Interim Condensed Consolidated Financial Statements

As at and for the three months ended June 30, 2023 and 2022

(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.
Interim Condensed Consolidated Statements of Financial Position
At June 30, 2023 and March 31, 2023
(expressed in United States dollars unless otherwise noted)

As at	Notes		June 30, 2023		March 31, 2023
Assets					
Current assets					
Cash		$	**28,638**	$	37,026
Receivables			**9,527**		9,010
Prepaid expenses and deposits			**11,527**		8,143
			49,692		54,179
Non-current assets					
Unproven mineral right interests	4		**2**		2
Equipment	5		**692,375**		692,375
Total non-current assets			**692,377**		692,377
Total assets		$	**742,069**	$	746,556
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	4,6,8	$	**4,570,662**	$	4,391,818
Loan payable	6		**20,000**		20,000
Loan from related party	8		**29,800**		26,023
			4,620,462		4,437,841
Non-current liabilities					
Asset retirement obligation	5		**80,353**		80,353
Total non-current liabilities			**80,353**		80,353
Total liabilities			**4,700,815**		4,518,194
Shareholders' deficiency					
Share capital	7		**25,683,424**		25,673,260
Reserves	7		**5,962,045**		5,992,369
Accumulated deficit			**(35,604,215)**		(35,437,267)
Total shareholders' deficiency			**(3,958,746)**		(3,771,638)
Total liabilities and shareholders' deficiency		$	**742,069**	$	746,556

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

Approved on behalf of the Board of Directors on August 24, 2023

(signed) Larry Kornze
Director

(signed) George Elliott
Director

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

Xali Gold Corp.
Interim Condensed Consolidated Statements of Comprehensive Loss
For the three months ended June 30, 2023 and 2022
(expressed in United States dollars unless otherwise noted)

	Note		Three months ended June 30, 2023		2022
Expenses					
Exploration expenses	**10**	**$**	**59,842**	$	74,651
General and administrative expenses	**10**		**69,591**		101,755
			129,433		176,406
Other expenses					
Loss on foreign exchange			**37,515**		167,412
Net loss		**$**	**(166,948)**	$	(343,818)
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss:					
Foreign currency translation			**(33,423)**		174,594
Comprehensive loss		**$**	**(200,371)**	$	(169,224)
Loss per share attributable to shareholders, basic and diluted		**$**	**(0.00)**	$	(0.00)
Weighted average number of common shares outstanding, basic and diluted			**133,691,620**		133,691,620

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

Xali Gold Corp.
Interim Condensed Consolidated Statements of Changes in Shareholders’ Deficiency
For the three months ended June 30, 2023 and 2022
(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, 2022		133,691,620	$ 25,404,687	$ 6,031,665	$ 52,046	$ (44,461)	6,039,250	$ 21,703	$ (33,908,194)	$ (2,442,554)
Share-based payments		-	-	13,739	-	-	13,739	-	-	$ 13,739
Net loss		-	-	-	-	-	-	-	(343,818)	$ (343,818)
Foreign currency translation		-	-	-	-	174,594	174,594	-	-	$ 174,594
Balance at June 30, 2022		133,691,620	25,404,687	6,045,404	52,046	130,133	6,227,583	21,703	(34,252,012)	(2,598,039)
Balance at March 31, 2023		**139,230,311**	**$ 25,673,260**	**$ 6,065,047**	**$ 52,046**	**$ (124,724)**	**$ 5,992,369**	**$ -**	**$ (35,437,267)**	**$ (3,771,638)**
Shares issued for services	**7**	159,529	10,164	-	-	-	-	-	-	10,164
Share-based payments	**7**	-	-	3,099	-	-	3,099	-	-	3,099
Net loss		-	-	-	-	-	-	-	(166,948)	(166,948)
Foreign currency translation		-	-	-	-	(33,423)	(33,423)	-	-	(33,423)
Balance at June 30, 2023		**139,389,840**	**$ 25,683,424**	**$ 6,068,146**	**$ 52,046**	**$ (158,147)**	**$ 5,962,045**	**$ -**	**$ (35,604,215)**	**$ (3,958,746)**

