



# Cabral Gold

**Cabral Gold Inc.**  
**(formerly San Angelo Oil Limited)**

An exploration stage company

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
(Unaudited)

SIX MONTHS ENDED JUNE 30, 2018

## Cabral Gold Inc. (formerly San Angelo Oil Limited)

### Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes	June 30, 2018	Dec. 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>		\$	\$
Cash and cash equivalents		1,785,582	3,680,427
Accounts receivable		94,197	66,264
Prepaid expenses		72,401	160,560
<b>Total Current assets</b>		<b>1,952,180</b>	<b>3,907,251</b>
<b>Non-current assets</b>			
Fixed assets	4	906,926	781,418
Mineral properties	5	1,318,405	1,298,113
<b>Total Assets</b>		<b>\$ 4,177,511</b>	<b>\$ 5,986,782</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 227,339	\$ 424,179
Other liabilities and provisions	8	119,652	104,114
<b>Total Current liabilities</b>		<b>346,991</b>	<b>528,293</b>
<b>Long-term liabilities</b>	7	19,472	25,432
<b>Total liabilities</b>		<b>366,463</b>	<b>553,725</b>
<b>Shareholders' equity</b>			
Share capital	9(a)	7,007,824	7,007,824
Reserves	9(b), 9(c)	1,443,220	1,425,670
Accumulated other comprehensive income		(259,827)	(90,344)
Accumulated deficit		(4,380,169)	(2,910,093)
<b>Total Shareholders' equity</b>		<b>(4,380,169)</b>	<b>(2,910,093)</b>
		<b>3,811,048</b>	<b>5,433,057</b>
		<b>\$ 4,177,511</b>	<b>\$ 5,986,782</b>

**Total Liabilities and Shareholders' equity****Nature of operations and going concern****(Note 1)****Commitments and contingent liabilities (Notes 15 and 16)**

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

Approved by the Board of Directors

"Derrick Weyrauch"

Derrick Weyrauch, Director

"Charles Oliver"

Charles Oliver, Director

**Cabral Gold Inc. (formerly San Angelo Oil Limited)****Condensed interim consolidated statements of loss and comprehensive loss**

(Expressed in Canadian Dollars except number of shares)

	Notes	3 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2018	6 months ended June 30, 2017
<b>Expenses</b>				\$	
Exploration expenditures	10	\$ 655,115	\$ 71,976	1,125,693	197,705
Professional fees		59,266	98,119	187,618	148,771
Management and consulting	13(a)	86,751	68,828	172,728	128,750
Office and administrative		56,424	18,857	135,343	38,721
Travel		35,660	29,076	49,890	45,479
Listing expense		4,447	-	17,776	-
Depreciation	4	17,133	2,292	25,857	3,871
Stock-based compensation	9(c)	17,550	-	17,550	163,800
		<u>932,346</u>	<u>289,148</u>	<u>1,732,455</u>	<u>727,097</u>
<b>Other income and expenses</b>					
Loss (gain) on tax restructuring	7	11,110	-	(269,688)	-
Interest income		(5,068)	(4,722)	(15,900)	(5,840)

Foreign exchange loss (gain)		4,917		
	(4,895)		(4,487)	10,820
Adjustment to provisions	16	26,766	192,278	26,766
				192,278
Penalties and financing charges	7	-	7,018	930
				24,516
<b>Net loss for the period</b>				<b>\$</b>
	<b>\$ 960,259</b>	<b>\$ 488,639</b>	<b>\$ 1,470,076</b>	<b>\$ 948,871</b>
<b>Other comprehensive income and loss</b>				
Unrealised foreign currency translation items		196,468	74,680	169,483
				73,248
				<b>\$</b>
<b>Total comprehensive loss for the period</b>		<b>\$ 1,156,727</b>	<b>\$ 563,319</b>	<b>\$ 1,639,559</b>
				<b>\$ 1,022,119</b>
Loss per share, Basic and diluted	\$	0.03	\$	0.02
Weighted average shares outstanding, Basic and diluted				0.05
		31,412,418	22,822,533	31,412,418
				22,769,428

