



The following Management's Discussion and Analysis ("MD&A") focuses on significant factors that affected Xali Gold Corp. ("Xali Gold") and its subsidiaries (collectively, the "Company") during the relevant reporting period and to the date of the report. This MD&A contains a review and analysis of financial results for the six months ended September 30, 2021 and identifies business risks that the Company faces and comments on financial resources required for development of the business.

This MD&A supplements but does not form part of the interim condensed consolidated financial statements of the Company and notes thereto for the six months ended September 30, 2021, and consequently should be read in conjunction with the afore-mentioned interim condensed consolidated financial statements which are presented in accordance with International Financial Reporting Standards ("IFRS"). Information in this MD&A is current as of November 29, 2021.

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 ions, 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 six months ended September 30, 2021.

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

Xali Gold Corp. is a Vancouver, Canada based mineral exploration company engaged in the acquisition, exploration and development of mineral rights interests in Mexico, Peru and Canada. The Company is in the exploration stage as its properties have not yet reached commercial production.

In April 2020, Xali Gold launched a comprehensive growth strategy to acquire gold and silver projects with near surface exploration potential, near-term production potential and previous mining histories. Xali Gold plans to advance our growing bank of gold and silver assets internally and/or with industry partners.

The initial step in this strategy was the acquisition of the SDA Plant in Mexico, suitable for treating high grade gold and silver mineralization, along with the acquisition of rights to the El Dorado gold and silver historic mines. An LOI was entered into with Magellan Acquisitions in April 2020 and a Definitive Agreement was signed in September of 2020, which was modified in December 2020.

The second step in the new strategy was entering into a profit-sharing agreement on the potentially leachable Cocula Gold Project in Mexico. In addition to the already identified potential for inexpensive extraction processes such as leaching, it has excellent additional near surface exploration potential.

The Company is currently evaluating other properties complementary to the SDA plant and El Dorado or stand alone such as the Cocula Gold Project.

El Oro, a district scale gold project encompassing a well-known prolific high-grade gold-silver epithermal vein system in Mexico, remains as our flagship asset. The project covers 20 veins with past production and more than 57 veins in total, from which approximately 6.4 million ounces of gold and 74 million ounces of silver were reported to have been produced from just two of these veins (*Ref. Mexico Geological Service Bulletin No. 37, Mining of the El Oro and Tlapujahua Districts. 1920, T. Flores**). Modern understanding of such systems indicates that several of the El Oro district's veins hold excellent discovery potential.

On December 8, 2020, the Company incorporated a wholly owned subsidiary Minera Xali Oro S.A. de C.V. to hold and operate all of the new assets in Western Mexico.

Since December 23, 2020, the Company has engaged technical experts for both permitting and deposit modelling. Three dimensional models have been built for the El Oro, Cocula and El Dorado mineral deposits to assist in understanding the deposits, identifying higher grade zones and drill targets. Permitting has also been underway for drilling at El Dorado and Cocula. Since January 2021, there have been several news releases giving updates on this progress.

In July 2021, the Company entered into an option agreement to acquire 100% interest in the Victoria Property in the Central Region of Newfoundland and Labrador, where major gold discoveries have recently been made. The Victoria property is just 3km southwest of Marathon's Valentine Gold Project where defined (Measured and Indicated) reserves reach 3.14 million ounces gold and Inferred resources of 1.00 million ounce and mine construction is expected to commence in early 2022. (*There are no assurances that similar results would be obtained on Xali Gold's Victoria Property).



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 Michoacán, Mexico ("El Oro Property"). The Company holds a 100% interest in the El Oro Property, having purchased the remaining 30% from a wholly owned subsidiary of Goldcorp Inc. in January 2017. 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. A three dimensional model has recently been developed which will assist in targeting future drilling on this border area as well as 31 other recently identified exploration targets.