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

Xali Gold Corp.
Interim Condensed Consolidated Statements of Cash Flows
For the three months ended June 30, 2023 and 2022
(expressed in United States dollars unless otherwise noted)

		Three months ended June 30,		
		2023		2022
Cash provided by (used) in				
Operating				
Loss for the period	**$**	**(166,948)**	$	(343,818)
Items not affecting cash				
Share-based payments		**3,099**		13,739
Shares issued for consulting services		**10,164**		-
Foreign exchange		**(78,926)**		118,852
Changes in non-cash working capital items:				
Decrease (increase) in receivables		**(517)**		1,540
Increase in prepaid expenses and deposits		**(3,611)**		(3,668)
Increase in accounts payable and accrued liabilities		**224,574**		187,379
Net cash change in operating activities		**(12,165)**		(25,976)
Investing				
Value added tax		**-**		1,018
Net cash used in investing activities		**-**		1,018
Financing activites				
Loan from related party		**3,777**		-
Net cash provided by financing activities		**3,777**		-
Net change in cash		**(8,388)**		(24,958)
Cash at beginning of period		**37,026**		33,522
Cash at end of period	**$**	**28,638**	$	8,564

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

The principal subsidiaries of the Company as at June 30, 2023 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
Candente Gold Mexico Jales (BVI) Ltd.	100%	US Dollars
El Oro Jales I (BVI) Ltd.	100%	US Dollars
El Oro Jales II (BVI) Ltd.	100%	US Dollars

The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol XGC.V. The Company's share options and warrants are not listed.

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 three months ended June 30, 2023, the Company had a net loss of $166,948 and, as at June 30, 2023, current liabilities exceed current assets by $4,570,770, and the Company had cumulative losses of $35,604,215. 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.

(Expressed in United States dollars unless otherwise noted)

1. Nature of operations and going concern (continued)

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

2. Statement of compliance and basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2023, 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 June 30, 2023 and March 31, 2023, the Company's capitalized unproven mineral right interests costs are as follows:

	Balance at March 31, 2023	**Balance at June 30, 2023**
Mexican Properties		
El Oro - Hardrock	1	**1**
Peruvian Properties	1	**1**
Closing balance	$ 2	**$ 2**

	Balance at March 31, 2022	Acquisition costs and additions	Impairment	Balance at March 31, 2023
Canadian Properties				
Victoria project	$ 51,084	$ 11,354	$ (62,438)	$ -
Mexican Properties				
El Oro - Hardrock	1	-	-	1
Peruvian Properties	1	-	-	1
Value-added tax	36,411	14,803	(51,214)	-
Closing balance	$ 87,497	$ 26,157	$ (113,652)	$ 2

4. Unproven mineral right interests (continued)

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", which is merged with Newmont Mining Corporation). 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 with a value of $1,343,305.

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

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 June 30, 2023, $2,959,601 (March 31, 2023 - $2,839,449) has been accrued as a liability to the Mexican government for land holding costs. The Company has received a legal opinion advising that according to Mexican law only fees accruing for 5 years are payable. The Company is investigating this further with the understanding that the amount accrued as owing for Mining Fees may be reduced by $733,073) in the future. According to the Federal Tax Code (CFF) Article 146 titled Prescription (Write Off) of the Tax Credit, "The tax credit is extinguished by prescription within the term of five years." In other words, at the end of this period of time the Tax Administration Service (SAT) will not have the right to demand payment of the corresponding amounts. During the year ended March 31, 2019, the El Oro Project carrying value was impaired to $1.

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 in El Oro, Mexico (the "Tailings Project"). Upon signing the agreement, $25,000 was due and paid with monthly contributions of $3,000 for community projects. The Municipality cancelled the obligation to pay $3,000 per month in April 2015, when their tourist activities in the San Juan tunnel started interfering with normal usage of the tunnel by the Company. Under the terms of the agreement, the Company will pay an 8% net profits interest ("NPI") royalty to the Municipality on any products produced from the tailings properties. The Company is entitled to retain the first $1,500,000 of the 8% NPI payable to the Municipality.