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

## Cabral Gold Inc. (formerly San Angelo Oil Limited)

### Condensed interim consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars)

	Issued		Subscription	Reserves,	Reserves,	Accumulated other comprehensive	Accumulated	Total
	common shares	Share capital	receipts	Warrants	Stock options	loss	deficit	shareholders' equity
<b>Balance at December 31, 2016</b>	22,021,533	\$ 3,050,383	\$ 200,000	\$ 38,253	-	\$ 25,394 (\$ 287,380)	\$	\$ 3,026,650
Shares issued for cash	801,000	267,000	(200,000)	-	-	-	-	67,000
Share issuance costs	-	(8,037)	-	-	-	-	-	(8,037)
Stock-based compensation	-	-	-	-	163,800	-	-	163,800
Comprehensive loss	-	-	-	-	-	(73,248)	(948,871)	(1,022,119)
<b>Balance at June 30, 2017</b>						(\$ 47,854)	(\$	\$ 2,227,294
<b>Balance at December 31, 2017</b>	22,822,533	\$ 3,309,346	-	\$ 38,253	\$ 163,800	(\$ 90,344)	(\$	\$ 2,910,093
Stock-based compensation	-	-	-	-	17,550	-	-	17,550
Comprehensive loss	-	-	-	-	-	(169,483)	(1,470,076)	(1,639,559)
<b>Balance at June 30, 2018</b>						(\$ 259,827)	(\$	\$ 4,380,169
	31,412,418	\$ 7,007,824	-	\$ 1,202,767	\$ 240,453	(\$ 259,827)	(\$	\$ 3,811,048

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**Cabral Gold Inc. (formerly San Angelo Oil Limited)**  
**Condensed interim consolidated statements of cash flows**  
(Expressed in Canadian Dollars)

	<b>6 months ended ended June 30, 2018</b>	<b>6 months June 30, 2017</b>
<b>OPERATING ACTIVITIES</b>	(\$	1,470,076) (\$
Net loss for the period	948,871)	
Adjustments for items not involving cash:	25,857	
Depreciation	3,871	
Stock-based compensation	17,550	163,800
Unrealised foreign exchange gain	33,516	(12,133)
Gain on tax restructuring (Note 9)	(269,688)	-
	<b>(1,662,841)</b>	<b>(793,333)</b>
Net changes in non-cash working capital:		
Increase in accounts receivable	(27,933)	(10,361)
Decrease in prepaid expenses	88,159	10,770
Increase (decrease) in accounts payable	44,171	(610,217)
Increase in provisions	5,173	192,278
<b>Cash used in operating activities</b>	<b>(1,553,271)</b>	<b>(1,210,863)</b>
<b>INVESTING ACTIVITIES</b>		
Additions to fixed assets	(247,684)	(5,349)
Additions to mineral properties	(94,465)	(15,479)
<b>Cash used in investing activities</b>	<b>(342,149)</b>	<b>(20,828)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares for cash	-	67,000
Share issuance costs	-	(8,037)
<b>Cash provided by financing activities</b>	<b>-</b>	<b>58,963</b>
<b>Effect of change in exchange rate on cash</b>	<b>575</b>	<b>(4,750)</b>

## **Cabral Gold Inc.**

### **(formerly San Angelo Oil Limited)**

#### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2018

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<b>Net increase in cash and cash equivalents</b>	<b>(1,894,845)</b>	<b>(1,177,478)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,680,427</b>	<b>2,184,746</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,785,582</b>	<b>\$ 1,007,268</b>

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

#### **1. NATURE OF OPERATIONS**

Cabral Gold Inc. (“Cabral Gold” or the “Company”; formerly San Angelo Oil Limited (“San Angelo”)) was incorporated on February 11, 2014 under the British Columbia Business Corporations Act.

The Company’s registered office is located at 1200 – 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8.

