



# Cabral Gold

## **Cabral Gold Inc.**

An exploration stage company

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
(Unaudited)

SIX MONTHS ENDED JUNE 30, 2019

## Cabral Gold Inc.

### Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes	June 30, 2019	Dec. 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 138,230	\$ 1,684,630
Accounts receivable		105,439	92,855
Prepaid expenses		71,500	16,336
<b>Total Current assets</b>		<b>315,169</b>	<b>1,793,821</b>
<b>Non-current assets</b>			
Fixed assets	5	951,851	968,382
Mineral properties	6	1,504,469	1,373,387
<b>Total Assets</b>		<b>\$ 2,771,489</b>	<b>\$ 4,135,590</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 418,683	\$ 197,186
Other liabilities and provisions	9	3,084	4,053
<b>Total Current liabilities</b>		<b>421,767</b>	<b>201,239</b>
<b>Total liabilities</b>		<b>421,767</b>	<b>201,239</b>
<b>Shareholders' equity</b>			
Share capital	10(a)	8,689,557	8,690,737
Reserves	10(b), 10(c)	1,756,252	1,543,930
Subscription receipts	18	404,000	-
Accumulated other comprehensive income		(248,479)	(186,563)
Accumulated deficit		(8,251,608)	(6,113,753)
<b>Total Shareholders' equity</b>		<b>2,349,722</b>	<b>3,934,351</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>\$ 2,771,489</b>	<b>\$ 4,135,590</b>
<b>Nature of operations and going concern (Note 1)</b>			
<b>Subsequent events (Notes 6 and 18)</b>			
<b>Commitments and contingent liabilities (Notes 6, 9 and 17)</b>			

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 June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2019	6 months ended June 30, 2018
<b>Expenses</b>					
Exploration and evaluation	11	\$ 511,988	\$ 655,115	\$ 1,430,707	\$ 1,125,693
Stock-based compensation	10(c)	73,394	17,550	212,322	17,550
Management	14(a)	90,958	86,751	182,610	172,728
Office and administrative		105,821	56,424	171,177	135,343
Depreciation	5	25,580	17,133	49,172	25,857
Travel		17,510	35,660	41,683	49,890
Professional fees		26,997	59,266	40,513	187,618
Listing expense		6,358	4,447	12,033	17,776
		<u>858,606</u>	<u>932,346</u>	<u>2,140,217</u>	<u>1,732,455</u>
<b>Other income and expenses</b>					
Foreign exchange expense		3,411	(4,895)	8,280	(4,487)
Gain on disposal of PGM		-	-	(5,049)	-
Interest income		(3,093)	(5,068)	(5,593)	(15,900)
Adjustment to provisions		-	26,766	-	26,766
Penalties and financing charges		-	-	-	930
Loss (gain) on tax restructuring		-	11,110	-	(269,688)
		<u>\$ 858,924</u>	<u>\$ 960,259</u>	<u>\$ 2,137,855</u>	<u>\$ 1,470,076</u>
<b>Net loss for the period</b>					
<b>Other comprehensive income and loss</b>					
Unrealised foreign currency translation items		14,882	196,468	61,916	169,483
		<u>\$ 873,806</u>	<u>\$ 1,156,727</u>	<u>\$ 2,199,771</u>	<u>\$ 1,639,559</u>
<b>Total comprehensive loss for the period</b>					
Loss per share, Basic and diluted		\$ 0.02	\$ 0.03	\$ 0.06	\$ 0.05
Weighted average shares outstanding,					
Basic and diluted		38,862,418	31,412,418	38,862,418	31,412,418