In addition to the El Oro (Hard Rock-Lode) Property, the Company has the right (since 2013) 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 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 grams per tonne ("g/t") gold, 75.12 g/t silver containing 119,900 ounces of gold and 3,061,200 ounces of silver. *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 Cairra, P.Geol. and Allan Reeves, P.Geol., dated August 25, 2014 with an effective date of July 8, 2014, available at www.sedar.com.

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.

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.

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.

The LOI was superseded by a definitive agreement signed in November 2018. In order to exercise the option, Sun River was required to make staged payments totaling \$300,000 (paid); bring the mine tailings properties into commercial production by October 30, 2021 (extended to April 30, 2022 due to delays caused by COVID); and grant to the Company a 10% net profits interest life of mine royalty on production



from the properties. SRG reduced the net profits interest payable to the Company to 5% by paying an additional \$200,000. If commercial production has been achieved on time, Sun River will indirectly acquire a 100% interest in CCM El Oro Jales.

SRG is also 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.

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 September 30, 2021 \$1,406,337 (March 31, 2021 - \$1,255,427) 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 October 14, 2021, the Company announced that Sun River Gold ("Sun River") had arranged financing of approximately US\$6.5M to build and put into operation the planned tailings reprocessing operation. On October 19, 2021, Sun River Gold advised the Company that they expect to have the Tailings Reprocessing Facility operational in Q2 2022. They also reported that permitting is progressing well and final permits are expected to be received within approximately one month. Sun River has also advised that most of the equipment required for the reprocessing operation has been procured.

Western Mexico

On April 28, 2020, the Company announced the signing of a Memorandum of Understanding ("MOU") with Magellan Acquisitions which gave 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.

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 with a main vein outcropping over 1.5km in length and additional discontinuous outcrops indicate a strike length of 3.5km. 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 metres ('m') 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 50km south of the SDA Plant, 70km north-northwest of Tepic, the state capital, and 180km southeast of Mazatlan, Sinaloa. The project has excellent road and rail infrastructure. The property



comprises a 50-hectare concession and was 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.

In May 20, 2021, the Company signed a new Exploration and Production Agreement ("EPA") with Ingenieros Mineros, S.A. de C.V. ("IMSA") on the El Dorado Gold-Silver Project. The EPA gives Xali Gold the right to explore and produce gold, silver, and other metals for life of mine with the following obligations: (all amounts are in US\$):

- Annual payments of \$30,000 until the commencement of commercial production, maximum of 5 years;
- A minimum of US\$60,000 per year after 5 years or upon commencement of production;
- During commercial production, a net smelter royalty ("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 XGC shares (using a 30 day VWAP (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/Operations

All annual payments will be credited towards the NSR payments

SDA Plant

The "SDA Plant" is a 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 and recover precious and base metals in the form of flotation concentrates. The plant also includes a precious metals leach circuit - Merrill Crowe system and associated assets, licences 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, and the plant has not operated since.

On September 23, 2020, the Company signed a definitive agreement with Magellan Acquisition Corp. ("Magellan"). The agreement gives the Company the right to earn up to a 100% interest in the SDA Plant by completing the following:

- 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) Staged issuances of Common shares to acquire 20, 30, 50, 70 or 100% interest which would total a value of \$1,420,000 and may not exceed 33,500,000 common shares if the Company chooses to acquire 100% (by March 23, 2023) (1,428,571 shares issued on July 5, 2021);

As of September 30, 2021, the Company has recorded \$279,695 of acquisition costs in unproven mineral right interests in the Consolidated Statements of Financial Position.



Cocula

The Cocula Project is one of two cornerstones in Xali's Western Mexico platform, targeting near term, low cost production potential by leaching. The project 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.

