Cabral Gold

Cabral Gold Inc.

An exploration stage company

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2018

Cabral Gold Inc.

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes	Sept. 30, 2018	Dec. 31, 2017
ASSETS			
Current assets		$	$
Cash and cash equivalents		880,893	3,680,427
Accounts receivable		93,538	66,264
Prepaid expenses		76,497	160,560
Total Current assets		**1,050,928**	**3,907,251**
Non-current assets			
Fixed assets	4	890,841	781,418
Mineral properties	5	1,293,693	1,298,113
Total Assets		**$ 3,235,462**	**$ 5,986,782**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 269,631	$ 424,179
Other liabilities and provisions	8	67,294	104,114
Total Current liabilities		**336,925**	**528,293**
Long-term liabilities	7	5,671	25,432
Total liabilities		**342,596**	**553,725**
Shareholders' equity			
Share capital	9(a)	7,007,824	7,007,824
Reserves	9(b), 9(c)	1,460,635	1,425,670
Accumulated other comprehensive income		(324,065)	(90,344)
Accumulated deficit		(5,251,528)	(2,910,093)
Total Shareholders' equity		**2,892,866**	**5,433,057**
		$ 3,235,462	**$ 5,986,782**

Total Liabilities and Shareholders' equity
Nature of operations and going concern (Note 1)
Subsequent event (Note 17)
Commitments and contingent liabilities (Not and 16)

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

Approved by the Board of Directors

"Derrick Weyrauch" | *"Charles Oliver"*
Derrick Weyrauch, Director | Charles Oliver, Director

Cabral Gold Inc.

Condensed interim consolidated statements of loss and comprehensive loss

(Expressed in Canadian Dollars except number of shares)

	Notes	3 months ended Sept. 30, 2018	3 months ended Sept. 30, 2017	9 months ended Sept. 30, 2018	9 months ended Sept. 30, 2017
Expenses					$
Exploration	10	$ 727,053	$ 90,222	$ 1,852,746	287,927
Management	13(a)	81,682	65,332	254,410	194,082
Professional fees		63,192	81,543	250,810	230,314
Office and administrative		53,533	20,798	188,876	59,519
Travel		11,254	6,073	61,144	51,552
Depreciation	4	19,544	2,207	45,401	6,078
Stock-based compensation	9(c)	17,415	-	34,965	163,800
Listing expense		1,048	-	18,824	-
		974,721	266,175	2,707,176	993,272
Other income and expenses					
Gain on tax restructuring	7	(41,327)	-	(311,015)	-
Gain on disposal of PGM	6	(42,696)	-	(42,696)	-

Interest income		(8,562)	105	(24,462)	(5,735)
Other income		-	(25,757)	-	(25,757)
Adjustment to provisions	16	(16,832)	9,656	9,934	201,934
Foreign exchange loss		6,203	10,710	1,716	21,530
Penalties and financing charges	7	(148)	9,139	782	33,655
Net loss for the period		**$ 871,359**	**$ 270,028**	**$ 2,341,435**	**$ 1,218,899**
Other comprehensive income anc loss					
Unrealised foreign currency transla items		64,238	(14,987)	233,721	58,261
Total comprehensive loss for the period		**$ 935,597**	**$ 255,041**	**$ 2,575,156**	**$ 1,277,160**
Loss per share, Basic and diluted		$ 0.03	$ 0.01	$ 0.07	$ 0.05
Weighted average shares outstanding, Basic and diluted		31,412,418	22,822,533	31,412,418	22,787,324

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

Cabral Gold Inc.

Condensed interim consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars)

	Issued common shares	Share capital	Subscription receipts	Reserves, Warrants	Reserves, Stock options	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance at December 31, 2016	**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)**
Subscription receipts	-	-	45,900	-	-	-	-	**45,900**
Stock-based compensation	-	-	-	-	163,800	-	-	**163,800**
Comprehensive loss	-	-	-	-	-	(58,261)	(1,218,899)	**(1,277,160)**
Balance at September 30, 2017	**22,822,533**	**$ 3,309,346**	**$ 45,900**	**$ 38,253**	**$ 163,800**	**($ 32,867)**	**($ 1,506,279)**	**$ 2,018,153**
Balance at December 31, 2017	**31,412,418**	**$ 7,007,824**	$ **-**	**$ 1,202,767**	**$ 222,903**	**($ 90,344)**	**($ 2,910,093)**	**$ 5,433,057**
Stock-based compensation	-	-	-	-	34,965	-	-	**34,965**
Comprehensive loss	-	-	-	-	-	(233,721)	(2,341,435)	**(2,575,156)**

Balance at September 30, 2018	**31,412,418**	**$ 7,007,824**	**$ -**	**$ 1,202,767**	**$ 257,868**	**($ 5,251,528)**	**($ 324,065)**	**$ 2,892,866**

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

Cabral Gold Inc.