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 common shares	Share capital	Subscription receipts	Reserves, Warrants	Reserves, Stock options	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
<b>Balance at December 31, 2017</b>	<b>31,412,418</b>	<b>\$ 7,007,824.00</b>	<b>\$ -</b>	<b>\$ 1,202,767.00</b>	<b>\$ 222,903.00</b>	<b>(\$ 90,344)</b>	<b>(\$ 2,910,093)</b>	<b>\$ 5,433,057</b>
Stock options issued	-	-	-	-	17,550	-	-	17,550
Comprehensive loss	-	-	-	-	-	(169,483)	(1,470,076)	(1,639,559)
<b>Balance at June 30, 2018</b>	<b>31,412,418</b>	<b>\$ 7,007,824</b>	<b>\$ -</b>	<b>\$ 1,202,767</b>	<b>\$ 240,453</b>	<b>(\$ 259,827)</b>	<b>(\$ 4,380,169)</b>	<b>\$ 3,811,048</b>
<b>Balance at December 31, 2018</b>	<b>38,862,418</b>	<b>\$ 8,690,737</b>	<b>\$ -</b>	<b>\$ 1,268,647</b>	<b>\$ 275,283</b>	<b>(\$ 186,563)</b>	<b>(\$ 6,113,753)</b>	<b>\$ 3,934,351</b>
Subscription receipts	-	-	404,000	-	-	-	-	404,000
Share issuance costs	-	(1,180)	-	-	-	-	-	(1,180)
Stock options issued	-	-	-	-	212,322	-	-	212,322
Comprehensive loss	-	-	-	-	-	(61,916)	(2,137,855)	(2,199,771)
<b>Balance at June 30, 2019</b>	<b>38,862,418</b>	<b>\$ 8,689,557</b>	<b>\$ 404,000</b>	<b>\$ 1,268,647</b>	<b>\$ 487,605</b>	<b>(\$ 248,479)</b>	<b>(\$ 8,251,608)</b>	<b>\$ 2,349,722</b>

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)

	6 months ended June 30, 2019	6 months ended June 30, 2018
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(\$ 2,137,855)	(\$ 1,470,076)
Adjustments for items not involving cash:		
Stock-based compensation	212,322	17,550
Depreciation	49,172	25,857
Unrealised foreign exchange loss (gain)	(5,051)	33,516
Gain on tax restructuring	-	(269,688)
	<b>(1,881,412)</b>	<b>(1,662,841)</b>
Net changes in non-cash working capital:		
Increase in accounts receivable	(12,584)	(27,933)
Decrease (increase) in prepaid expenses	(55,164)	88,159
Increase in accounts payable	212,319	44,171
Decrease in other liabilities and provisions	-	5,173
<b>Cash used in operating activities</b>	<b>(1,736,841)</b>	<b>(1,553,271)</b>
<b>INVESTING ACTIVITIES</b>		
Additions to mineral properties	(149,423)	(247,684)
Additions to fixed assets	(60,001)	(94,465)
<b>Cash used in investing activities</b>	<b>(209,424)</b>	<b>(342,149)</b>
<b>FINANCING ACTIVITIES</b>		
Subscription receipts	404,000	-
Share issuance costs	(1,180)	-
<b>Cash provided by financing activities</b>	<b>402,820</b>	<b>-</b>
<b>Effect of change in exchange rate on cash</b>	<b>(2,955)</b>	<b>575</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,546,400)</b>	<b>(1,894,845)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,684,630</b>	<b>3,680,427</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 138,230</b>	<b>\$ 1,785,582</b>

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)

Six months ended June 30, 2019

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#### **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.

#### ***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 June 30, 2019, the Company had a net working capital deficiency of \$106,598 (December 31, 2018: net working capital balance of \$1,592,582).

In July 2019, the Company announced that it had closed a non-brokered private placement financing comprising the issuance of 22,796,832 units at a price of \$0.15 per Unit for gross proceeds of \$3,419,525 (see Note 18).

As at August 27, 2019, the Company did not have sufficient working capital to meet its planned objectives and property obligations for the twelve month period through June 30, 2020.

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.

In addition, the recoverability of the amounts shown as non-current assets is dependent upon the Company achieving its operational targets, the ability of the Company to obtain financing to maintain properties in good standing, the ability of the Company to obtain financing to continue exploration of the properties, or alternatively, upon the Company’s ability to recover its incurred costs through a disposition of its interests, all of which are uncertain.

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.

#### **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)

Six months ended June 30, 2019

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	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, 2018.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of August 27, 2019, 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, 2018.