Timmins Gold Corp. explored the Cocula Property between 2007 and 2011 through a series of comprehensive exploration programs which included geological mapping, geochemical sampling, trenching and 1,974m of Reverse Circulation ("RC") drilling. Significant results included 54m grading 4.97 g/t gold in a trench across the center of the mineralized area. An RC hole drilled beneath this trench encountered 37.5m grading 1.3 g/t gold including 7.5m grading 5.8 g/t gold from surface to a 7.5m depth. Near and at-surface, mineralization delineated by drilling and trenching has been traced for at least 800m along strike within a NW-SE trending fault zone (<https://xaligold.com/projects/mexico/western-mexico/cocula-western-mexico/history/>).

The Company has reviewed all reports and data available and considers there is potential for conceptual exploration targets including a lower grade/higher tonnage, potentially leachable deposit including a higher grade/lower tonnage core of the deposit. Based on all of the existing exploration data and previous resource estimates to date the Company believes the Conceptual Exploration Targets have potential for: 500,000 to 6,000,000 tonnes grading from 0.5 g/t Au to 2.75 g/t Au containing between 50,000 and 100,000 oz Au with secondary credits from silver, lead, zinc and copper. The above is based on exploration to date by Timmins and others and does not include additional exploration potential. The potential quantity and grade described above is conceptual in nature, in that there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a 43-101 compliant mineral resource.

Check sampling conducted in October 2020 by Ing. Humberto Hernandez, Geological Engineer, member of Asociación de Ingenieros Mineros, Metalúrgistas y Geólogos de México, confirmed grades of 5.663 g/t gold over 6m and 4.322 g/t gold over 8m in quartz breccia bodies which also contain galena and sphalerite.

On September 4, 2020, Xali Gold Corp. entered a Definitive Agreement for profit sharing on the Cocula Gold Project which gives Xali Gold the right to retain 70% of profits that may be derived from mining and processing on the property.

As part of this agreement Xali has the obligation to pay to the vendor the following fixed payments (US\$):

1. \$10,000 upon signing of the Letter of Intent (paid);
2. \$20,000 upon signing of a Definitive Agreement ("DA") and completion of due diligence within 60 days (paid);
3. \$210,000 in staged payments to be made every 6 months over a 36 month period starting 6 months after signing the DA (first one paid June 2021)
4. 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 finders fee such that the Company will have the rights to retain 70% of all profits. Mingeo is a non-arms 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.

Peru

As at September 30, 2021, the Company has recorded no impairments (March 31, 2021 - \$284,576) on the Tres Marias and Las Brujas properties. Management has no immediate plans to pursue exploration on the properties, however the Company will continue to maintain the title and seek opportunities. These properties are early-stage gold and gold-silver exploration projects in Peru.

Canada - Victoria Property

On July 12, 2021, the Company entered into an option agreement (the "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 CDN \$100,000 over 3 years
- Funding exploration activities of CDN \$650,000 over 3 years

This agreement is subject to a 2.0% NSR. The Company has the right to buyback 1% of the NSR for CDN \$1,000,000 at any time. In addition, a Finder's Fee of 5% is payable (in common shares of XGC) on each installment of the 3,500,000 shares to be issued over three years to the Optionors.

On August 16, 2021, 500,000 common shares were issued to the Optionors and 25,000 common shares were issued as part of the Finder's Fee.

The Victoria Property is located in Central Newfoundland and Labrador, named as one of the top 10 mining jurisdictions in the world (Fraser Institute 2021).

The property demonstrates excellent exploration potential for gold mineralization, due to its location within the structurally controlled gold belt as well as distinctive magnetic-geophysical anomalies identified, and high-grade gold discovered in glacial till samples and bedrock samples of quartz veins on the property. The high-grade gold intervals from glacial till reaching 178 g/t, 66.7 g/t and 10.1 g/t were discovered by Rubicon Minerals Corporation in 2003. The gold-bearing quartz veins occur within 50m of two of these till samples and contain 10.45 g/t and 66.7 g/t gold. Further exploration was likely hampered by the lack of ground access which required helicopter support however, several quad trails have now opened up access on the property.