##### ***Reverse asset acquisition***

The Company’s previous principal business activity was the acquisition, exploration and development of conventional oil and natural gas properties in the United States. On October 30, 2017, the Company completed the acquisition of Cabral Gold Ltd. (“CGL”), a private Vancouverbased company holding mineral rights to various gold projects in Brazil. In connection with the acquisition (the “CGL Transaction”), the Company changed its name to Cabral Gold Inc. and changed the focus of its business to the exploration and development of mineral properties, with a primary focus on gold properties in Brazil. For accounting purposes, the acquisition of CGL was treated as a reverse asset acquisition as the shareholders of CGL acquired control of the consolidated entity. CGL was considered the acquiring and continuing entity, and Cabral Gold Inc. was the acquired entity.

##### ***Acquisition of Magellan Brazil***



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Six months ended June 30, 2018

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On April 13, 2016, CGL entered into an agreement with Magellan Minerals Ltd. (“Magellan”) and two of CGL’s founding shareholders pursuant to which:

- Debts of \$500,000 owing by Magellan to the two founding shareholders were settled in exchange for Magellan’s 99.99% equity interest in Magellan Minerais Prospecção Geológica Ltda. (“Magellan Brazil”) in full satisfaction of the debt. The exchange was part of a comprehensive debt settlement between Magellan and its senior management group. The settlement also included debt forgiveness, by management, of \$252,669; and
- The interest in Magellan Brazil was then contributed by the two founders to CGL in exchange for 4,036,034 common shares.

Magellan Brazil holds 100% of the Cuiú Cuiú property and several secondary properties, including properties held by Poconé Gold Mineração Ltda. (“PGM”) in which Magellan Brazil holds a 35% interest.

***Going concern***

The nature of the Company’s operations results in significant expenditures for the acquisition and exploration of mineral properties. To date, the Company has not generated any revenue from mining or other operations as it is considered to be in the exploration stage.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes the Company will be able to realise its assets and settle its liabilities in the normal course of business. For the six months ended June 30, 2018, the Company reported a net loss of \$1,470,076 (six months ended June 30, 2017: net loss of \$948,871) and cash applied to operating activities of \$1,553,271 (six months ended June 30, 2017: \$1,210,863), and as at that date had a net working capital balance of \$1,605,189 (December 31, 2017: \$3,378,958) and an accumulated deficit of \$4,380,189 (December 31, 2017: \$2,910,093).

The Company’s ability to continue operations in the normal course of business is dependent on several factors, including its ability to secure additional funding. Management is exploring all available options to secure additional funding. Given the continuation of weak investor sentiment and capital market conditions, there exists significant uncertainty as to the Company’s ability to raise additional funds on favorable terms.

Management has estimated that the Company will not have sufficient funds from existing working capital to meet its planned objectives and property obligations beyond 2018.

In addition, the recoverability of amounts presented as non-current assets is dependent upon a number of factors, including the ability of the Company to obtain financing to maintain properties in good standing and continue exploration and development and the discovery of economically recoverable reserves.

**Cabral Gold Inc.**  
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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2018

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In the event the Company is unable to arrange appropriate financing, the carrying value of the Company's assets and liabilities could be subject to material adjustment and the Company will not be able to meet its obligations as they become due in the normal course of business. Furthermore, these conditions indicate the existence of a material uncertainty that raises substantial doubt as to the Company's ability to continue as a going concern.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2017.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of August 23, 2018, the effective date the Company's Board of Directors approved these financial statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements as at and for the six months ended June 30, 2018.

The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2017.

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these condensed interim consolidated financial statements. Such standards that may have an impact on the Company's consolidated financial statements once adopted include the following:

- Amendments to IFRS 11, "Joint Arrangements"
- Amendments to IAS 12, "Income Taxes"
- Amendments to IAS 28, "Investments in Associates and Joint Ventures".