Condensed interim consolidated statements of cash flows

(Expressed in Canadian Dollars)

	9 months ended ended Sept. 30, 2018	9 months Sept. 30, 2017
OPERATING ACTIVITIES		
Net loss for the period	($ 2,341,435)	($ 1,218,899)
Adjustments for items not involving cash:		
Depreciation	45,401	6,078
Stock-based compensation	34,965	163,800
Unrealised foreign exchange gain	39,506	15,879
Gain on tax restructuring (Note 7)	(311,015)	-
Gain on disposal of PGM (Note 6)	(42,696)	-
	(2,575,274)	**(1,033,142)**
Net changes in non-cash working capital:		
Increase in accounts receivable	(42,274)	(14,855)
Decrease in prepaid expenses	84,063	13,270
Increase (decrease) in accounts payable	157,563	(884,312)
Increase (decrease) in provisions	(9,981)	192,278
Cash used in operating activities	**(2,385,903)**	**(1,726,761)**
INVESTING ACTIVITIES		
Additions to fixed assets	(296,848)	(5,349)
Additions to mineral properties	(118,560)	(19,999)
Cash used in investing activities	**(415,408)**	**(25,348)**
FINANCING ACTIVITIES		
Issuance of shares for cash	-	67,000
Share issuance costs	-	(8,037)
Subscription receipts	-	45,900
Cash provided by financing activities		

(Unaudited, Expressed in Canadian Dollars)

	-	**104,863**
Effect of change in exchange rate on cash	**1,777**	**(12,636)**
Net increase in cash and cash equivalents	**(2,799,534)**	**(1,659,882)**
Cash and cash equivalents, beginning of period	**3,680,427**	**2,184,746**
Cash and cash equivalents, end of period	**$ 880,893**	**$ 524,864**

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

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. Also, the Company previously held properties through its interest in Poconé Gold Mineração Ltda. ("PGM") in which Magellan Brazil held a 35% interest until September 2018 (see Note 6).

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 nine months ended September 30, 2018, the Company reported a net loss of $2,341,435 (nine months ended September 30, 2017: net loss of $1,218,899) and cash applied to operating activities of $2,385,903 (nine months ended September 30, 2017: $1,726,761), and as at that date had a net working capital balance of $714,003 (December 31, 2017: $3,378,958) and an accumulated deficit of $5,251,528 (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. 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.

In October 2018, the Company announced the terms of a private placement comprised of up to 8,000,000 common shares a at a price of $0.25 per share for gross proceeds of up to $2,000,000 (see Note 17).

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 November 23, 2018, the effective date the Company's Board of Directors approved these financial statements.

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:

- IFRS 16, "Leases" (replacement of IAS 17, Leases)
- 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 new and revised standards and is currently assessing the impact, if any, that these 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.

(Unaudited, Expressed in Canadian Dollars)

4. FIXED ASSETS

	Land	Vehicles	Equipment	Buildings	Total
Cost:					
December 31, 2017	$ 765,239	$ 14,562	$ 12,630	$ -	$ 792,431
Additions	-	147,240	94,881	54,727	296,848
Foreign exchange differences	(105,048)	(23,365)	(13,044)	(7,912)	(149,369)
September 30, 2018	660,191	138,437	94,467	46,815	939,910
Accumulated depreciation:					
December 31, 2017	-	(5,899)	(5,114)	-	(11,013)
Depreciation expense	-	(24,856)	(15,949)	(4,596)	(45,401)
Foreign exchange differences	-	4,460	2,221	664	7,345
September 30, 2018	-	(26,295)	(18,842)	(3,932)	(49,069)
Net book value:					
December 31, 2017	765,239	8,663	7,516	-	781,418
September 30, 2018	**$ 660,191**	**$ 112,142**	**$ 75,625**	**$ 42,883**	**$ 890,841**

	Land	Vehicles	Equipment	Total
Cost:				
December 31, 2016	$ 833,100	$ 16,497	$ 8,249	$ 857,846
Additions	-	-	5,349	5,349
Foreign exchange differences	(67,861)	(1,935)	(968)	(70,764)
December 31, 2017	765,239	14,562	12,630	792,431
Accumulated depreciation:				
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)