### 4. RECENT ACCOUNTING PRONOUNCEMENTS

#### *Accounting standards adopted during the period*

IFRS 16, Leases ("IFRS 16") replaced IAS 17, Leases ("IAS 17") effective for annual periods commencing on or after January 1, 2019. The new model requires the recognition of lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively.

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2019

The Company has determined that the adoption of IFRS 16 has had no impact on its consolidated financial statements.

#### *New accounting standards and interpretations*

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.

#### 5. FIXED ASSETS

	Land	Buildings	Vehicles	Equipment	Total
<b>Cost:</b>					
December 31, 2018	\$ 721,310	\$ 63,014	\$ 150,718	\$ 106,517	\$ 1,041,559
Additions	-	40,905	-	19,096	60,001
Foreign exchange differences	(20,145)	(3,052)	(4,481)	(2,938)	(30,616)
June 30, 2019	701,165	100,867	146,237	122,675	1,070,944
<b>Accumulated depreciation:</b>					
December 31, 2018	-	(8,215)	(38,069)	(26,893)	(73,177)
Depreciation expense	-	(12,519)	(19,509)	(17,144)	(49,172)
Foreign exchange differences	-	604	1,695	957	3,256
June 30, 2019	-	(20,130)	(55,883)	(43,080)	(119,093)
<b>Net book value:</b>					
December 31, 2018	721,310	54,799	112,649	79,624	968,382
<b>June 30, 2019</b>	<b>\$ 701,165</b>	<b>\$ 80,737</b>	<b>\$ 90,354</b>	<b>\$ 79,595</b>	<b>\$ 951,851</b>



## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2019

	Land	Buildings	Vehicles	Equipment	Total
<b>Cost:</b>					
December 31, 2017	\$ 765,239	\$ -	\$ 14,562	\$ 12,630	\$ 792,431
Additions	-	67,107	145,927	99,679	312,713
Foreign exchange differences	(43,929)	(4,093)	(9,771)	(5,792)	(63,585)
December 31, 2018	721,310	63,014	150,718	106,517	1,041,559
<b>Accumulated depreciation:</b>					
December 31, 2017	-	-	(5,899)	(5,114)	(11,013)
Depreciation expense	-	(8,749)	(34,646)	(23,070)	(66,465)
Foreign exchange differences	-	534	2,476	1,291	4,301
December 31, 2018	-	(8,215)	(38,069)	(26,893)	(73,177)
<b>Net book value:</b>					
December 31, 2017	765,239	-	8,663	7,516	781,418
<b>December 31, 2018</b>	<b>\$ 721,310</b>	<b>\$ 54,799</b>	<b>\$ 112,649</b>	<b>\$ 79,624</b>	<b>\$ 968,382</b>

## 6. MINERAL PROPERTIES

6 months ended June 30, 2019				
	Jan. 1, 2019	Additions	Foreign exchange	June 30, 2019
Cuiú Cuiú	\$ 1,322,685	\$ 135,077	(\$ 25,681)	\$ 1,432,081
Bom Jardim	46,191	23,524	(1,710)	68,005
Other	4,511	-	(128)	4,383
	<b>\$ 1,373,387</b>	<b>\$ 158,601</b>	<b>(\$ 27,519)</b>	<b>\$ 1,504,469</b>

Year ended December 31, 2018				
	Jan. 1, 2018	Additions	Foreign exchange	Dec. 31, 2018
Cuiú Cuiú	\$ 1,254,589	\$ 124,058	(\$ 55,962)	\$ 1,322,685
Bom Jardim	41,189	8,075	(3,073)	46,191
Other	2,335	2,377	(201)	4,511
	<b>\$ 1,298,113</b>	<b>\$ 134,510</b>	<b>(\$ 59,236)</b>	<b>\$ 1,373,387</b>

The Company's primary mineral property is Cuiú Cuiú.

## **Cabral Gold Inc.**

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

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2019

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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.

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 \$1,708 as at June 30, 2019) to each of the 21 majority stakeholders and R\$ 2,500 per year (\$854) to each of the 60 minority stakeholders.