On March 8, 2016, the Company entered into an agreement with Sun River Gold Corp. ("SRG") to grant SRG the option to earn a 51% interest in the Company's tailings project through an indirect ownership of the Company's Mexican subsidiary, Minera CCM EL Oro Jales, S.A. de C.V. ("CCM El Oro Jales"). On November 9, 2017, the 2016 agreement was superseded by a definitive agreement with the following terms: SRG was required to make staged payments totaling $300,000 (paid), over a period of fifteen months; bring the mine tailings properties into commercial production within 36 months of the effective date of the option agreement; and grant to the Company a 10% of NPI royalty on production from the properties. The definitive agreement allows SRG to reduce the NPI payable to the Company from 10% to 5% by paying an additional $200,000 (paid) in increments of $50,000 at the end of each quarter.

During the year ended March 31, 2021, the Company received the final payment of $105,000 from SRG required to reduce the NPI to 5%. On making all required payments and, if commercial production has been achieved by October 31, 2021 (extended to December 31, 2023), Sun River will indirectly acquire a 100% interest in the subsidiary CCM El Oro Jales.

4. Unproven mineral right interests (continued)

El Oro Mine Tailings (continued)

On March 31, 2022, the Company renewed both the tailings agreement and the tourism agreement with Municipality. The terms of the agreements have no substantial changes but do include the obligation to employ persons from El Oro on a preferential basis.

1. In April 2021, the Company granted an initial extension of the option expiry date from October 31, 2021 to April 30, 2022 for new terms as follows:

   a. monthly payments of $2,000 were to be made starting November 2021 and a one time payment of $5,400. During the year ended March 31, 2023, $11,400 was received (2022 - $6,000).

2. In January 2022, a second extension of the option agreement was granted such that the expiry date for commercial production to be achieved was extended from May 1, 2022 to December 31, 2022 under the following terms:

   a. monthly payments of $15,000 starting May 1, 2022.
   b. Once commercial production has been achieved SRG is to make monthly payments of $50,000 for the first year, and 5% of NPI thereafter.
   c. In addition, SRG is to make the first $1,500,000 of the municipality NPI payment during the first three years of operations. This agreement was extended to August 31, 2022 such that payments of $15,000 would start after that unless otherwise agreed to.

During the period January 1, 2022 to December 30, 2022, the Company received payments of $49,000.

3. On December 30, 2022, Xali granted SRG a third extension of the Option expiry date to December 31, 2023 under the following terms:

   a) Continuation of advance NPI payment of $15,000 per month per item 2 above. During the quarter ended June 30, 2023, the Company received payments of $30,000 have been received (March 31, 2023 - $133,600).

   b) Advance NPI payments of
      i) $35,000 by January 6, 2023 (pending);
      ii) $50,000 by June 30, 2023 (pending);
      iii) $75,000 within 20 days of receiving the Financing for construction.

   c) If an additional 6 months is required to get into Operation and the Company is satisfied with permitting status then an additional 6 months extension for commencing operations will be granted if the following payment is made:
      i) $75,000 on December 31, 2023.

El Dorado Property

On May 20, 2021, the Company announced it had signed a new Exploration and Production Agreement ("EPA") with Ingenieros Mineros, S.A. de C.V. ("IMSA") on the El Dorado Property. 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 start 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; and
- During commercial production, a NSR of:

4. Unproven mineral right interests (continued)

El Dorado Property (continued)

- 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. As at June 30, 2023, no payments have been made under the EPA, management and IMSA are in negotiations to amend the EPA.

On April 6, 2022, the Company entered into a non-binding letter of intent ("LOI") with Sierra Madre Gold and Silver Ltd. ("Sierra") for a proposed acquisition. The Company received $20,000 on signing of LOI which was recorded to other income. The LOI expired 60 days after signing as a definitive agreement was not executed.

Peruvian Properties:

As at June 30, 2023, 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.

