



Cabral Gold

Cabral Gold Inc.

An exploration stage company

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Unaudited)

THREE MONTHS ENDED MARCH 31, 2020

NOTICE

These unaudited interim consolidated financial statements have been prepared by management and have not been the subject of a review by the Company's independent auditor.

Cabral Gold Inc.**Condensed interim consolidated statements of financial position**

(Expressed in Canadian Dollars)

	Notes	March 31, 2020	Dec. 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 31,987	\$ 705,725
Accounts receivable		124,957	128,946
Prepaid expenses		26,400	61,296
Total Current assets		183,344	895,967
Non-current assets			
Fixed assets	5	892,845	973,539
Mineral properties	6	1,449,663	1,538,620
Total Assets		\$ 2,525,852	\$ 3,408,126
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 426,598	\$ 262,343
Total Current liabilities		426,598	262,343
Shareholders' equity			
Share capital	8(a)	11,866,177	11,866,177
Reserves	8(b), 8(c), 8(d)	2,107,345	2,030,044
Accumulated other comprehensive income		(644,986)	(338,571)
Accumulated deficit		(11,229,282)	(10,411,867)
Total Shareholders' equity		2,099,254	3,145,783
Total Liabilities and Shareholders' equity		\$ 2,525,852	\$ 3,408,126
Nature of operations and going concern (Note 1)			
Commitments and contingent liabilities (Notes 6 and 15)			

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

Approved by the Board of Directors

"Derrick Weyrauch"
Derrick Weyrauch, Director

"Dennis Moore"
Dennis Moore, 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 March 31, 2020	3 months ended March 31, 2019
Expenses			
Exploration and development	9	\$ 544,294	\$ 918,719
Management	12(a)	95,174	91,652
Office and administrative		80,094	65,356
Stock-based compensation	8(c), 8(d)	77,301	138,928
Depreciation	5	37,646	23,592
Professional fees		9,731	13,516
Travel		7,774	24,173
Listing expense		2,186	5,675
		<u>854,200</u>	<u>1,281,611</u>
Other income and expenses			
Foreign exchange expense		307	4,869
Interest income		(520)	(2,500)
Other income		(36,572)	-
Gain on disposal of PGM		-	(5,049)
		<u>817,415</u>	<u>1,278,931</u>
Net loss for the period			
		817,415	1,278,931
Other comprehensive income and loss			
Unrealised foreign currency translation items		306,415	47,034
		<u>306,415</u>	<u>47,034</u>
Total comprehensive loss for the period			
		\$ 1,123,830	\$ 1,325,965
Loss per share, Basic and diluted			
		\$ 0.01	\$ 0.03
Weighted average shares outstanding, Basic and diluted			
		61,659,250	38,862,418

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				Accumulated				Total shareholders' equity
	common shares	Share capital	Reserves, Warrants	Reserves, Stock options	Reserves, RSUs	other comprehensive loss	Accumulated deficit	shareholders' equity	
Balance at December 31, 2018	38,862,418	\$ 8,690,737	\$ 1,268,647	\$ 275,283	\$ -	\$ 186,563	\$ 6,113,753	\$ 3,934,351	
Share issuance costs	-	(1,180)	-	-	-	-	-	(1,180)	
Stock-based compensation	-	-	-	138,928	-	-	-	138,928	
Comprehensive loss	-	-	-	-	-	(47,034)	(1,278,931)	(1,325,965)	
Balance at March 31, 2019	38,862,418	\$ 8,689,557	\$ 1,268,647	\$ 414,211	\$ -	\$ 233,597	\$ 7,392,684	\$ 2,746,134	
Balance at December 31, 2019	61,659,250	\$ 11,866,177	\$ 1,328,820	\$ 694,335	\$ 6,889,000	\$ 338,571	\$ 10,411,867	\$ 3,145,783	
Stock-based compensation	-	-	-	72,134	5,167	-	-	77,301	
Comprehensive loss	-	-	-	-	-	(306,415)	(817,415)	(1,123,830)	
Balance at March 31, 2020	61,659,250	\$ 11,866,177	\$ 1,328,820	\$ 766,469	\$ 12,056	\$ 644,986	\$ 11,229,282	\$ 2,099,254	

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)