(Unaudited, Expressed in Canadian Dollars)

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

5. MINERAL PROPERTIES

9 months ended September 30, 2018	Jan. 1, 2018	Additions	Foreign exchange	Sept. 30, 2018
Cuiú Cuiú	$ 1,254,589	$ 118,015	($ 125,358)	$ 1,247,246
Bom Jardim	41,189	8,147	(7,021)	42,315
Other	2,335	2,398	(601)	4,132
	$ 1,298,113	**$ 128,560**	**($ 132,980)**	**$ 1,293,693**

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
	$ 1,161,731	**$ 204,825**	**($ 68,443)**	**$ 1,298,113**

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 September 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 $1,610 as at September 30, 2018) to each of the 18 majority stakeholders and R$ 2,500 per year ($805) 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 $8,300 remained outstanding as at September 30, 2018.

6. POCONÉ

The Company was 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. Magellan Brazil held a 35% interest in PGM from the date of closing of the Magellan Brazil transaction in April 2016 through September 26, 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. None of the purchase price consideration relating to the Magellan Brazil transaction was attributed to the Poconé properties.

(Unaudited, Expressed in Canadian Dollars)

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

On September 26, 2018, an agreement was entered into pursuant to which the shares of PGM held by both Magellan Brazil and the Brazilian subsidiary of ECI were transferred to Brasil Central in exchange for Brasil Central taking over the debts of PGM and making nominal cash payments. A gain of $42,696 was recognised by the Company in connection with the termination of Magellan Brazil's share of certain PGM liabilities that had been previously recognised in Magellan Brazil's books of account.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Sept. 30, 2018	Dec. 31, 2017
Brazil, payroll and related costs	$ 94,773	$ -
Canada, professional fees	51,687	39,466
Brazil, employee litigation settlement	26,934	-
Brazil, third party permitting studies	18,132	-
Brazil, freight and travel	12,944	-
Brazil, restructured claim maintenance	10,045	34,211
Brazil, Cuiú Cuiú condominium liability (see Note 5)	8,276	7,840
Brazil, assay	5,476	-
Brazil, taxes (not restructured)	-	327,425
Cuiú Cuiú resource update	-	29,458
Due to officers and directors (see Note 13(b)	13,040	4,298
Brazil, other	15,446	-
Canada, other	18,549	6,913
	275,302	449,611
Less long-term (restructured Brazil claim maintenance)	(5,671)	(25,432)
	$ 269,631	**$ 424,179**

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.

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.

The new arrangements were finalised with respect to $280,798 of tax liabilities on February 26, 2018. Arrangements in respect of the remaining tax liabilities were finalised in the third quarter of 2018 resulting in the realisation of a gain in this quarter of $41,327. The total gain resulting from tax restructuring realised in the nine months ended September 30, 2018 amounted to $311,015.

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.

The restructured claim maintenance liabilities associated with PGM were eliminated in the third quarter of 2018 in connection with the disposal of PGM (see Note 6).

Magellan Brazil's share of restructured tax and claim maintenance liabilities of the ECI Venture amounted to $10,045 as at September 30, 2018 of which $5,671 is due subsequent to September 30, 2019 (see Note 7).

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 September 30, 2018 is comprised of a provision of $67,294 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

(Unaudited, Expressed in Canadian Dollars)

(a) Share capital

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 September 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**
September 30, 2018	**8,197,032**	**$**	**0.75**	**$**	**1,202,767**

A summary of the share purchase warrants outstanding as at September 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
September 30, 2018		**8,197,032**	**$**	**0.75**	**$**	**1,202,767**

(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

(Unaudited, Expressed in Canadian Dollars)

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

(c) Stock options

	Number of options	Weighted average exercise price		Reserves
December 31, 2017	**1,233,000**	**$ 0.34**	**$**	**222,903**
September 30, 2018	**1,683,000**	**$ 0.31**	**$**	**257,868**

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

	Expiration	Number of stock options	Weighted average exercise price
Stock options granted:			
December 6, 2017	Dec. 5, 2020	297,000	$ 0.35
February 15, 2017	Feb. 14, 2020	936,000	0.33
June 20, 2018	June 19, 2023	450,000	0.23
September 30, 2018		**1,683,000**	**$ 0.31**

Stock-based compensation totalled $34,965 in the nine months ended September 30, 2018 (nine months ended September 30, 2017: $163,800).

All stock options granted in the nine months ended September 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 September 30, 2018.