The Company has not early adopted these revised standards and is currently assessing the impact, if any, that these revised standards will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

**4. FIXED ASSETS**

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**Cabral Gold Inc.**  
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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2018

	Land	Vehicles	Equipment	Buildings	Total
<b>Cost:</b>					
December 31, 2017	\$ 765,239	\$ 14,562	\$ 12,630	\$ -	\$ 792,431
Additions	-	153,173	74,950	19,561	247,684
Foreign exchange differences	(74,198)	(16,504)	(6,929)	(1,920)	(99,551)
June 30, 2018	691,041	151,231	80,651	17,641	940,564
<b>Accumulated depreciation:</b>					
December 31, 2017	-	(5,899)	(5,114)	-	(11,013)
Depreciation expense	-	(15,348)	(9,286)	(1,223)	(25,857)
Foreign exchange differences	-	2,119	993	120	3,232
June 30, 2018	-	(19,128)	(13,407)	(1,103)	(33,638)
<b>Net book value:</b>					
December 31, 2017	765,239	8,663	7,516	-	781,418
<b>June 30, 2018</b>	<b>\$ 691,041</b>	<b>\$ 132,103</b>	<b>\$ 67,244</b>	<b>\$ 16,538</b>	<b>\$ 906,926</b>

	Land	Vehicles	Equipment	Total
<b>Cost:</b>				
December 31, 2016	\$ 833,100	\$ 16,497	\$ 8,249	\$ 857,846
Additions	-	-	5,349	5,349
Foreign exchange differences		(1,935)	(968)	(2,903)
December 31, 2017	(67,861)			(70,764)
	765,239	14,562	12,630	792,431
<b>Accumulated depreciation:</b>				
December 31, 2016	-	(2,637)	(1,319)	(3,956)
Depreciation expense	-	(4,069)	(4,198)	(8,267)
Foreign exchange differences	-	807	403	1,210
	-	(5,899)	(5,114)	(11,013)

## Cabral Gold Inc.

### (formerly San Angelo Oil Limited)

#### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2018

December 31, 2017				
<b>Net book value:</b>				
December 31, 2016	833,100	13,860	6,930	853,890
<b>December 31, 2017</b>	<b>\$ 765,239</b>	<b>\$ 8,663</b>	<b>\$ 7,516</b>	<b>\$ 781,418</b>

## 5. MINERAL PROPERTIES

6 months ended June 30, 2018				
	Jan. 1, 2018	Additions	Foreign exchange	June 30, 2018
Cuiú Cuiú	\$ 1,254,589	\$ 107,968	(\$ 84,707)	\$ 1,277,850
Bom Jardim	41,189	1,497	(4,233)	38,453
Other	2,335	-	(233)	2,102
	<b>\$ 1,298,113</b>	<b>\$ 109,465</b>	<b>(\$ 89,173)</b>	<b>\$ 1,318,405</b>

Year ended December 31, 2017				
	Jan. 1, 2017	Additions	Foreign exchange	Dec. 31, 2017
Cuiú Cuiú	\$ 1,114,321	\$ 204,825	(\$ 64,557)	\$ 1,254,589
Bom Jardim	44,866	-	(3,677)	41,189
Other	2,544	-	(209)	2,335
	<b>\$ 1,161,731</b>	<b>\$ 204,825</b>	<b>(\$ 68,443)</b>	<b>\$ 1,298,113</b>

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The Company's primary mineral property is Cuiú Cuiú.

All of the Company's properties are located in Brazil.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee their titles. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

It is possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties could be impaired in the future.

The Company is required to make certain option payments in order to maintain its property agreements in good standing. These future payments totalled US\$ 40,000 as at June 30, 2018 all of which is conditional on the formal registration of title to an optioned secondary property (Bom Jardim). The Company is also required to make statutory claim maintenance expenditures to the Brazilian authorities each year to maintain its properties in good standing.

