Xali Gold Corp (Formerly “Candente Gold Corp.”)
Management’s Discussion and Analysis
For the nine months ended December 31, 2020

The following Management’s Discussion and Analysis (“MD&A”) is current as of February 25, 2021. This MD&A contains a review and analysis of financial results for Xali Gold Corp. (“Xali Gold”, formerly “Candente Gold Corp.”) and its subsidiaries (collectively, the “Company”) for the nine months ended December 31, 2020.

This MD&A supplements but does not form part of the interim condensed consolidated financial statements of the Company and notes thereto for the nine months ended December 31, 2020, and consequently should be read in conjunction with the afore-mentioned financial statements and notes thereto and with the Company’s audited consolidated financial statements and related notes for the year ended March 31, 2020.

All amounts, unless specifically identified as otherwise, both in the Company’s consolidated financial statements and this MD&A are expressed in US dollars.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain “forward-looking information” which may include, but is not limited to, statements with respect to future events or future performance, management’s expectations regarding the Company’s growth, results of operations, estimated future revenues, requirements for additional capital, production costs and revenue, future demand for and prices of gold and precious metals, business prospects and opportunities. In addition, statements relating to mineral estimates or mineralized material of recoverable gold and precious metals are forward-looking information, as they involve implied assessment, based on certain estimates and assumptions, that the gold and precious metals can be profitably produced in the future. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “predicts”, “intends”, “targets”, “aims”, “anticipates” or “believes” or variations (including negative or grammatical variations) of such words and phrases or may be identified by statements to the effect that certain actions “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. Such factors include, among others, general business, economic, competitive, political and social uncertainties; development and/or exploration activities and the accuracy of probability simulations prepared to predict prospective mineral resources; changes in project parameters as plans continue to be refined; political instability or insurrection or war; labor force availability and turnover; delays in obtaining governmental approvals and permits or in the completion of development or construction activities or in the commencement of operations; as well as those factors discussed in the section entitled “Risks Factors” in this MD&A. These factors should be considered carefully, and readers of this MD&A should not place undue reliance on forward-looking information.

Although the forward-looking information contained in this MD&A is based upon what management believes to be reasonable assumptions, there can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Such forward-looking information is made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise such forward-looking information to reflect new events or circumstances.

USE OF NON-GAAP MEASURES

In this document, we refer to terms that do not have any standardized meaning prescribed by International Financial Reporting Standards (“IFRS”). Usage of these terms may vary from the usage adapted by other companies and cannot be reconciled to comparable terms in the issuer’s interim condensed consolidated financial statements for the nine months ended December 31, 2020.

In this document and in the Company's consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with IFRS.

BUSINESS OVERVIEW

The Company is principally engaged in the exploration and development of mineral properties in Mexico and Peru. The Company is in the exploration stage as its properties have not yet reached commercial production.

As of April 28, 2020, Xali Gold has a new growth strategy encompassing its Mexican assets to build a cash flowing business and gain access to properties with near surface exploration potential while maintaining El Oro as its flagship asset, and an integral part of the overall growth strategy. El Oro is a district scale gold project encompassing a well-known prolific high-grade gold-silver epithermal vein system in Mexico that has several undeveloped veins and has tremendous exploration potential. As of the date of this MD&A, the Company holds a 100% interest in the El Oro Property. The agreement entered into in April 2020 to acquire the San Dieguito de Arriba processing plant ("SDA Plant") and a lease on the El Dorado Historic Mines is the first step toward the new growth strategy.

On October 22, 2020, following the signing of a Letter of Intent ("Agreement") to enter into a profit sharing agreement on the Cocula Gold Project ("Cocula") in Jalisco State, Mexico in September 2020, the Company completed a due diligence site visit to the Cocula Gold Project and collected samples to check historical reporting and also to conduct preliminary metallurgical test work to assist in determining the best methods for processing material from the deposit.

On October 29, 2020, the Company announced that high grade gold and silver has been sampled on the Cocula project. Base metal assays and multi-element ICP analyses are still pending for the rock check samples as are results from preliminary metallurgical testing.

The Cocula Project area is located within the Ameca Mining District of Jalisco State which is home to Agnico Eagle's El Barqueño Project and Endeavor Silver's Terronera Project.