The weighted average remaining life of outstanding stock options as at September 30, 2018 was 29 months (December 31, 2017: 28 months).

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

(Unaudited, Expressed in Canadian Dollars)

	June 20, 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

9 months ended September 30, 2018	Cuiú Cuiú	Pocone	Local administration	Total
Payroll	$ 577,869	$ -	$ 100,168	$ 678,037
Consulting, third parties	426,586	-	-	426,586
Field costs	399,972	-	-	399,972
Freight and travel	175,689	-	14,508	190,197
Office and logistics	-	-	101,764	101,764
Assay	42,624	-	-	42,624
Other (1)	-	13,566	-	13,566
	$ 1,622,740	**$ 13,566**	**$ 216,440**	**$ 1,852,746**

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

9 months ended September 30, 2017	Cuiú Cuiú	Pocone	Local administration	Total
Payroll	$ -	$ -	$ 121,980	$ 121,980
Office and logistics	-	-	76,808	76,808
Consulting, third parties	41,619	-	-	41,619
Field costs	30,673	-	-	30,673
Freight and travel	495	-	15,217	15,712
Other (net)	-	1,135	-	1,135
	$ 72,787	**$ 1,135**	**$ 214,005**	**$ 287,927**

(Unaudited, Expressed in Canadian Dollars)

11. SALARY AND WAGES

Total payroll, internal consulting and related costs incurred in the nine months ended September 30, 2018 amounted to $934,399 (nine months ended September 30, 2017: $340,908).

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
Non-current assets:			
September 30, 2018	$ 1,441	$ 2,183,093	$ 2,184,534
December 31, 2017	3,186	2,076,345	2,079,531
Net loss:			
9 months ended September 30, 2018	819,025	1,522,410	2,341,435
9 months ended September 30, 2017	$ 700,108	$ 518,791	$ 1,218,899

13. RELATED PARTY TRANSACTIONS

(a) Management compensation

	9 months ended Sept. 30, 2018	9 months ended Sept. 30, 2017
Management:		
Employment and consulting remuneration	$ 212,500	$ 177,083
Payroll related costs	13,910	16,999
Stock-based compensation	34,965	-
Consulting fees (1)	28,000	-
	289,375	194,082
Directors:		
Stock-based compensation	-	130,725
Advisory fees (2)	-	46,875
	-	177,600

(Unaudited, Expressed in Canadian Dollars)

	$ 289,375	$ 371,682

(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 September 30, 2018, the Company owed a total of $13,040 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in November 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.

See Note 17 regarding the expected participation by officers and directors in the Company's private placement that is expected to close in late November or early December 2018.

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.

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

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 September 30, 2018 and December 31, 2017:

	Sept. 30, 2018		December 31, 2017	
	R$	US$	R$	US$
Cash and cash equivalents	272,074	69,489	382,321	20,126
Receivables and prepaid expenses	12,029	-	11,833	-
Accounts payable and accrued liabilities	(866,929)	(30,921)	(1,167,307)	-
	(582,826)	38,568	(773,153)	20,126
Equivalent in Canadian dollars	(187,670)	49,926	(292,794)	25,249

Based on the balances held as at September 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 $13,774.

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.

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

16. CONTINGENT LIABILITY

The Company is subject to litigation in the counties where it operates. As at June 20, 2018 and November 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 $67,294 with regards to all outstanding litigation and related exposures.

17. SUBSEQUENT EVENT

In October 2018, the Company announced the terms of a private placement comprised of up to 8,000,000 common shares at a price of $0.25 per share for gross proceeds of up to $2,000,000. Officers and directors of the Company intend to subscribe for between 10% and 15% of the private placement.

The Company intends to use the net proceeds from the private placement to complete a diamond drill program aimed at testing several of the recently identified high-grade structures at the Cuiú Cuiú property, ongoing costs of permitting relating to the Cuiú Cuiú property and for general corporate and working capital purposes.

Cabral will pay a cash finder's fee equivalent to up to 6% of the gross proceeds of the private placement and issue share purchase warrants (the "Finder's Warrants") to finder's equivalent to up to 6% of the number of common shares included in the private placement. Each Finder's Warrant will entitle the holder to purchase one common share of the Company at a purchase price of $0.25 for a period of up to 24 months following closing of the private placement.

The securities issued pursuant to the private placement will be subject to a four-month hold period from the closing date. Completion of the private placement and the payment of any finder's fees will be subject to the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange.

The private placement is expected to close in late November or early December 2018.