An initial exploration program was successfully completed in late September. The program included prospecting areas near locations where gold-bearing quartz veins hosted by altered granitoid-type (felsic) rocks were previously documented and four heavy mineral concentrate ("HMC") samples contained high grades of gold.

Prospecting resulted in more outcrops being found than expected and a total of 20 rock samples were collected from four areas on the property. Several outcrops of altered felsic volcanic rocks, one with quartz veining, were discovered and sampled in the central portion of the project. Strong shearing was also evident in places. A sulphide bearing quartz breccia vein was found in a second area, further to the southeast and prospecting in a third part of the property revealed mineralized quartz veins hosted by a felsic intrusive rock.



On November 18, 2021, the Company announced, it has engaged Windfall Geotek Inc. for them to use their digital exploration technology tools to assist Xali Gold in delineating potential drill targets on the Victoria Property in Newfoundland.

Windfall Geotek's Artificial Intelligence ("AI") targeting technology analyzes all geological data to generate the highest probability targets and has been successful in assisting in many gold discoveries in Canada and elsewhere internationally. Windfall Geotek's AI targeting technology has contributed to gold discoveries on numerous projects, in several areas including: Lebel Gold Project, Metanor-Bachelor Lake Mine Area, Azimuth Elemer Gold Property, SGH S.A.'s Faille B property in Haiti and several others.

Windfall Geotek will initially review all available data on and around the Victoria Property and based on their findings, the two companies would then move forward under the terms of the Contract which provides for remuneration to Windfall Geotek of staged payments in shares and cash totalling a value of up to \$150,000. Xali Gold also plans to engage Windfall Geotek to review Xali Gold's El Oro and other properties

CONSOLIDATED OPERATING HIGHLIGHTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

Operating Highlights	September 30, 2021	September 30, 2020	Change
Mexico			
Project administration	\$ 32,649	\$ 13,210	\$ 19,439
Mining fees - El Oro	113,033	109,285	3,748
Total	\$ 145,682	\$ 17,495	\$ 128,187

Six Months Ended September 30, 2021 Compared to the Six Months Ended September 30, 2020

The following is a comparison of the exploration costs incurred above for the six months ended September 30, 2021, with those incurred in the six months ended September 30, 2020.

Project administration - Costs included in project administration are salaries for the staff on site at El Oro and the costs of maintaining the base camp operations at El Oro. These costs have increased as the Company contracted the services of a mine advisor and are preparing a data integration 3D modelling in the current year.

Mining fees El Oro Increased in 2020 - The increase in the provision for mining fees is largely related to exchange rates in this period compared with prior period.

QUARTERLY HIGHLIGHTS

Financial Condition

The Company ended the period with cash of \$16,659, a decrease of \$16,012 from March 31, 2021.

Consolidated Financial Performance for the Three Months Ended September 30, 2021

The net loss for the three months ended September 30, 2021, was \$165,160 compared to \$18,432 for the quarter ended September 30, 2020. Representing an increase in loss of \$146,728. Increase mainly due to the increase in Exploration cost of \$112,956, General and administrative (G&A) expenses of \$11,246 and loss on foreign exchange of \$22,526.

The net loss for the six months ended September 30, 2021, was \$566,062 compared to \$129,921 for the six months ended September 30, 2020. Representing an increase in loss of \$436,141.

Xali Gold Corp.
Management's Discussion and Analysis
For the six months ended September 30, 2021



	September 30, 2021	September 30, 2020	Change
Net income (loss)	\$ (165,160)	\$ (18,432)	\$ (146,728)
Audit and tax advisory	\$ 24,463	\$ 11,061	\$ 13,402
Legal	\$ 3,664	\$ 6,393	\$ (2,729)
Management fees, office salaries and benefits	\$ 29,734	\$ 52,308	\$ (22,574)
Office, rent and miscellaneous	\$ 9,470	\$ 7,290	\$ 2,180
Regulatory and filing fees	\$ 8,753	\$ 7,278	\$ 1,475
Share-based payments	\$ 17,018	\$ 268	\$ 16,750
Shareholder communications	\$ 3,341	\$ 501	\$ 2,840