On December 8, 2020, the Company incorporated a wholly owned subsidiary Minera Xali Oro S.A. de C.V. in Mexico.

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;
v) Common shares with a value of $275,000 within 18 months following the signing of a definitive agreement to earn a 50% interest;
vi) Asset under acquisition (continued)

vii) Common shares with a value of $400,000 within 24 months following the signing of a definitive agreement to earn a 70% interest and
viii) 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.

On December 23, 2020, the Company announced engaging technical experts for permitting and deposit modelling for the El Dorado and Cocula projects, for permitting for the SDA plant and consultants developing three dimensional models for the El Oro, Cocula and El Dorado mineral deposits to assist in understanding of the deposits and in identifying higher grade zones.

PROJECT SUMMARIES

Mexico

El Oro Property

The Company's principal asset is the El Oro gold-silver property located in the states of Mexico and Michoacan, Mexico ("El Oro Property"). The Company holds a 100% interest in the El Oro Property, having purchased in January 2017 the remaining 30% from a wholly owned subsidiary of Goldcorp Inc. Management has been reviewing all previous exploration results on the project and re-focusing targets for future exploration. One key area is the border zone of the historical Esperanza and Mexico Mines where several high-grade gold-silver intersections in several veins and structures were intersected by previous drilling by the Company. Since this area was drilled, a structural study identified north-easterly controls to high grades, which fits the nature of this mineralized zone. Future drilling will target this border area as well as 31 other recently identified exploration targets. In addition to the El Oro Property, the Company has the right to process tailings left from pre-1930s milling of ores from the Mexico mine on the San Rafael vein in the El Oro District ("Mexico Mine Tailings"). The Company has been evaluating the potential for the historic tailings to generate near-term cash flow. The Mexico Mine Tailings have had extensive historic and recent assessments including drill testing and metallurgical test work. In addition to the Mexico Mine Tailings, the Company has a right of first refusal to also process three other tailings deposits. All four tailings deposits lie within the town of El Oro and are adjacent to existing road access, power and water services. Studies by the Company have determined that the Mexico Mine Tailings contain an Inferred Resource* of 1,267,400 tonnes grading 2.94 Au g/t, 75.12 Ag g/t containing 119,900 ounces of gold and 3,061,200 ounces of silver.

In September 2017, the Company entered into a revised agreement with the Municipality of El Oro ("Municipality") for the access and processing rights to the tailings deposits. The agreement now provides the Company with the right to recover all available gold and silver from the tailings deposit and pay to the Municipality an 8% net profits interest.The Company is also entitled to retain the first $1,500,000 of the 8% net profits interest payable to the Municipality.

On March 8, 2016, the Company entered into an agreement with Sun River Gold Corp. ("SRG" or "Sun River") 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 Xali Gold´s Mexican subsidiary, 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.

The LOI was superseded by a definitive agreement signed in November 2018. In order to exercise the option, Sun River is required to make staged payments totaling $300,000, over a period of fifteen months, commencing upon the date of signing of the LOI ($300,000 paid to date); 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% net profits interest life of mine royalty on production from the properties. The definitive agreement also allows SRG to reduce the net profits interest payable to the Company to 5% by paying an additional $200,000 in increments of $50,000 at the end of each quarter, commencing 18 months from the date of the LOI. Upon making the totality of the staged payments and, if commercial production has been achieved on time, Sun River will indirectly acquire a 100% interest in CCM El Oro Jales. As of December 31, 2020, Sun River has paid the Company the $200,000 required to reduce the net profits interest to 5%.

SRG will also be responsible for the obligation to pay an additional 8% net profits interest to the Municipality (the "El Oro Royalty"). Xali Gold (through its Mexican subsidiary CCM El Oro Jales) has the right to recover all available gold and silver from the Mexico Mine Tailings deposit and pay to the Municipality an 8% net profits interest royalty, after retaining the first $1,500,000 from the El Oro Royalty. Sun River must direct the first $1,500,000 from the El Oro Royalty to the Company. Therefore, upon commercial production, the Company will start receiving a 5% net profit interest royalty as well as the first $1,500,000 of the El Oro Royalty.