On October 28, 2022, the Company increased its interest in the SDA plant from 30% to 50% by issuing 4,125,758 shares at a price of CAD$0.066 to Magellan as per amended agreement dated October 28, 2022 that updated the terms of the third option to $200,000 per 50% acquisition and the fifth option to $575,000 per 100% ownership.

Under the terms of the agreements 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 $200,000 on or before March 23, 2022 to earn a 50% interest (4,125,758 common shares issued October 28, 2022);

(Expressed in United States dollars unless otherwise noted)

5. Equipment (continued)

Mill (continued)

vi) Common shares with a value of $400,000 on or before September 23, 2022 to earn a 70% interest and (extended to September 30, 2023 pursuant to an amendment agreement dated July 26, 2023)

vii) Common shares with a value of $575,000 on or before March 23, 2023 to earn a 100% interest. (extended to April 30, 2024 pursuant to an amendment agreement dated July 26, 2023)

The total number of shares to be issued for the 100% interest will not exceed 33,500,000 common shares. As at June 30, 2023, the Company has acquired 50% interest by complying with (i) to (v) 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.

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

		Equipment		SDA Plant		Total
Cost						
As at March 31, 2022 and 2023	$	5,745	$	691,871	$	697,616
As at June 30, 2023	$	5,745	$	691,871	$	697,616
Accumulated depreciation						
As at March 31, 2022 and 2023	$	(5,241)		-	$	(5,241)
As at June 30, 2023	$	(5,241)	$	-	$	(5,241)
Net book value						
As at March 31, 2023		504		691,871		692,375
As at June 30, 2023	**$**	**504**	**$**	**691,871**	**$**	**692,375**

The SDA Plant requires certain restorations to be commissioned, accordingly, no depreciation was recorded as of June 30, 2023 since it is not yet available for use.

Agreement with Minera Cinco Reales

During the year ended March 31, 2023, the Company signed a binding letter of intent (the Agreement") which defines terms for profit sharing with Minera Cinco Reales S.A. de C.V. ("MCR") on the SDA Plant.

Beginning in the first full month of production, or no later than the fourth month from the signing of this agreement, the Company will have the right to receive 15% of the net profits from any mineral that is processed at the SDA Plant, or minimum payments as follows:

- $10,000 in fourth month from signing the Agreement;
- $20,000 in the fifth month;
- $30,000 in the sixth month;
- $40,000 in the seventh to tenth months; and
- $50,000 from month eleven on.

Before the fourth month, MCR will make advance payments of net profits to the Company of:

- $6,500 dated January 30, 2023;
- $6,500 dated February 27, 2023; and
- $6,500 dated March 22, 2023.

(Expressed in United States dollars unless otherwise noted)

5. Equipment (continued)

Agreement with Minera Cinco Reales (continued)

Upon the execution of this Agreement, MCR will act as the only operator of the plant and will have the exclusive option to obtain permits and refurbish the plant and equipment to operational status and to manage and operate the SDA Plant for their benefit for an initial period of 14 months. MCR has the right to renew the agreement every 14 months unless the Company has reason to cancel the Agreement due to “non-performance” payments or misuse of the plant.

The Company has not received any advances as at June 30, 2023 and is in the process of formally terminating the agreement.

Asset retirement obligation

The Asset Retirement Obligation ("ARO") represents the estimated costs for required future reclamation and restoration activities. These activities include removal of site structures and infrastructure, recontouring and revegetation of previously used areas and the management of water and water quality in and around the site. Most of the reclamation and site restoration expenditures occur near the end of, or after, the life of the asset which is yet to be determined.

During the three months ended June 30, 2023, the Company recorded increase in ARO of $Nil (March 31, 2023 - $44,090). ARO balance as at June 30, 2023 is $80,353 (March 31, 2023 - $80,353).