Other variances are as follows:

- Legal fees were \$3,664 for the six months ended September 30, 2021, compared to \$6,393 for the same period in 2020, representing a decrease of \$2,729.
- Management fees, office salaries and benefits were \$29,734 for the six months ended September 30, 2021, compared to \$52,308 for the same period in 2020, representing a decrease of \$22,574. This relates mainly to management personnel and Director of Operations fees, a new position accrued during September 2020.
- Share-based payments for the quarter ended September 30, 2021, were \$17,018 compared to \$268 in the quarter ended September 30, 2020. The increase is related to the granting of 200,000 options in fiscal 2021. (Nil for 2020).

LIQUIDITY AND CAPITAL RESOURCES

There is a working capital deficiency of \$2,812,602 at September 30, 2021, including \$1,119,064 in amounts due to related parties, which primarily consist of \$613,737 payables due to Candente Copper Corp., a company with shared administrative expenses, common directors and management; and \$505,328 owing to directors and officers.

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.

On November 19, 2020, the Company 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 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. On July 5, 2021 the Company issued an additional 1,428,571 common shares with total value of \$81,020 (Canadian \$100,000).

On November 10, 2021 the Company closed the first tranche of a non-brokered private placement issuing 3,665,000 common shares at CND\$0.06 per unit for proceeds of CND\$219,900.

Each Unit consisted of one common share of the Company (a "Unit Share") and one-half share purchase warrant (each whole being a "Warrant"). 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 CND\$0.12. 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.

The Company does not generate cash flows from operations and accordingly, the Company will need to raise additional funds by entering into a 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 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.

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.
- Xali Gold Corp. – Shares expenses with Candente Copper Corp.; a company related by common directors and management.
- Lotz CPA Inc. – Financial services, fees thereto.
- Bullion Exploration Inc. (Matthew Melnyk) – Director operations and Director

The Company incurred the following fees and expenses in the normal course of operations for key management personnel for the six months ended September 30, 2021 and 2020. Expenses have been measured at the exchange amount that is determined on a cost recovery basis.

	Six months ended September 30,	
	2021	2020
Management fees	\$ 106,041	\$ 66,320
Share-based payments	34,868	694
	\$ 140,909	\$ 67,014

Share-based payments are the fair value of options expensed to directors and key management personnel during the six months ended September 30, 2021 and 2020.

The increase in management fees relates mainly to Director of Operations fees, a new position.

Balance owing

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2021 includes \$505,328 (March 31, 2021 - \$341,561) owing to directors and officers and \$636,946 (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 CDN\$26,000, respectively (total). The loans are non-interest bearing and payable on demand. The loans were settled as part of the closing on November 10, 2021 of the first tranche of a Non Brokered Private placement.

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 CEO 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 CEO 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. Any Termination payment would be deducted from the Change in Control payment.

On, April 21, 2020, the Company entered into a consulting services agreement with a company controlled by Mr. Melnyk, whereby the Company agreed to retain Mr. Melnyk to provide geological consulting and Technical Officer services at a fee of US\$825/day. Under the agreement, in the event of termination without cause, the Company will pay a one-time termination payment of \$50,000. In the event of a change of control, Melnyk will have the right at any time within sixty (60) days to provide notice of termination and will receive a Cdn\$200,000 one-time payment. The individual will also be entitled to the \$200,000 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. Any Termination payment would be deducted from the Change in Control payment.

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 November 29, 2021, the Company had 125,825,494 common shares outstanding, no warrants outstanding and 10,900,000 outstanding share options.

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")

Xali Gold Corp.
Management's Discussion and Analysis
For the six months ended September 30, 2021



There were no changes in the Company's internal control over financial reporting during the period from April 1, 2021 to September 30, 2021, that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.