***Cuiú Cuiú, Surface access agreement, garimpiero condominium***

Magellan Brazil is a party to a surface access agreement with the holders of the traditional surface rights over the Cuiú Cuiú property. The owners are organised into a 'condominium' comprising minority stakeholders and majority stakeholders. The current terms of the agreement require Magellan Brazil to pay R\$ 5,000 per year (equivalent of \$1,705 as at June 30, 2018) to each of the 18 majority stakeholders and R\$ 2,500 per year (\$852) to each of the 61 minority stakeholders.

R\$ 242,500 (approximately \$90,800) was payable to the garimpieros in connection with the surface access fee in respect of the year ended March 2019. Most of this amount was paid in the second quarter of 2018. A liability for approximately \$5,200 remained outstanding as at June 30, 2018.

**6. POCONÉ**

The Company is a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso were to be identified, explored and developed. The first agreement was entered into between Magellan and ECI Exploration & Mining Inc. ("ECI") on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the "ECI Venture"). The second set of agreements was between Magellan, ECI and Brasil Central Engenharia Ltda. ("Brasil Central") pursuant to which Magellan, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through a newly incorporated entity, PGM, an entity in which Magellan Brazil holds a 35% interest (at both the date of closing of the Magellan Brazil transaction and June 30, 2018).

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Six months ended June 30, 2018

Magellan's rights and responsibilities associated with both the ECI Venture and PGM were transferred to CGL prior to the date of closing of the Magellan Brazil transaction pursuant to an agreement dated April 15, 2016 between CGL, Magellan and ECI.

Virtually no exploration activity was undertaken on any of the Poconé properties since 2012, however, claim maintenance charges have continued to be incurred (see Note 10) some of which have been restructured (see Note 7). In addition, the Company has incurred various other charges and realised proceeds on the liquidation of certain assets relating to both the ECI Venture and PGM.

None of the purchase price consideration relating to the Magellan Brazil transaction was attributed to the Poconé properties.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2018	Dec. 31, 2017
Brazil payroll and related costs	\$ 100,540	\$ -
Brazil taxes (not restructured)	49,079	327,425
Restructured Brazil claim maintenance	27,583	34,211
Cuiú Cuiú condominium liability (see Note 5)	12,175	7,840
Cuiú Cuiú resource update	1,357	29,458
Professional fees (Canada)	2,454	39,466
Other	53,623	11,211
	<u>246,811</u>	<u>449,611</u>
Less long-term (restructured Brazil claim maintenance)	<u>(19,472)</u>	<u>(25,432)</u>
	<u><b>\$ 227,339</b></u>	<u><b>\$ 424,179</b></u>

***Restructuring of Brazilian tax liabilities***

During the fourth quarter of 2014 and the first quarter of 2016, Magellan Brazil restructured certain unpaid taxes due to various federal and state taxation and administrative bodies in Brazil; these amounts relate to unpaid social taxes and withholding taxes in respect of fiscal years prior to the closing of the Magellan Brazil transaction in 2016. The payment plan, including application of discounts, was entered into pursuant to a general program offered by these bodies. The restructured liabilities were typically being repaid over 60 months. Monthly repayments were increased to reflect inflation pursuant to indices published each month.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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In November 2017, Magellan Brazil entered into further restructuring programs with applicable federal and state taxation and administrative bodies in Brazil pursuant to which further discounts were granted to existing liabilities in return for payments being made sooner than as agreed in the aforementioned initial restructuring arrangements; the programs were also applied to certain unpaid tax balances of the Company that had not been previously restructured. The new arrangements resulted in the termination of the previous restructuring agreements, the application of further discounts, the offsetting of historical tax losses of Magellan Brazil against tax liabilities otherwise due and the payment of deposits. As a result of the termination of the previous agreements, restructured amounts that were previously classified as long-term liabilities, were recognised as current liabilities as at December 31, 2017 and June 30, 2018.

The new arrangements were finalised with respect to \$280,798 of tax liabilities on February 26, 2018. Arrangements in respect of the remaining \$49,079 of tax liabilities are expected to be finalised in the third quarter of 2018.

Estimated future professional fees associated with completing the program will amount to approximately \$20,000.

