XALI GOLD CORP

Interim Condensed Consolidated Financial Statements

As at and for the three and nine months ended
December 31, 2021 and 2020
(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, 2021 and March 31, 2020
(expressed in United States dollars unless otherwise noted)

	Note		December 31, 2021		March 31, 2021
Assets					
Current Assets					
Cash		$	**66,277**	$	32,671
Receivables			**6,549**		1,545
Prepaid expenses and deposits			**29,685**		10,252
			102,511		44,468
Non-current assets					
Unproven mineral right interests	4		**186,581**		45,983
Equipment	5		**430,199**		199,453
Total non-current assets			**616,780**		245,436
Total assets		$	**719,291**	$	289,904
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	4,6,8	$	**2,723,099**	$	2,439,151
Total Liabilities			**2,723,099**		2,439,151
Shareholders' deficiency					
Share capital	7		**25,239,989**		24,617,507
Obligation to issue shares	4		**-**		26,861
Reserves	7		**6,062,510**		5,819,301
Accumulated deficit			**(33,306,307)**		(32,612,916)
Total shareholders' deficiency			**(2,003,808)**		(2,149,247)
Total liabilities and shareholders' deficiency		$	**719,291**	$	289,904

Nature of operations and going concern	**1**
Subsequent events	**12**

Approved on behalf of the Board of Directors on March 1, 2022

(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, 2021 and 2020
(expressed in United States dollars unless otherwise noted)

		Three months ended December 31,		Nine months ended December 31,	
	Note	**2021**	2020	**2021**	2020
Expenses					
Exploration expenses	**10**	**$ 63,050**	$ 82,796	**$ 208,732**	$ 100,291
General and administrative expenses	**10**	**136,264**	77,659	**360,884**	188,962
		199,314	160,455	**569,616**	289,253
Other expenses					
Loss on foreign exchange		**(71,985)**	100,039	**123,775**	101,162
Net loss		**$ (127,329)**	$ (260,494)	**$ (693,391)**	$ (390,415)
Other comprehensive loss					
Items that will not be reclassified to profit or loss:					
Foreign currency translation		**(2,689)**	(34,683)	**169,308**	(742)
Comprehensive loss		**$ (130,018)**	$ (295,177)	**$ (524,083)**	$ (391,157)
Loss per share attributable to shareholders, basic and diluted		**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding: basic and diluted		**125,630,287**	112,619,966	**122,115,337**	110,603,287

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, 2021 and 2020
(expressed in United States dollars unless otherwise noted)

		Share Capital		Reserves						
	Notes	Total common shares	Share capital	Equity settled employee compensation and warrants	Other reserve	Foreign currency reserve	Total reserves	Obligation to issue shares	Deficit	Total
Balance at March 31, 2020		109,206,923	$ 24,247,717	$ 5,912,332	$ 52,046	$ (122,464)	$ 5,841,914	$ 53,722	$ (31,520,926)	$ (1,377,573)
Shares issued for property		1,000,000	26,861	-	-	-	-	(26,861)	-	-
Shares issued for cash		4,000,000	152,880	-	-	-	-	-	-	152,880
Share issuance costs		-	(3,626)	-	-	-	-	-	-	(3,626)
Shares issued for asset under acquisition (SDA Plant)		5,000,000	193,675	-	-	-	-	-	-	193,675
Share-based payments		-	-	881	-	-	881	-	-	881
Net loss		-	-	-	-	-	-		(390,415)	(390,415)
Foreign currency translation		-	-	-	-	(742)	(742)	-	-	(742)
Balance at December 31, 2020		119,206,923	24,617,507	5,913,213	52,046	(123,206)	5,842,053	26,861	(31,911,341)	(1,424,920)
Balance at March 31, 2021		**119,206,923**	**$ 24,617,507**	**$ 5,972,131**	**$ 52,046**	**$ (204,876)**	**$ 5,819,301**	**$ 26,861**	**$ (32,612,916)**	**$ (2,149,247)**
Shares issued for property	**4,7**	**5,420,934**	**289,207**	**-**	**-**	**-**	**-**	**(26,861)**	**-**	**262,346**
Shares issued for cash	**7**	**7,048,333**	**335,003**	**-**	**-**	**-**	**-**	**-**	**-**	**335,003**
Share issuance costs	**7**	**-**	**(1,728)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,728)**
Share-based payments	**7**	**-**	**-**	**73,901**	**-**	**-**	**73,901**	**-**	**-**	**73,901**
Net loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(693,391)**	**(693,391)**
Foreign currency translation		**-**	**-**	**-**	**-**	**169,308**	**169,308**	**-**	**-**	**169,308**
Balance at December 31, 2021		**131,676,190**	**$ 25,239,989**	**$ 6,046,032**	**$ 52,046**	**$ (35,568)**	**$ 6,062,510**	**$ -**	**$ (33,306,307)**	**$ (2,003,808)**