Sun River is a private mining company registered in Nevada and owned and operated by experienced gold mining investors, mineral economists, metallurgists, metallurgical engineers and business development entrepreneurs. The Board of SRG currently comprises four owners/directors most of whom have fifteen or more years working in Mexico exploring, permitting and operating mines.

*Note: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the accuracy of the estimate. For more information, see "National Instrument 43-101 Technical Report on the Inferred Mineral Resource Estimate of the Mexico Mine Tailings" prepared by Nadia Caira, P.Geo. and Allan Reeves, P.Geo., dated August 25, 2014 with an effective date of July 8, 2014, available at www.sedar.com.

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.

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.

On April 28th, 2020, the Company announced the signing of a Memorandum of Understanding ("MOU") with Magellan Acquisition Corp. ("Magellan") which gives Xali Gold the right to earn up to a 100% interest in the SDA Plant and take over a lease agreement on the El Dorado property, both located in Nayarit State, Mexico.

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, which also includes a precious metals leach circuit - Merrill Crowe system and associated assets, licenses and agreements. 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.

As of December 31, 2020, the Company has recorded $198,675 and disclosed under ‘Asset under acquisition’ in the Interim Consolidated Statements of Financial Position upon acquiring 10% interest by complying with (i) and (ii) noted above.

El Dorado Gold-Silver Project

The El Dorado Gold-Silver Project is located in the Pacific Coastal Plain, State of Nayarit. within a district of epithermal vein systems. A number of prospective exploration targets have been defined along the El Dorado Vein structure related to historic mines (reported to have produced high grades), anomalous geochemical sample results and zones of structural complexity.

The principal vein system is the El Dorado epithermal vein trend comprising outcropping vein over 1.5 kilometers in length and additional discontinuous outcrops indicate a strike length of 3.5 kilometers. This structure hosts multiple mineralized zones including high-grade veins potentially minable underground, and lower-grade bulk tonnage stockwork zones that are observed to extend over tens of meters in width in both the hanging wall and footwall of the El Dorado vein system. In addition to the vein material there is also high level silicification and argillic alteration in outcrop, potentially indicative of good depth potential to the mineralizing system. (Magellan Gold Corporation, Form 10-K Annual Report US SEC dated Dec 31, 2018, File No. 333-174287)

El Dorado lies 50 kilometers south of the SDA Plant, 70 kilometers north-northwest of Tepic, the state capital, and 180 kilometers southeast of Mazatlan, Sinaloa. The project has excellent road and rail infrastructure. The property comprises a 50-hectare concession held under option by Magellan’s wholly-owned subsidiary Minerales Vane 2 S.A. de C.V. from a Mexican private company, Ingenieros Mineros S.A. de C.V.

Peru

As at December 31, 2020, the Company has maintained in good standing portions of the Tres Marias and Las Brujas properties. These properties are early-stage gold and gold-silver exploration projects in Peru.

QUARTERLY HIGHLIGHTS

Financial Condition

The Company ended the period with cash of $110,248, an increase of $103,481 from March 31, 2020.

Financial Performance

Net loss for the three months ended December 31, 2020, was $260,494 compared to a net loss of $171,163 for the three months ended December 31, 2019, representing an increase in the loss of $89,331.

Net loss for the nine months ended December 31, 2020, was $390,415 compared to $421,225 for the nine months ended December 31, 2019, representing a decrease of $30,810.

Exploration expense was $82,796 for the three months ended December 31, 2020 compared to exploration expense of $53,024 for the three months ended December 31, 2019. The increase in expense is largely due to costs relating to mining fees and on-site expenses at El Oro.

General and administrative expenses for the three months ended December 31, 2020, were $77,659 compared to $40,590 for the same period in the prior year, representing an increase of $37,069.

Material variances in general and administrative expenses are as follows:

Management fees were $30,384 for the three months ended December 31, 2020, compared to $15,937 for the three months ended December 31, 2019. The increase relates mainly to management fees accrued for $14,447.

Legal fees increased by $10,696 along with regulatory and filing fees increase by $8,722 for the three months ended December 31, 2020. The increase is related to capital raised through private placement and closing of the agreement relating to SDA plant, including an approval from TSXV and issue of common shares.