***Restructuring of Brazilian claim maintenance liabilities***

PGM and the Brazilian subsidiary of ECI entered into restructuring agreements in connection with claim maintenance liabilities (the latter in respect of the ECI Venture). Such restructured liabilities are typically being repaid over 60 months with monthly repayments increased to reflect inflation pursuant to published indices.

Magellan Brazil's share of these restructured tax and claim maintenance liabilities amounted to \$27,583 as at June 30, 2018 of which \$19,472 is due subsequent to June 30, 2019.

**8. OTHER LIABILITIES AND PROVISIONS**

Various legal, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations. The balance of Other liabilities and provisions as at June 30, 2018 is comprised of a provision of approximately \$120,000 representing management's best estimate of expenditures required to settle present contingent obligations relating to such matters. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Company's estimates (see Note 16).

**9. SHAREHOLDERS' EQUITY**

**(a) Share capital**

**Cabral Gold Inc.**  
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Six months ended June 30, 2018

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

***Escrowed shares***

Under the policies of the TSX-V, an aggregate of 13,305,342 common shares exchanged for CGL shares in connection with the CGL Transaction were placed in escrow to be released over a 36month period commencing in October 2017; 10% were released on October 31, 2017 and 15% will be released every six months thereafter through October 31, 2020. The number of common shares held in escrow as at June 30, 2018 was 9,979,006.

**(b) Share purchase warrants**

	Number of warrants	Weighted average exercise price	Reserves
December 31, 2017	8,197,032	\$ 0.75	\$ 1,202,767
June 30, 2018	8,197,032	\$ 0.75	\$ 1,202,767

A summary of the share purchase warrants outstanding as at June 30, 2018 is as follows:

	Expiration	Number of warrants	Weighted average exercise price	Reserves
Compensation warrants granted	Oct. 30, 2019	264,826	\$ 0.333	\$ 38,253
Class A warrants	Oct. 30, 2018	3,465,664	0.75	425,237
Class B warrants	Oct. 30, 2019	3,465,664	0.90	425,237
Finders' fee compensation warrants (1)	Oct. 30, 2019	400,878	0.60	109,440
Pre-CGL Transaction San Angelo warrants	May 26, 2021	600,000	0.25	204,600
<b>June 30, 2018</b>		<b>8,197,032</b>	<b>\$ 0.75</b>	<b>\$ 1,202,767</b>

(1) The finders' fee compensation warrants issued in connection with the October 2017 private placement relate to units not common shares. Each unit is comprised of one common share of the Company, one-half of one class A warrant and one-half of one class B warrant



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The weighted average remaining life of outstanding warrants as at June 30, 2018 was 12 months (December 31, 2017: 18 months).

**(c) Stock options**

	Number of options price	Weighted average exercise price	Reserves
December 31, 2017	<b>1,233,000</b>	<b>\$ 0.34</b>	<b>\$ 222,903</b>
June 30, 2018	<b>1,683,000</b>	<b>\$ 0.31</b>	<b>\$ 240,453</b>

A summary of the stock options outstanding as at June 30, 2018 is as follows:

	Expiration	Number of average stock options price	Weighted exercise price	Reserves
Stock options granted:				
December 6, 2017	Dec. 5, 2020	297,000	\$ 0.35	\$ 59,103
February 15, 2017	Feb. 14, 2020	936,000	0.33	163,800
June 20, 2018	June 19, 2023	450,000	0.23	17,550
<b>June 30, 2018</b>		<b>1,683,000</b>	<b>\$ 0.31</b>	<b>\$ 222,903</b>

Stock-based compensation totalled \$17,550 in the six months ended June 30, 2018 (six months ended June 30, 2017: \$163,800).

All stock options granted in the six months ended June 30, 2018 will vest in five equal tranches over 24 months including an initial tranche vesting on the date of issuance of the stock options. All previous stock options issued by the Company vested in full upon issuance. Accordingly, a total of 1,323,000 stock options were exercisable as at June 30, 2018.