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, 2021 and 2020
(expressed in United States dollars unless otherwise noted)

	Nine months ended December	
	2021	2020
Operating activities		
Loss for period	**$ (693,391)**	$ (390,415)
Items not affecting cash		
Depreciation	**273**	327
Share-based payments	**73,901**	881
Foreign exchange	**186,348**	117,464
Changes in non-cash working capital items:		
Decrease (increase) in receivables	**(5,004)**	(2,492)
Decrease (increase) in prepaid expenses and deposits	**(18,962)**	(2,929)
Increase in accounts payable and accrued liabilities	**266,438**	275,687
Net cash change in operating activities	**(190,397)**	(1,477)
Investing activities		
Value added tax	**(15,369)**	(4,905)
Option payments	**(5,147)**	(30,000)
Addition to unproven mineral right interests	**(88,756)**	(4,391)
Asset under acquisition (SDA Plant)	**-**	(5,000)
Net cash used in investing activities	**(109,272)**	(44,296)
Financing activities		
Proceeds from private placement	**335,003**	152,880
Share issuance costs	**(1,728)**	(3,626)
Net cash provided by financing activities	**333,275**	149,254
Effect on exchange rate changes on cash		
Net change in cash	**33,606**	103,481
Cash at beginning of period	**32,671**	6,767
Cash at end of period	**$ 66,277**	$ 110,248
Significant non-cash transactions:		
Issue of common shares for property	**$ 31,327**	$ -
Shares issued in accordance with obligation to issue shares	**$ 26,681**	$ 26,861
Shares issued for SDA plant (Note 5)	**$ 231,019**	$ 193,675

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

(Expressed in United States dollars unless otherwise noted)

1. Nature of operations and going concern

Xali Gold Corp. (formerly Candente 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, 2021 are as follows:

Subsidiary	Interest	Functional Currency
Candente Mexico Resource Corp.	100%	CAD Dollars
El Oro (BC) Exploration Inc.	100%	CAD 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 March 1, 2022.

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

These interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the nine months ended December 31, 2021, the Company had a net loss of $693,391, and, as at December 31, 2021, current liabilities exceed current assets by $2,620,588, and the Company had cumulative losses of $33,306,307. 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.

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

(Expressed in United States dollars unless otherwise noted)

2. Statement of compliance and basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2021 and 2020, which have been prepared in accordance with IFRS issued by the IASB.

3. Significant accounting policies

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

4. Unproven mineral right interests

As at December 31, 2021 and 2020, the Company's capitalized unproven mineral right interests costs are as follows:

	Balance at April 1, 2021	Acquisition costs and additions	Balance at December 31, 2021
Canadian Properties			
Victoria project	**$ -**	**$ 51,084**	**$ 51,084**
Mexican Properties			
El Oro - Hardrock	**1**	**-**	**1**
Cocula Project	**32,400**	**73,145**	**105,545**
Peruvian Properties	**1**	**-**	**1**
Value-added tax	**13,581**	**16,369**	**29,950**
Closing balance	**$ 45,983**	**$ 140,598**	**$ 186,581**

	Balance at April 1, 2020	Acquisition costs and additions	Impairment	Balance at March 31, 2021
Mexican Properties				
El Oro - Hardrock	$ 1	$ -	$ -	$ 1
Cocula Project	-	32,400	-	32,400
Peruvian Properties	215,130	4,360	(219,489)	1
Value-added tax	75,973	2,695	(65,087)	13,581
Closing balance	$ 291,104	$ 39,455	(284,576)	$ 45,983