Payments totalling approximately \$90,000 were made to the garimpieros (both majority and minority stakeholders) in April and May 2019 in connection with the surface access fee in respect of the year ended March 2020. With the exception of amounts totalling \$16,428, all payments had been made by August 27, 2019.

## **7. 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 through September 26, 2018.

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

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2019

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 \$49,963 was recognised by the Company in 2018 primarily 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. A further gain of \$5,049 was recognised in the six months ended June 30, 2019 relating to the Company's share of cash payments received in connection with the transaction.

The Company incurs various ongoing charges in connection with its share of costs of the ECI Venture. The Company has historically realised proceeds on the disposal of certain assets relating to both the ECI Venture and PGM, however, such cash inflows are not expected to continue in the future.

#### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2019	Dec. 31, 2018
Due to officers and directors (see Note 14(b))	\$ 131,012	\$ 8,870
Brazil, payroll and related costs	97,203	54,016
Canada, professional fees	61,210	60,131
Other exploration	39,007	9,018
Brazil, drilling and assay	37,931	-
Brazil, Cuiú Cuiú condominium liability (see Note 6)	16,248	7,277
Brazil, freight and travel	10,886	11,365
Canada, other	13,627	16,160
Brazil, other	11,559	-
Brazil, employee litigation settlement	-	11,711
Brazil, third party permitting studies	-	18,638
	<u>\$ 418,683</u>	<u>\$ 197,186</u>

#### 9. 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, 2019 is comprised of a provision of approximately \$3,100 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 17).

#### 10. SHAREHOLDERS' EQUITY

##### (a) Share capital

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

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2019

#### (b) Share purchase warrants

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

	Expiration	Number of warrants	Weighted average exercise price
<b>December 31, 2017</b>		<b>8,197,032</b>	<b>0.76</b>
Issued:			
Finder warrants (Dec. 2018 private placement)	28-Nov-20	366,000	0.25
Expired	30-Oct-18	(3,465,664)	0.75
<b>December 31, 2018</b>		<b>5,097,368</b>	<b>0.72</b>
<b>June 30, 2019</b>		<b>5,097,368</b>	<b>0.72</b>

The Company had the following share purchase warrants outstanding as at June 30, 2019:

Expiry date		Exercise price	Number of warrants
Finder warrants (Dec. 2016 private placement)	Oct. 30, 2019	0.333	264,826
Class B warrants (Oct. 2017 private placement)	Oct. 30, 2019	0.90	3,465,664
Finder warrants (Oct. 2017 private placement; (1))	Oct. 30, 2019	0.60	400,878
Pre-Transaction San Angelo warrants	May 26, 2021	0.25	600,000
Finder warrants (Dec. 2018 private placement)	Nov. 28, 2020	0.25	366,000
		<b>0.72</b>	<b>5,097,368</b>

- (1) Relates to units not common shares. Each unit is comprised of one common share of the Company, one-half of one class A warrant (expired October 30, 2018) and one-half of one class B warrant

The weighted average remaining life of outstanding share purchase warrants as at June 30, 2019 was seven months (December 31, 2018: 13 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)

Six months ended June 30, 2019

	Expiration	Number of options	Weighted average exercise price
<b>December 31, 2017</b>		<b>1,233,000</b>	<b>0.33</b>
Issued:			
June 20, 2018	19-Jun-23	450,000	0.23
<b>December 31, 2018</b>		<b>1,683,000</b>	<b>0.31</b>
Issued:			
January 23, 2019	22-Jan-24	1,694,672	0.25
Expired		(297,000)	0.33
Forfeited		(174,579)	0.25
<b>March 31, 2019</b>		<b>2,906,093</b>	<b>0.27</b>

The weighted average remaining life of outstanding stock options as at June 30, 2019 was 39 months (December 31, 2018: 26 months).

Stock-based compensation totalled \$212,322 in the six months ended June 30, 2019 (six months ended June 30, 2018: nil).

All stock options granted in the six months ended June 30, 2019 will vest in five equal tranches over 24 months including an initial tranche vesting on the date of issuance.