6. Accounts payable and accrued liabilities

		June 30, 2023		March 31, 2023
Trade payables	**$**	**446,771**	$	370,935
Due to directors and officers (Note 8)		**524,560**		492,079
Due to Alta Copper Corp. (Note 8)**		**606,138**		595,023
Accrued liabilities - mining fees - El Oro (Note 4)*		**2,959,601**		2,839,449
Accued liabilities - other		**33,592**		94,332
	$	**4,570,662**	$	4,391,818

** Formerly known as Candente Copper Corp.

* The Company is investigating this further with the understanding that the amount accrued as owing for Mining Fees may be reduced by $733,073 in the future. According to the Federal Tax Code (CFF) Article 146 titled Prescription (Write Off) of the Tax Credit, "The tax credit is extinguished by prescription within the term of five years." In other words, at the end of this period of time the Tax Administration Service (SAT) will not have the right to demand payment of the corresponding amounts.

(Expressed in United States dollars unless otherwise noted)

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 June 30, 2023, the Company had 139,389,840 common shares issued and outstanding.

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 June 30, 2023 were as follows:

	Number of Options	Weighted Average Exercise Price (CAD$)
Options outstanding March 31, 2023	10,350,000	0.05
Options expired	(1,250,000)	0.05
Options outstanding June 30, 2023	**9,100,000**	**0.05**

During the period ended June 30, 2023, the Company granted Nil (2022 – 250,000) stock options to a director and a consultant of the Company. The Company recorded share-based payments of $3,020 for stock options vested during the period ended June 30, 2023 (June 30, 2022 - $4,039) (Note 10). The total fair value of options granted was $Nil (June 30, 2022 - $21,902) or $Nil per option (2022 - $0.088).

As at June 30, 2023, 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	4,400,000	0.05	4,400,000	20-May-26
28-Feb-17	0.05	250,000	0.05	250,000	28-Feb-27
01-Oct-18	0.05	250,000	0.05	250,000	01-Oct-23
09-Jun-22	0.10	125,000	0.10	125,000	10-Nov-23
29-Jul-19	0.05	250,000	0.05	250,000	29-Jul-24
18-Jan-21	0.05	3,125,000	0.05	3,125,000	18-Jan-26
01-Apr-21	0.05	200,000	0.05	200,000	01-Apr-26
19-Oct-22	0.07	500,000	0.07	250,000	19-Oct-27
	0.05	9,100,000	0.05	8,850,000	

(Expressed in United States dollars unless otherwise noted)

7. Capital and equity reserve (continued)

c. Share options (continued)

The average remaining life of the stock options is 2.66 years as at June 30, 2023.

The fair value of the stock options granted was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended June 30, 2023	Three months ended June 30, 2022
Dividend yield	N/A	N/A
Risk-free interest rate	N/A	3.12%
Expected life of options	-	4.25 years
Annualized volatility	N/A	151.00%
Forfeiture rate	Nil	Nil

d. Warrants

As of June 30, 2023, the Company has 3,524,167 outstanding warrants. Each warrant will be exercisable for one additional share of the Company's common stock at a conversion price of CAD $0.12. 1,832,500 warrants will expire on November 10, 2023 and 1,691,667 will expire on December 2, 2023. The average remaining life of the warrants is 0.39 years as at June 30, 2023.

e. Reserves

Other reserve:

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

Equity settled employee compensation and warrants reserve:

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

Foreign currency reserve:

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

8. Related party disclosures

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes directors, executive officers, and entities controlled by such persons.

a. Related party transactions

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

	Three months ended June 30,	
	2023	2022
Management fees	**$ 22,886**	$ 23,737
Share-based payments	**3,020**	4,039
	$ 25,906	$ 27,776

8. Related party disclosures (continued)

a. Related party transactions (continued)

Share-based payments are the expensing of the fair value of options issued to directors and key management personnel during the period ended June 30, 2023 and 2022.

b. Balance owing

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2023 includes $524,560 (March 31, 2023 - $492,079) owing to directors and officers for services rendered and $606,138 (March 31, 2023 - $595,023) owing to a company with common directors and officers.