Mexican Properties:

El Oro – Hardrock

On January 31, 2017, the Company acquired the remaining 30% interest in the El Oro Project (the "El Oro Project") in Mexico (the "Transferred Interest") from Desarrollos Mineros San Luis, S.A. de C.V. ("DMSL"), a subsidiary of Goldcorp Inc. ("Goldcorp"). The Company now holds a 100% interest in the El Oro Project as it had previously earned a 70% interest in the El Oro Project from Goldcorp. As consideration for the acquisition of the Transferred Interest, the Company agreed to issue to DMSL (or its nominee) an aggregate of 5,000,000 common shares of the Company. 1,000,000 common shares were issued on the date of acquisition of the Transferred Interest (issued with a fair value of $26,861 (CAD$35,000)) and further tranches of 1,000,000 common shares are to be issued to DMSL (or its

4. Unproven mineral right interests (continued)

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

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

For the year ended March 31, 2017, bi-annual land holding payments were made by Goldcorp. When the Company acquired the remaining 30% of the El Oro property in January 2017, these payments became the responsibility of the Company, and, as at December 31, 2021, $1,402,337 (March 31, 2021 - $1,255,427) 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 SRG to reduce the NPI payable to the Company from 10% to 5% by paying an additional US$200,000 in increments of $50,000 at the end of each quarter, commencing 18 months from the date of the LOI.

During the year ended March 31, 2021, the Company received the final payments of $110,325 of which $5,325 was applied directly against certain general and administrative fees from Sun River required to reduce the NPI to 5%. Upon making the totality of the staged payments and, if commercial production has been achieved by October 31, 2021, Sun River will indirectly acquire a 100% interest in the subsidiary Minera CCM El Oro Jales.

4. Unproven mineral right interests (continued)

Cocula property

On November 25, 2020 the Company entered into an Definitive Agreement (“DA”) with concession holders for the right to explore certain concessions, referred to as the Cocula Gold Project (“Cocula Project”), in Jalisco State, Mexico. Under the terms of the agreement, the Company will have three years to bring the project to commercial production and must make the following payments in cash:

1. $10,000 upon signing of the Letter of Intent (Signed September 4, 2020) (paid);
2. $20,000 upon signing of a “DA” and completion of due diligence within 60 days (paid);
3. A payment of $20,000 on the execution date (paid);
4. A payment of $20,000 six months following the execution date (paid);
5. A payment of $25,000 twelve months following the execution date; (an addendum was signed on November 29, 2021 that allow the Company to pay the $25,000 in monthly installments, as of December 31, 2021 $10,000 have been paid).
6. A payment of $30,000 eighteen months following the execution date;
7. A payment of $35,000 twenty-four months following the execution date;
8. A payment of $45,000 thirty months following the execution date; and
9. A payment of $55,000 thirty-six months following the execution date.
10. Upon commencement of production, the owner of the Property will receive a minimum consideration of $25,000 per quarter deductible from mining profits for each quarter.

It will be Xali Gold’s responsibility to put the Property into production and the Lopez Family will retain 25% of the profits derived from mining, processing, and product sales. The Company is also obligated to pay 5% of profits to Mingeo International as a finder’s fee such that the Company will have the rights to retain 70% of all profits. Mingeo is a non-arm’s length party.

Should the Company be unable to reach commercial production within three years of the execution date, it has the right to extend the term for an additional two years in the event it is demonstrated by one or more mining experts paid by the Company that such extension is needed for the commencement of the commercial production.

Victoria property

On July 12, 2021, the Company entered into an option agreement (the “Victoria agreement”) to acquire 100% interest in the Victoria property located in Newfoundland and Labrador. The Property comprises 79 claims.

To acquire 100% interest in the Victoria property, the Company must complete the following:

- Issuing a total of 3.5 million shares over 3 years;
- Making payments of a total of CAD $100,000 over 3 years; and
- Funding exploration activities of CAD $650,000 over 3 years. (Expenses as of December 31, 2021 total CAD$29,280).