The weighted average remaining life of outstanding stock options as at June 30, 2018 was 32 months (December 31, 2017: 28 months).

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The fair value of the stock options granted in the six months ended June 30, 2018 were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	June 30, 2018
Dividends	-
Expected volatility (average)	114%
Risk-free interest rate (average)	1.13%
Expected life (months)	60
Expected rate of forfeiture	0.0%

**10. EXPLORATION AND DEVELOPMENT EXPENDITURES**

<b>6 months ended June 30, 2018</b>					
	Cuiú Cuiú		Pocone	Local administration	Total
Office and logistics	\$ -	\$ -	\$ -	\$ 80,314	\$ 80,314
Payroll and internal consulting	360,824		-	36,554	397,378
Field costs	258,697		-	-	258,697
Consulting, third parties	249,482		-	-	249,482
Freight and travel	93,666		-	6,571	100,237
Assay	26,645		-	-	26,645
Other (1)	7,670		5,270	-	12,940
	<b>\$ 996,984</b>	<b>\$ 5,270</b>	<b>\$ 123,439</b>	<b>\$ 1,125,693</b>	

(1) Presented net of both asset rental revenues and proceeds on the sale of various assets relating to the ECI Venture

<b>6 months ended June 30, 2017</b>					
	Cuiú Cuiú		Pocone	Local administration	Total
Office and logistics	\$ -	\$ -	\$ -	\$ 46,998	\$ 46,998
Field costs	26,842		-	-	26,842
Consulting, internal	-		-	76,692	76,692
Consulting, third parties	39,829		-	-	39,829
Other	-		2,033	-	2,033

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Travel	504	-	4,807	5,311
	<u>\$ 67,175</u>	<u>\$ 2,033</u>	<u>\$ 128,497</u>	<u>\$ 197,705</u>

**11. SALARY AND WAGES**

Total payroll, internal consulting and related costs incurred in the six months ended June 30, 2018 amounted to \$600,300 (six months ended June 30, 2017: \$221,261).

**12. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration and development of mineral properties. The Company's assets are located in Canada and Brazil as follows:

	Canada	Brazil	Total
<b>Non-current assets:</b>			
June 30, 2018	\$ 4,375	\$ 2,220,956	\$ 2,225,331
December 31, 2017	3,186	2,076,345	2,079,531
<b>Net loss:</b>			
6 months ended June 30, 2018	598,528	871,548	1,470,076
6 months ended June 30, 2017	\$ 532,403	\$ 416,468	\$ 948,871

**13. RELATED PARTY TRANSACTIONS**

**(a) Management compensation**

	6 months ended June 30, 2018	6 months ended June 30, 2017
Management:		
Employment and consulting remuneration	\$ 135,000	\$ 114,583
Payroll related costs	9,729	14,166
Consulting fees (1)	28,000	-

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	172,729	128,749
Directors:		
Stock-based compensation	17,550	130,725
Advisory fees (2)	-	31,250
	17,550	161,975
	<b>\$ 190,279</b>	<b>\$ 290,724</b>

- (1) Consulting fees relate to \$28,000 paid to a company controlled by an individual who joined the Company's Board of Directors as Executive Chairman in May 2018 in respect of advisory services provided during the period February through April 2018, inclusive
- (2) Advisory fees were previously paid to a director who was based in and actively involved in activities in Brazil. This fee arrangement was terminated effective October 1, 2017.

Management comprises the Executive Chairman, the President and Chief Executive Officer and the Chief Financial Officer.

**(b) Balances due to related parties**

As at June 30, 2018, the Company owed a total of \$2,276 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in August 2018.

**(c) Other related party issues**

See Note 1 regarding the acquisition by the Company of Magellan Brazil through the restructuring of balances due by Magellan to the founding shareholders of Cabral.

**14. CAPITAL MANAGEMENT**

The Company's objectives in managing its capital are as follows:

- To safeguard its ability to continue as a going concern
- To have sufficient capital to be able to meet its strategic objectives including the continued exploration and development of its existing mineral projects and the identification of additional projects.