Share-based payments were $187 for the three months ended December 31, 2020, compared to $1,169 for the three months ended December 31, 2019. The decrease in share-based is due to the fact that vesting of options is higher at the beginning of a vesting term.

The loss on foreign exchange was $100,039 for the three months ended December 31, 2020, compared to a loss of $77,549 for the three months ended December 31, 2019. The increase is related to the decrease in the value of the peso at period end, which resulted in a foreign exchange adjustment of $30,810 primarily from the mining tax liability owed to the Mexican government.

Cash Flows

Net cash used in operating activities for the nine months ended December 31, 2020, was $1,477 compared to cash used for operating activities of $140,522 for the nine months ended December 31, 2019. Net cash used for investing activities for the period ended December 31, 2020, was $44,296 compared to net cash provided by investing activities of $79,023 for the period ended December 31, 2019. Net cash provided by financing activities for the period ended December 31, 2020, was $149,254 compared to nil cash for the period ended December 31, 2019.

Liquidity and Capital Resources

There is a working capital deficiency of $1,954,773 at December 31, 2020, including $918,043 in amounts due to related parties, which primarily consist of payables due to Candente Copper Corp., a company with shared administrative expenses, common directors and management.

On November 23, 2020, closed a non-brokered private placement and issued 4,000,000 common shares at a price of Canadian $0.05 per share for total proceeds of $152,880 (Canadian $200,000). Finder fees of $1,901 were paid. The Company intends to use the net proceeds to advance development of its near term gold production and near surface exploration opportunities while advancing drill targets on the El Oro project and for general working capital purposes.

The company also received $5,000 cash and issued 5,000,000 common shares at a price of Canadian $0.05 per share for a total value of $193,675 (Canadian $250,000) under the agreement to acquire interest in SDA Plant.

The Company anticipates that during the next year, a substantial portion of available capital resources will be used to pay accounts payable and accrued liabilities and commitments related to ongoing exploration activities in Mexico and Peru. The Company anticipates the future need to raise additional capital to further project development in Mexico and Peru as well as receive continued vendor support.

The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds by entering into an option and joint venture agreement or through the issuance of securities or resource secured debt. 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 obligations in the normal course of business. These factors may cast significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to discharge liabilities in the normal course of business, the net realizable value of the Company's assets may be materially less than amounts on the condensed consolidated interim statement of financial position.

COMMITMENTS AND CONTINGENCIES

Company has no material or significant commitments or contingencies other than the management and consulting agreements disclosed under related party transactions.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

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. 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. The grant of Options is subject to approval by the TSX Venture Exchange.

RELATED PARTY TRANSACTIONS

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

- Ridley Rocks Inc. – Management and exploration fees.
- SW Project Management – Former Vice President, project management and engineering fees.
- Michael Thicke Geological Consulting Inc. – Exploration fees.
- Candente Copper Corp. – Shared expenses with a company related by common directors and management.
- Lotz CPA Inc. – Financial services, fees thereto.

The Company incurred the following fees and expenses in the normal course of operations for key management personnel for the nine months ended December 31, 2020 and 2019. Expenses have been measured at the exchange amount that is determined on a cost recovery basis.

		Nine months ended December 31,		
		2020		2019
Management fees	**$**	**71,741**	$	43,737
Share-based payments		**881**		4,474
	$	**72,622**	$	48,211

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

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.

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.

SHARE CAPITAL

As of February 25, 2021, the Company had 119,206,923 common shares outstanding, 5,000,000 warrants outstanding and 10,700,000 outstanding share options.

SUBSEQUENT EVENT

On January 19, 2021, Candente Gold Corp. changed its name to Xali Gold Corp.

DISCLOSURES

Additional Information as specified by National Instrument 51-102

Additional information, including the Company's most recent Annual Information Form, is available on SEDAR at http://www.sedar.com

Venture Issuer Without Significant Revenue

This MD&A supports information disclosed in the Company's financial statements. More information regarding the Company's mineral right interests can be found under Note 4 of the Company's financial statements for the current reporting period.

Internal Controls Over Financial Reporting ("ICFR")

There were no changes in the Company's internal control over financial reporting during the period from April 1, 2020 to December 31, 2020, that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.