	3 months ended March 31, 2020	3 months ended March 31, 2019
OPERATING ACTIVITIES		
Net loss for the period	(\$ 817,415)	(\$ 1,278,931)
Adjustments for items not involving cash:		
Stock-based compensation	77,301	138,928
Depreciation	37,646	23,592
Unrealised foreign exchange loss	11,293	3,446
	(691,175)	(1,112,965)
Net changes in non-cash working capital:		
Increase (decrease) in accounts receivable	3,989	(6,760)
Decrease (increase) in prepaid expenses	34,896	(32,681)
Increase in accounts payable	144,054	173,477
Decrease in other liabilities and provisions	-	(824)
Cash used in operating activities	(508,236)	(979,753)
INVESTING ACTIVITIES		
Additions to mineral properties	(58,849)	(101,419)
Additions to fixed assets	(107,105)	(45,038)
Cash used in investing activities	(165,954)	(146,457)
FINANCING ACTIVITIES		
Share issuance costs	-	(1,180)
Cash provided by financing activities	-	(1,180)
Effect of change in exchange rate on cash	452	(2,585)
Net decrease in cash and cash equivalents	(673,738)	(1,129,975)
Cash and cash equivalents, beginning of period	705,725	1,684,630
Cash and cash equivalents, end of period	\$ 31,987	\$ 554,655

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

1. NATURE OF OPERATIONS

Cabral Gold Inc. (“Cabral Gold” or the “Company”; formerly San Angelo Oil Limited 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.

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 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. As at March 31, 2020, the Company had a net working capital deficit of \$243,254 (December 31, 2019: net working capital balance of \$633,624).

The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional funding from equity financings and/or loans provided by the Company’s existing shareholders and/or new shareholders and/or through other arrangements. There is no assurance that the Company will be successful in its funding efforts.

The recoverability of the carrying value of mineral properties and deferred expenditures is dependent upon a number of factors including the existence of recoverable reserves, 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.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

In the event the Company is unable to arrange appropriate financing, the carrying value of its assets and liabilities could be subject to material adjustment and the Company may 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. BASIS OF CONSOLIDATION

These financial statements include the accounts of Cabral Gold Inc. and its subsidiaries and associate (until September 2018) as follows:

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

	Location	Ownership	Functional currency
Cabral Gold Ltd.	Canada	100%	\$
Magellan Minerais Prospecção Geológica Ltda.	Brazil	100%	R\$
Poconé Gold Mineração Ltda.	Brazil	35%	R\$

The Company's interest in Magellan Minerais Prospecção Geológica Ltda. ("Magellan Brazil") is held through its wholly-owned subsidiary, Cabral Gold Ltd. ("CGL").

The Company's interest in Poconé Gold Mineração Ltda. ("PGM") was held through Magellan Brazil. The Company disposed of its interest in PGM in September 2018.

Magellan Brazil holds 100% of the Cuiú Cuiú property and several secondary properties.

Magellan Minerals Ltd. ("Magellan") was the parent company of Magellan Brazil until April 2016.

3. 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, 2019.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 29, 2020, 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, 2019.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has determined that new accounting standards or amendments to existing accounting standards that were effective for annual periods commencing on or after January 1, 2020 are either not applicable or do not have a significant impact on the Company's consolidated financial statements.

The Company has determined that new 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.

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

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

5. FIXED ASSETS

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2019	\$ 665,422	\$ 131,138	\$ 138,287	\$ 207,284	\$ 1,142,131
Additions	-	6,975	-	100,130	107,105
Foreign exchange differences	(97,567)	(21,655)	(21,702)	(37,312)	(178,236)
March 31, 2020	<u>567,855</u>	<u>116,458</u>	<u>116,585</u>	<u>270,102</u>	<u>1,071,000</u>
Accumulated depreciation:					
December 31, 2019	-	(33,290)	(69,670)	(65,632)	(168,592)
Depreciation expense	-	(8,470)	(8,488)	(20,688)	(37,646)
Foreign exchange differences	-	6,560	12,281	9,242	28,083
March 31, 2020	<u>-</u>	<u>(35,200)</u>	<u>(65,877)</u>	<u>(77,078)</u>	<u>(178,155)</u>
Net book value:					
December 31, 2019	665,422	97,848	68,617	141,652	973,539
March 31, 2020	\$ 567,855	\$ 81,258	\$ 50,708	\$ 193,024	\$ 892,845

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2018	\$ 721,310	\$ 63,014	\$ 150,718	\$ 106,517	\$ 1,041,559
Additions	-	79,890	-	113,286	193,176
Foreign exchange differences	(55,888)	(11,766)	(12,431)	(12,519)	(92,604)
December 31, 2019	<u>665,422</u>	<u>131,138</u>	<u>138,287</u>	<u>207,284</u>	<u>1,142,131</u>
Accumulated depreciation:					
December 31, 2018	-	(8,215)	(38,069)	(26,893)	(73,177)
Depreciation expense	-	(28,057)	(37,859)	(42,697)	(108,613)
Foreign exchange differences	-	2,982	6,258	3,958	13,198
December 31, 2019	<u>-</u>	<u>(33,290)</u>	<u>(69,670)</u>	<u>(65,632)</u>	<u>(168,592)</u>
Net book value:					
December 31, 2018	721,310	54,799	112,649	79,624	968,382
December 31, 2019	\$ 665,422	\$ 97,848	\$ 68,617	\$ 141,652	\$ 973,539