This Victoria agreement is subject to a 2.0% NSR. The Company has the right to buyback 1% of the NSR for CAD $1,000,000 at any time. In addition, the Company will issue 175,000 shares (5% finders fees) over 3 years.

On August 16, 2021, 500,000 common shares were issued regarding first payment of Victoria Property acquisition and 25,000 common shares regarding 5% finders fees.

During September 2021, the Company paid CAD$25,000 to the Optionors.

4. Unproven mineral right interests (continued)

Peruvian properties:

As at December 31, 2021, the Company has maintained in good standing a portion of the Tres Marias and Las Brujas properties. There is a legal mortgage over the mining concession associated with the Tres Marias property of $50,000 and a 1.5% NSR royalty on the sale of mineral products extracted from the concession, both in favour of a third party. During the year ended March 31, 2021, the Company recorded an impairment loss of $284,576, as the Company has no immediate plans to pursue the property; however, the Company will maintain the title to the property and will continue to seek opportunities.

5. Equipment

Mill

On September 23, 2020, the Company closed on a definitive agreement with Magellan Acquisition Corp. ("Magellan") that gives the Company through its wholly owned subsidiary Minera Xali Oro S.A. de C.V. in Mexico the right to earn up to a 100% interest in an ore mill processing plant located in San Dieguito de Arriba, Mexico (the "SDA Plant") and take over an option agreement on the El Dorado property. Under the terms of the agreement the Company is required to make the following payments in cash and common shares:

i) A payment of $5,000 upon signing (paid);
ii) 5,000,000 common shares upon the completion of due diligence and the signing of a definitive agreement to earn a 10% interest (issued);
iii) Common shares with a value of $100,000 on or before March 23, 2021 to earn a 20% interest (1,428,571 shares issued on July 5, 2021);
iv) Common shares with a value of $150,000 on or before September 23, 2021 to earn a 30% interest; (2,467,363 shares issued on December 21, 2021);
v) Common shares with a value of $275,000 on or before March 23, 2022 to earn a 50% interest;
vi) Common shares with a value of $400,000 on or before September 23, 2022 to earn a 70% interest and
vii) Common shares with a value of $500,000 on or before March 23, 2023 to earn a 100% interest.

The total number of shares to be issued for the 100% interest will not exceed 33,500,000 common shares. As of December 31, 2021, the Company has acquired 30% interest by complying with (i), (ii), (iii), and (iv) noted above.

The Company can, at its discretion, elect to terminate this agreement either by serving a notice of termination in writing or by failure to complying with options (ii) through (vii) noted above within the prescribed time for each option. On such a termination event, the Company shall pay a penalty of US$5 per tonne of ore processed for a period 24 months. This rate will be reduced in proportion to the Company's ownership interests prior to such termination.

(Expressed in United States dollars unless otherwise noted)

5. **Equipment** (continued)

Mill

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

		Equipment		SDA Plant		Total
Cost						
As at March 31, 2020	$	5,745	$	-	$	5,745
Additions		-		198,675		198,675
As at March 31, 2021		5,745		198,675		204,420
Additions		-		231,020		231,020
As at December 31, 2021	$	5,745	$	429,695	$	435,440
Accumulated depreciation						
As at March 31, 2020	$	(4,641)	$	-	$	(4,641)
Additions		(326)		-		(326)
As at March 31, 2021		(4,967)		-		(4,967)
Additions		(274)		-		(274)
Disposals		-		-		-
As at December 31, 2021	$	(5,241)	$	-	$	(5,241)
Net book value						
As at March 31, 2021	$	778	$	198,675	$	199,453
As at December 31, 2021	**$**	**504**	**$**	**429,695**	**$**	**430,199**

The SDA Plant requires certain restorations to be commissioned, accordingly, no depreciation was recorded as of December 31, 2021 since it is not yet available for its intended use.

On May 20, 2021, the Company announced it has signed a new Exploration and Production Agreement ("EPA") with Ingenieros Mineros, S.A. de C.V. ("IMSA") on the El Dorado Property, located in Nayarit State, Mexico. The EPA gives the Company the right to explore and produce gold, silver, and other metals for the life of the mine.

