – Exploration fees.
- Candente Copper Corp. - shared administrative expenses with a company related by directors and management in common; and
- Lotz CPA Inc. – Financial services, fees thereto.

### a. Related party transactions

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

	Nine months ended December 31,	
	2020	2019
Management fees	\$ 71,742	\$ 43,737
Share-based payments	881	4,474
	\$ 72,623	\$ 48,211

Share-based payments are the expensing of the fair value of options issued to directors and key management personnel during the period ended December 31, 2020 and 2019.

### b. Balance owing

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2020 includes \$306,301 (March 31, 2020 - \$217,121) owing to directors and officers and \$611,742 (March 31, 2020 - \$500,521) owing to Candente Copper Corp., a shareholder of the Company.

# Xali Gold Corp. (formerly “Candente Gold Corp.”)

## Interim Condensed Consolidated Financial Statements

For the six months ended September 30, 2020 and 2019

(Expressed in United States dollars unless otherwise noted)

### 8. Related party disclosures (continued)

#### c. Management and consulting agreements

On March 1, 2018, the Company entered into a management agreement with a company controlled by the CEO of the Company to provide management services for an indefinite term. Under the agreement, in the event of termination without cause, the Company will pay a one-time termination payment of \$200,000. In the event of a change of control, the individual will have the right at any time within 60 days to provide notice of termination and will receive a \$500,000 one-time payment. The individual will also be entitled to the \$500,000 if they terminate the agreement or there is a termination without cause and a change of control occurs within one year of the effective date of such termination.

On September 28, 2018, the Company entered into a consulting agreement with a company controlled by the CFO of the Company to provide consulting services for an indefinite term. Under the agreement, in the event of termination without cause or the consultant terminating the agreement within 30 days after a change of control, the Company will pay a one-time termination payment of \$28,500.

### 9. Segmented information

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

	<b>December 31, 2020</b>		
	<b>Peru</b>	<b>Mexico</b>	<b>Total</b>
<b>Unproven mineral right interests</b>	<b>\$ 299,907</b>	<b>\$ 30,493</b>	<b>\$ 330,400</b>
<b>Asset under acquisition</b>	<b>-</b>	<b>198,675</b>	<b>198,675</b>
<b>Equipment</b>	<b>778</b>	<b>-</b>	<b>778</b>
	<b>\$ 300,685</b>	<b>\$ 229,168</b>	<b>\$ 529,853</b>

  

	<b>March 31, 2020</b>		
	<b>Peru</b>	<b>Mexico</b>	<b>Total</b>
Unproven mineral right interests	\$ 291,103	\$ 1	\$ 291,104
Equipment	719	\$ 385	\$ 1,104
	\$ 291,822	\$ 386	\$ 292,208

# Xali Gold Corp. (formerly “Candente Gold Corp.”)

## Interim Condensed Consolidated Financial Statements

For the six months ended September 30, 2020 and 2019

(Expressed in United States dollars unless otherwise noted)

### 10. Expenses

	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
<b>GENERAL AND ADMINISTRATIVE</b>				
Audit and tax advisory fees	\$ 11,420	\$ 8,666	\$ 31,175	\$ 29,626
Bank charges and interest	32	72	92	1,513
Depreciation	58	374	327	1,185
Legal	11,398	702	13,742	8,322
Management fees, office salaries and benefits (Note 8)	30,384	15,937	95,690	43,869
Office, rent and miscellaneous	8,825	7,254	21,639	19,092
Regulatory and filing fees	14,600	5,878	23,766	12,523
Share-based payments (Notes 7,8)	187	1,169	881	4,648
Shareholder communications	755	538	1,650	2,506
<b>Total general and administrative expenses</b>	<b>\$ 77,659</b>	<b>\$ 40,590</b>	<b>\$ 188,962</b>	<b>\$ 123,284</b>

	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
<b>EXPLORATION</b>				
Field support including project administration	\$ 26,163	\$ 1,031	\$ 39,373	\$ 2,832
Mining fees	56,633	51,993	165,918	216,504
Option payments received	-	-	(105,000)	-
<b>Total exploration expenses</b>	<b>\$ 82,796</b>	<b>\$ 53,024</b>	<b>\$ 100,291</b>	<b>\$ 219,336</b>

### 11. Financial risk and capital management

The Company is exposed to certain financial risks in the normal course of its operations:

#### a. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The liquidity position of the Company is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost-efficient manner.

The Company’s management continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. The Company plans to make payments of trade payables and commitments from its current working capital and future sources of equity financing. Liquidity risk is considered to be high.

#### b. Currency risk

Currency risk is the risk that arises on financial instruments that are denominated in a currency, i.e. in a currency other than the functional currency in which they are measured.

The Company operates internationally and is exposed to risks from foreign currency rates. The functional currency of the Company’s subsidiaries is the United States and Canadian dollars and some of the subsidiaries’ transactions are denominated in Mexican Pesos and Nuevo Soles. The Company does not enter into any foreign exchange contracts to mitigate this risk. The Company and its subsidiaries do not have significant transactions or hold significant cash denominated currencies other than their functional currencies. Therefore, the risk is considered minimal.

**Xali Gold Corp. (formerly “Candente Gold Corp.”)**  
**Interim Condensed Consolidated Financial Statements**  
**For the six months ended September 30, 2020 and 2019**  
(Expressed in United States dollars unless otherwise noted)

---

**11. Financial risk and capital management (continued)**

**c. Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risk arises from cash and receivables. Cash are deposited in highly rated corporations and the credit risk associated with these deposits is low.

**d. Fair value hierarchy**

The interim condensed consolidated statements of financial position carrying amounts for receivables and accounts payable, approximate fair value due to their short-term nature.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

**e. Capital management**

The Company’s capital structure is comprised of the components of shareholders’ equity (deficit). The Company’s objectives when managing its capital structure is to, maintain financial flexibility to preserve the Company’s access to capital markets and its ability to meet its financial obligations.

The Company’s corporate office is responsible for capital management. This involves the use of corporate forecasting models, which facilitate analysis of the Company’s financial position including cash flow forecasts to determine the future capital management requirements.

In preparing its budgets and corporate forecasting models, the Company considers operating commitments imposed by its subsidiaries and the stability of the global capital markets.

Capital management is undertaken to ensure a secure, cost-effective supply of funds to ensure the Company’s operating and capital expenditure requirements are met.

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

**12. Subsequent Events**

Subsequent to December 31, 2020:

- a) On January 19, 2021, Candente Gold Corp. changed its name to Xali Gold Corp.
- b) On January 18, 2021, the Company granted a total of 3,200,000 incentive stock options (the “Options”) to directors, senior officers, employees and consultants. The grant of Options is subject to approval by the TSX Venture Exchange. Of the total options granted, 1,200,000 have been granted to senior officers, 1,000,000 to directors and 1,000,000 to consultants.

**Xali Gold Corp. (formerly “Candente Gold Corp.”)**  
**Interim Condensed Consolidated Financial Statements**  
**For the six months ended September 30, 2020 and 2019**  
(Expressed in United States dollars unless otherwise noted)

---

**12. Subsequent Events** (continued)

These Options will vest 25% every six months and has five-year terms until January 18, 2026, at an exercise price of \$0.05 and are subject to the terms and conditions of the Company's incentive stock option plan. Following this grant of stock options, the Company has a total of 10,700,000 stock options outstanding representing approximately 9% of the outstanding common shares of the Company. The common shares issuable upon exercise of the Options are subject to a hold period which will expire on May 19, 2021.