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

6. MINERAL PROPERTIES

3 months ended March 31, 2020				
	Jan. 1, 2020	Additions	Foreign exchange	Mar. 31, 2020
Cuiú Cuiú	\$ 1,420,696	\$ 42,810	(\$ 146,310)	\$ 1,317,196
Bom Jardim	102,039	36,240	(19,244)	119,035
Other	15,885	-	(2,453)	13,432
	<u>\$ 1,538,620</u>	<u>\$ 79,050</u>	<u>(\$ 168,007)</u>	<u>\$ 1,449,663</u>

Year ended December 31, 2019				
	Jan. 1, 2019	Additions	Foreign exchange	Dec. 31, 2019
Cuiú Cuiú	\$ 1,322,685	\$ 171,556	(\$ 73,545)	\$ 1,420,696
Bom Jardim	46,191	62,148	(6,300)	102,039
Other	4,511	12,244	(870)	15,885
	<u>\$ 1,373,387</u>	<u>\$ 245,948</u>	<u>(\$ 80,715)</u>	<u>\$ 1,538,620</u>

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 statutory claim maintenance expenditures to the Brazilian authorities each year to maintain its properties in good standing.

Cuiú Cuiú: Surface access agreement, garimpiero condominium

On February 19, 2006, Magellan Brazil entered into a surface access agreement with the holders of the traditional surface rights over the Cuiú Cuiú property. The owners are organised into a 'condominium' (which is similar to a cooperative, but with fewer rights) comprising minority stakeholders and majority stakeholders.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

The February 19, 2006 agreement has since been amended and extended several times with the most recent amendment taking place on March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R\$ 5,000 per year (equivalent of \$1,366 as at March 31, 2020) to each of the 19 majority stakeholders and R\$ 2,500 per year (\$683) to each of the 61 minority stakeholders.

Payments totalling approximately \$80,000 were made to the garimpieros (both majority and minority stakeholders) in April and May 2020 in connection with the surface access fee in respect of the year ended March 2021.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	Dec. 31, 2019
Due to officers and directors (see Note 14(b))	\$ 150,384	\$ 2,609
Brazil, payroll and related costs	101,518	81,496
Brazil, claim settlement	31,438	37,180
Canada, professional fees	28,599	40,063
Brazil, third party permitting studies	21,489	14,360
Brazil, Cuiú Cuiú condominium liability (see Note 6)	12,998	15,372
Brazil, freight and travel	8,113	10,902
Brazil, drilling and assay	-	9,185
Brazil, other	49,490	42,554
Canada, other	22,569	8,622
	\$ 426,598	\$ 262,343

8. SHAREHOLDERS' EQUITY

(a) Share capital

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

(b) Share purchase warrants

A continuity of the Company's share purchase warrants is as follows:

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

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

	Expiration	Number of warrants	Weighted average exercise price
December 31, 2018		5,097,368	0.72
Issued:			
Warrants (July 2019 private placement)	25-Jul-20	22,796,832	0.20
Finder warrants (July 2019 private placement)	25-Jul-20	970,358	0.20
Expired			
Class B warrants (Oct. 2017 private placement)	30-Oct-19	(3,465,664)	0.90
Finder warrants (Oct. 2017 private placement)	30-Oct-19	(400,878)	0.60
Finder warrants (Dec. 2016 private placement)	30-Oct-19	(264,826)	0.33
December 31, 2019		24,733,190	0.20
March 31, 2020		24,733,190	0.20

The Company had the following share purchase warrants outstanding as at March 31, 2020:

Expiry date	Exercise price	Number of warrants
Warrants (July 2019 private placement)	July 25, 2020	22,796,832
Finder warrants (July 2019 private placement)	July 25, 2020	970,358
Finder warrants (Dec. 2018 private placement)	Nov. 28, 2020	366,000
Pre-Transaction San Angelo warrants	May 26, 2021	600,000
	0.20	24,733,190

The weighted average remaining life of outstanding share purchase warrants as at March 31, 2020 was four months (December 31, 2019: seven months).

(c) Stock options

A continuity of the Company's stock options is as follows:

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

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

	Expiration	Number of options	Weighted average exercise price
December 31, 2018		1,683,000	0.31
Issued:			
January 23, 2019	22-Jan-24	1,694,672	0.25
September 9, 2019	6-Sep-24	2,575,000	0.15
Expired		(307,000)	0.33
Forfeited		(174,579)	0.25
December 31, 2019		5,471,093	0.22
March 31, 2020		5,471,093	0.22

The weighted average remaining life of outstanding stock options as at March 31, 2020 was 41 months (December 31, 2019: 44 months).