Under the EPA, the Company has the obligation to pay IMSA the following:

- $30,000 per year until the commencement of commercial production, up to a maximum of 5 years;
- A minimum of $60,000 per year after 5 years or upon commencement of production;
- During commercial production, a NSR of:
  - 3.5% until payments reach an aggregate amount of $350,000; of which $200,000 is payable in cash and $150,000 in the Company's common shares (using a 30 day volume weighted average share price).
  - 3.0% to an aggregate of $600,000.
  - 2.5% to an aggregate of $850,000.
  - 1.0% through the life of mine.

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

(Expressed in United States dollars unless otherwise noted)

6. Accounts payable and accrued liabilities

		December 31, 2021		March 31, 2021
Trade payables	**$**	**290,827**	$	184,807
Due to Directors and officers (note 8)		**402,537**		341,561
Due to Candente Copper (note 8)		**618,053**		608,305
Accrued liabilities - Mining fees - El Oro (note 4)		**1,402,377**		1,255,427
Accued liabilities - other		**9,305**		49,051
	$	**2,723,099**	$	2,439,151

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, 2021, the Company had 131,676,190 common shares issued and outstanding.

During the period ended December 31, 2021, the following common shares were issued:

(1) 1,525,000 common shares were issued with value of $58,187 in accordance with the agreement for earn in in El Oro and Victoria projects (Note 4).
(2) 3,895,934 common shares were issued with value of $231,020 in accordance with the agreement with Magellan to earn in on the SDA plant), (Note 5).
(3) 7,048,333 in a Non-brokered private placement for proceeds of CAD$422,900. The net proceeds of the Private Placement will be used to further our permitting and targeting for drilling programs on our gold-silver projects, working capital and general corporate purposes.

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, 2021 were as follows:

	Number of Options	Weighted Average Exercise Price (CAD$)
Options outstanding March 31, 2021	10,700,000	0.05
Options granted	200,000	0.05
Options outstanding December 31, 2021	**10,900,000**	**0.05**

During the period ended December 31, 2021, the Company granted 200,000 stock options to a consultant. The options are exercisable at $0.05 per common share for a period of five years from the date of issue.

(Expressed in United States dollars unless otherwise noted)

7. Capital and equity reserve (continued)

c. Share options (continued)

As at December 31, 2021, the following options were exercisable and outstanding:

	Outstanding		Exercisable		
Grant date	**Exercise price (CAD$)**	**Number of options**	**Exercise price (CAD$)**	**Number of options**	**Expiry date**
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	250,000	29-Jul-24
18-Jan-21	0.05	3,200,000	0.05	1,600,000	18-Jan-26
01-Apr-21	0.05	200,000	0.05	100,000	01-Apr-26
	0.05	10,900,000	0.05	9,200,000	

The Company used the Black-Scholes Option Pricing model under the following weighted average assumptions and recorded total share-based payments expense for the period ended December 31, 2021 of CAD$8,654 for the vested portion of options granted. The total fair value of options granted was CAD$9,238 or $0.046 per option.

	Nine months ended December 31, 2021	Nine months ended December 31, 2020
Dividend yield	Nil	-
Risk-free interest rate	0.93%	-
Expected life of options	5 years	-
Annualized volatility	157.64%	-
Forfeiture rate	Nil	-

d. Warrants

At December 31, 2021, the Company had 3,524,167 outstanding warrants.

As part of the add date Non brokered private placement, the company issued 3,524,167 warrants. Each Warrant will be exercisable for one additional share of the Company's common stock (a "Warrant Share") for two years at a conversion price of CAD$0.12.

e. Reserves

Other *reserve:*

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

Equity settled employee compensation and warrants reserve

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

(Expressed in United States dollars unless otherwise noted)

7. Capital and equity reserve (continued)

e. Reserves (continued)

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 Nil (2020 – 2,000,000), on August 3, 2021, the Company issue the last tranche of 1,000,000 common shares that were 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;
- Candente Copper Corp. - shared administrative expenses with a company related by directors and management in common;
- Lotz CPA Inc. – Financial services, fees thereto; and
- Bullion Exploration Inc. (Matthew Melnyk) – Director operations and Director.