Given the current exploration stage of its projects, the Company's primary source of capital is derived from equity issuances. Capital consists of equity attributable to common shareholders.

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The Company has no externally imposed capital requirements and manages its capital structure in accordance with its strategic objectives and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares in the form of private placements and/or secondary public offerings.

Additional information relating to the Company's ability to continue as a going concern is disclosed in Note 1.

**15. FINANCIAL INSTRUMENTS**

**(a) Carrying value and fair value**

The Company's financial instruments comprise cash and cash equivalents, receivables, accounts payable and accrued liabilities and other liabilities and provisions.

Financial instruments recognised at fair value on the consolidated balance sheets are classified in fair value hierarchy levels as follows:

- Level 1: Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques based on inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
- Level 3: Valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

Cash and cash equivalents and accounts receivable are classified as loans and receivables and are recorded in the financial statements at amortised cost. Amortised cost approximates fair market value due to the short-term nature of the balances.

Accounts payable and accrued liabilities and other liabilities and provisions are classified as other financial liabilities and are recorded in the financial statements at amortised cost. The fair value of accounts payable and accrued liabilities may be less than the carrying value as a result of the Company's credit and liquidity risk.

**(b) Financial risks**

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, liquidity risk, credit risk and interest rate risk.

***Foreign exchange risk***

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The Company operates primarily in Brazil and is therefore exposed to foreign exchange risk arising from transactions denominated in Brazilian reais (“R\$”). Other than Canadian dollar balances, the Company’s cash and cash equivalents, receivables and accounts payable and accrued liabilities are denominated in R\$ and US\$. Accordingly, the Company is subject to foreign exchange risk relating to such balances in connection with fluctuations against the Canadian dollar. The Company has no program in place for hedging foreign currency risk.

The Company held the following foreign currency denominated balances as at June 30, 2018 and December 31, 2017:

	June 30, 2018		December 31, 2017	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	469,943	2,428	382,321	20,126
Receivables and prepaid expenses	15,742	-	11,833	-
Accounts payable and accrued liabilities	(944,590)	-	(1,167,307)	-
	(458,905)	2,428	(773,153)	20,126
Equivalent in Canadian dollars	(156,486)	3,197	(292,794)	25,249

Based on the balances held as at June 30, 2018, a 10% increase in the \$ per R\$ and \$ per US\$ exchange rates on this date would have resulted in an increase in the net loss for the period then ended of approximately \$15,300.

***Liquidity risk***

Liquidity risk encompasses the risk that an entity cannot meet its financial obligations in full as they become due. The Company manages liquidity by taking the appropriate steps to maintain adequate cash and cash equivalent balances. The Company monitors actual and forecast cash flows and matches the maturity profile of financial assets and liabilities. See Note 1.

***Credit risk***

Credit risk is the risk of economic loss arising from a counterparty’s failure to repay or service debt according to the contractual terms. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and receivables. The carrying value of the Company’s financial assets recorded in the consolidated financial statements represents its maximum exposure to credit risk.

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All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at June 30, 2018.

***Interest rate risk***

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short-term nature, changes in interest rates will have a corresponding impact on interest income realised on such assets.

The Company's restructured claim maintenance liabilities in Brazil are subject to charges which are calculated based on the domestic rate of inflation in Brazil and related indices published by the Brazilian authorities.

Other than the Company's restructured claim maintenance liabilities in Brazil, it did not have any interest-bearing liabilities outstanding as at June 30, 2018.

**16. CONTINGENT LIABILITY**

The Company is subject to litigation in the counties where it operates. As at June 20, 2018 and August 23, 2018, there were several cases outstanding which had not been settled or where final judgement had not been rendered. Management is vigorously defending against those claims and has assessed the likelihood of loss related to the outstanding litigation and has recorded a provision of approximately \$120,000 with regards to all outstanding litigation and related exposures.