Stock-based compensation relating to stock options totalled \$72,134 in the three months ended March 31, 2020 (three months ended March 31, 2019: \$138,928).

(d) Restricted share units

A continuity of the Company's restricted share units ("RSUs") is as follows:

	Number of RSUs
December 31, 2018	-
Issued:	
September 6, 2019	266,666
December 31, 2019	266,666
March 31, 2020	266,666

Stock-based compensation relating to RSUs totalled \$5,167 in the three months ended March 31, 2020 (three months ended March 31, 2019: nil).

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

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

9. EXPLORATION AND EVALUATION

3 months ended March 31, 2020					
	Cuiú Cuiú		Other	Logistical support	Total
Payroll	\$ 208,561	\$ -	\$ -	\$ 10,543	\$ 219,104
Field costs	164,303	14,361	-	-	178,664
Freight and travel	61,678	-	-	6,163	67,841
Consulting, third parties	49,330	-	-	-	49,330
Office and logistics	-	-	-	14,971	14,971
Assay	12,500	-	-	-	12,500
Other	-	1,884	-	-	1,884
	\$ 496,372	\$ 16,245	\$ -	\$ 31,677	\$ 544,294

3 months ended March 31, 2019					
	Cuiú Cuiú		Other	Logistical support	Total
Drilling contractor	\$ 375,930	\$ -	\$ -	\$ -	\$ 375,930
Payroll	227,910	-	-	9,148	237,058
Field costs	144,864	-	-	-	144,864
Freight and travel	58,902	-	-	10,535	69,437
Consulting, third parties	34,060	-	-	-	34,060
Office and logistics	-	-	-	27,574	27,574
Assay	20,521	-	-	-	20,521
Other	-	9,275	-	-	9,275
	\$ 862,187	\$ 9,275	\$ -	\$ 47,257	\$ 918,719

10. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the three months ended March 31, 2020 amounted to \$321,720 (three months ended March 31, 2019: \$319,686).

11. 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:

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

	Canada	Brazil	Total
Non-current assets:			
March 31, 2020	\$ 2,215	\$ 2,340,293	\$ 2,342,508
December 31, 2019	2,689	2,509,470	2,512,159
Net loss:			
3 months ended March 31, 2020	256,634	560,781	817,415
3 months ended March 31, 2019	\$ 341,775	\$ 937,156	\$ 1,278,931

12. RELATED PARTY TRANSACTIONS

(a) Management compensation

	3 months ended March 31, 2020	3 months ended March 31, 2019
Management:		
Employment and consulting remuneration	\$ 85,000	\$ 85,000
Payroll related costs	7,024	6,652
Stock-based compensation	60,352	75,101
	<u>152,376</u>	<u>166,753</u>
Directors (excluding management):		
Stock-based compensation, stock options	12,750	40,901
Stock-based compensation, RSUs	5,167	-
	<u>17,917</u>	<u>40,901</u>
	<u>\$ 170,293</u>	<u>\$ 207,654</u>

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

(b) Balances due to related parties

As at March 31, 2020, the Company owed a total of \$150,384 to management in connection with unpaid remuneration, unreimbursed expenditures incurred by management on behalf of the Company and advances made to the Company by management. This liability remained outstanding as at May 29, 2020. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

13. 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.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

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 going concern is disclosed in Note 1.

14. FINANCIAL INSTRUMENTS

(a) Carrying value and fair value

The Company's financial instruments comprise cash and cash equivalents, accounts receivable, prepaid expenses, 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, accounts receivable and prepaid expenses are classified as 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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

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 March 31, 2020 and December 31, 2019:

	March 31, 2020		December 31, 2019	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	68,852	1,049	1,114,883	9,660
Receivables	14,902	-	14,801	-
Accounts payable and accrued liabilities	(762,548)	(6,314)	(624,316)	(23,582)
	(678,794)	(5,265)	505,368	(13,922)
Equivalent in Canadian dollars	(185,447)	(7,469)	163,284	(18,082)

Based on the balances held as at March 31, 2020, a 10% decrease in the \$ per R\$ and \$ per US\$ exchange rates on this date would have resulted in an increase in the net loss for the year then ended of approximately \$19,292.

Liquidity risk

Liquidity risk encompasses the risk that an entity cannot meet its financial obligations in full as they become due. The Company seeks to manage 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 March 31, 2020.

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 did not have any interest bearing liabilities outstanding as at March 31, 2020.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2020

15. CONTINGENT LIABILITY

The Company is subject to litigation in the counties where it operates. As at March 31, 2020 and May 29, 2020, there was one case outstanding which had not been settled or where final judgement had not been rendered. Management is vigorously defending against this claim and has assessed the likelihood of loss related to the outstanding litigation as nil with regards to this outstanding litigation and related exposures.