During the three months ended June 30, 2023, the Company received loans from a company controlled by the CEO for $3,777 (March 31, 2023 - $18,472). As at June 30, 2023, the Company owes this company a loan balance of $29,800 (March 31, 2023 - $26,023).

c. Management, directors, and consulting agreements

The Company entered into consulting agreements with the CEO, CFO and Technical Officer for the provision of management, director and consulting services as follows:

- CAD$4,000 per month for president and CEO services. Anytime that is 60 days from the date of change of control, either the Company or the officer may terminate the agreement, in which case the Company or the surviving corporation will pay a fee equal to CAD$500,000 plus GST. On termination of services by the Company without cause, the Company must pay a termination fee of CAD$200,000.
- CAD$4,000 per month for geological consulting and technical officer services. Anytime that is 60 days from the date of change of control, either the Company or the officer may terminate the agreement, in which case the Company or the surviving corporation will pay a fee equal to CAD$200,000 plus GST. On termination of services by the Company without cause, the Company must pay a termination fee of CAD$50,000.
- CAD$2,375 per month for CFO and financial consulting services, increased to CAD$2,494 per month during the year ended March 31, 2023. Anytime that is 30 days per agreement from the date of change of control, either the Company or the officer may terminate the agreement, in which case the Company or the surviving corporation will pay a fee equal to CAD$28,500. On termination of services by the Company without cause, the Company must pay a termination fee of CAD$28,500.

(Expressed in United States dollars unless otherwise noted)

9. Segmented information

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

						June 30, 2023
		Mexico		**Peru**		**Total**
Unproven mineral right interests (Note 4)	**$**	**1**	**$**	**1**	**$**	**2**
Equipment (Note 5)		**692,375**		**-**		**692,375**
	$	**692,376**	**$**	**1**	**$**	**692,377**

						March 31, 2023
		Mexico		Peru		Total
Unproven mineral right interests (Note 4)	$	1	$	1	$	2
Equipment (Note 5)		692,375		-		692,375
	$	692,376	$	1	$	692,377

10. Expenses

		Three months ended June 30,		
		2023		2022
GENERAL AND ADMINISTRATIVE				
Audit and tax advisory fees	**$**	**22,628**	$	21,382
Bank charges and interest		**303**		32
Consulting		**(2,225)**		11,751
Legal		**2,202**		13,018
Management fees, office salaries and benefits (Note 8)		**22,564**		23,559
Office, rent and miscellaneous		**5,406**		12,281
Regulatory and filing fees		**2,373**		4,560
Share-based payments (Notes 7,8)		**3,099**		13,739
Shareholder communications		**12,463**		20,929
Interest and other expense (income)		**778**		(19,496)
Total general and administrative expenses	**$**	**69,591**	$	101,755

		Three months ended June 30,		
		2023		2022
EXPLORATION				
Field support including project administration	**$**	**12,205**	$	8,731
Mining fees - El Oro		**76,770**		65,564
Amortization		**867**		2,356
Option payments received (Note 4)		**(30,000)**		(2,000)
Total exploration expenses	**$**	**59,842**	$	74,651

11. Financial risk and capital management

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

a. Liquidity risk

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

The Company's management continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. The Company plans to make payments of trade payables and commitments from its current working capital and future sources of equity financing. As at June 30, 2023, the Company has cash of $28,638 which is not sufficient to settle current liabilities totalling $4,620,462; accordingly, 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. The balance owing for mining fees at June 30, 2023 is $2,959,601. Therefore, a 10% change in the value of the Mexican Peso versus the US dollar would change the Company's net loss by approximately $295,000.

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.

The Company has little significant credit risk related to its trade receivables as amount is immaterial and all of them are owed by one customer. To date, all outstanding trade receivable amounts have been collected.

d. Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily gold and silver) to determine the appropriate course of action to be taken by the Company.

e. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

11. Financial risk and capital management (continued)

f. Fair value hierarchy

The interim condensed consolidated statements of financial position carrying amounts for cash, receivables, accounts payable, loan payable and due from related parties, 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.

The Company does not have any financial instruments measured at fair value.

g. Capital management

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

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

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

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

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

12. Subsequent event

In July 2023, the Company received a CAD$21,000 from related parties and made repayment CAD$5,000 to an officer of the Company.