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,	
	2021	2020
Management fees	**$ 130,685**	$ 71,742
Share-based payments	**45,060**	881
	$ 175,745	$ 72,623

Share-based payments are the expensing of the fair value of options granted to directors and key management personnel during the period ended December 31, 2021 and 2020.

b. Balance owing

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2021 includes $402,537 (March 31, 2021 - $341,561) owing to directors and officers and $618,053 (March 31, 2021 - $608,305) owing to Candente Copper Corp., a shareholder of the Company who also shares common directors and officers.

On May 26 and June 21, 2021, the Company signed loan agreements with Ridley Rocks Inc. (owned by the Company's CEO) for $29,000 and CAD$26,000, respectively (total). The loans are non-interest bearing and payable on demand. The loans were partially settled as part of the closing on November 10, 2021 of the first tranche of a Non Brokered Private placement. Balance as of December 31, 2021 is $4,905.

(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:

								December 31, 2021
		Canada		**Mexico**		**Peru**		**Total**
Unproven mineral right interests (Note 4)	**$**	**51,084**	**$**	**105,546**	**$**	**29,951**	**$**	**186,581**
Equipment (Note 5)		**-**		**430,199**		**-**		**430,199**
	$	**51,084**	**$**	**535,745**	**$**	**29,951**	**$**	**616,780**

								March 31, 2021
		Canada		Mexico		Peru		Total
Unproven mineral right interests (Note 4)	$	-	$	32,401	$	13,582	$	45,983
Equipment (Note 5)		-		199,453		-	$	199,453
	$	-	$	231,854	$	13,582	$	245,436

(Expressed in United States dollars unless otherwise noted)

10. Expenses

	For MD&A	For MD&A		
	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	**2021**	2020
GENERAL AND ADMINISTRATIVE				
Audit and tax advisory fees	**$ 18,350**	$ 11,420	**$ 64,955**	$ 31,175
Bank charges and interest	**37**	32	**123**	92
Depreciation	**273**	58	**273**	327
Legal	**12,614**	11,398	**35,585**	13,742
Management fees, office salaries and benefits (Note 8)	**59,496**	30,384	**119,244**	95,690
Office, rent and miscellaneous	**4,178**	8,825	**19,653**	21,639
Regulatory and filing fees	**11,711**	14,600	**23,828**	23,766
Share-based payments (Notes 7,8)	**16,327**	187	**73,901**	881
Shareholder communications	**12,851**	755	**22,839**	1,650
Interest and other income	**427**	-	**483**	-
Total general and administrative expenses	**$ 136,264**	**$ 77,659**	**$ 360,884**	$ 188,962

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	**2021**	2020
EXPLORATION				
Field support including project administration	**$ 13,066**	$ 26,163	**$ 45,715**	$ 39,373
Mining fees - El Oro	**57,984**	56,633	**171,017**	165,918
Option payments received	**(8,000)**	-	**(8,000)**	(105,000)
Total exploration expenses	**$ 63,050**	$ 82,796	**$ 208,732**	$ 100,291

11. Financial risk and capital management

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

a. Liquidity risk

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

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

11. Financial risk and capital management (continued)

b. Currency risk

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

The Company operates internationally and is exposed to risks from foreign currency rates. The functional currency of the Company's subsidiaries is the United States and Canadian dollars and some of the subsidiaries' transactions are denominated in Mexican Pesos and Nuevo Soles. The Company does not enter into any foreign exchange contracts to mitigate this risk. The Company and its subsidiaries do not have significant transactions or hold significant cash denominated currencies other than their functional currencies. The balance owing for mining fees at December 31, 2021 is $1,402,377 (Note 4 & 6). Therefore, a 10% change in the value of the Mexican Peso versus the US dollar would change the Company's net loss by approximately $140,237.

c. Credit risk

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

d. Fair value hierarchy

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

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

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

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

e. Capital management

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

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

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

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

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

12. Subsequent events

a) Subsequent to year ended December 31, 2021, 875,000 options were exercised for proceeds of CAD$43,750.

b) Subsequent to year ended December 31, 2021, the Company paid $5,000 toward acquisition of Cocula project as per addendum signed on November 29, 2021. (Note 4).

c) Subsequent to year ended December 31, 2021, 1,140,430 common shares were issued to settle a CAD$67,800 current accounts payable.