The fair values of the stock options granted in the six months ended June 30, 2019 were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	Jan. 23, 2019
	(\$0.25)
Dividends	-
Expected volatility (average)	143% - 153%
Risk-free interest rate	1.5% - 2.2%
Expected life (months)	60
Expected rate of forfeiture	0.0%

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2019

#### 11. EXPLORATION AND EVALUATION

6 months ended June 30, 2019				
	Cuiú Cuiú	Poconé	Logistical support	Total
Drilling contractor	\$ 477,315	\$ -	\$ -	\$ 477,315
Payroll	435,138	-	16,734	451,872
Field costs	231,884	-	-	231,884
Freight and travel	91,092	-	11,982	103,074
Office and logistics	-	-	57,775	57,775
Consulting, third parties	57,494	-	-	57,494
Assay	38,204	-	-	38,204
Other (1)	-	13,089	-	13,089
	<b>\$ 1,331,127</b>	<b>\$ 13,089</b>	<b>\$ 86,491</b>	<b>\$ 1,430,707</b>

6 months ended June 30, 2018				
	Cuiú Cuiú	Pocone	Logistical support	Total
Payroll	\$ 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
Office and logistics	-	-	80,314	80,314
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 asset rental revenues and proceeds on disposal of assets relating to the ECI Venture and PGM Venture (see Note 7)

#### 12. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the six months ended June 30, 2019 amounted to \$632,027 (six months ended June 30, 2018: \$600,300).

#### 13. 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)

Six months ended June 30, 2019

	Canada	Brazil	Total
<b>Non-current assets:</b>			
June 30, 2019	\$ 3,002	\$ 2,453,319	\$ 2,456,321
December 31, 2018	1,336	2,340,433	2,341,769
<b>Net loss:</b>			
6 months ended June 30, 2019	638,054	1,499,801	2,137,855
6 months ended June 30, 2018	\$ 598,528	\$ 871,548	\$ 1,470,076

#### 14. RELATED PARTY TRANSACTIONS

##### (a) Management compensation

	6 months ended June 30, 2019	6 months ended June 30, 2018
Management:		
Employment and consulting remuneration	\$ 170,000	\$ 135,000
Payroll related costs	12,610	9,728
Stock-based compensation	130,169	-
Consulting fees (1)	-	28,000
	<u>312,779</u>	<u>172,728</u>
Directors (excluding management):		
Stock-based compensation	47,857	17,550
	<u>47,857</u>	<u>17,550</u>
	<u>\$ 360,636</u>	<u>\$ 190,278</u>

- (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

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, 2019, the Company owed a total of \$131,012 to management in connection with unreimbursed expenditures incurred on behalf of the Company and deferred remuneration. Virtually all of this balance was paid in August 2019. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

#### 15. CAPITAL MANAGEMENT

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

- To safeguard its ability to continue as a going concern

## **Cabral Gold Inc.**

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

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2019

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- 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 going concern is disclosed in Note 1.

#### **16. 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



## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Six months ended June 30, 2019

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, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	41,407	414	568,251	49,394
Receivables	13,228	-	24,140	-
Accounts payable and accrued liabilities	(670,944)	(25,181)	(387,188)	(21,742)
	(616,309)	(24,767)	205,203	27,652
Equivalent in Canadian dollars	(210,470)	(32,413)	72,129	37,723

Based on the balances held as at June 30, 2019, 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 \$24,288.

#### *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 June 30, 2019.

#### *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.

## **Cabral Gold Inc.**

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

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2019

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The Company did not have any interest bearing liabilities outstanding as at June 30, 2019.

#### **17. CONTINGENT LIABILITY**

The Company is subject to litigation in the counties where it operates. As at June 30, 2019 and August 27, 2019, 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 \$3,100 with regard to all outstanding litigation and related exposures.

#### **18. SUBSEQUENT EVENT**

In July 2019, the Company announced that it had closed a non-brokered private placement financing comprising the issuance of 22,796,832 units ("Units") at a price of \$0.15 per Unit for gross proceeds of \$3,419,525. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant ("Warrant") entitles the holder to acquire one common share at a purchase price of \$0.20 for a period of 12 months following closing of the private placement.

Officers and directors of Cabral and their spouses subscribed for a total of 1,966,667 Units for gross proceeds of \$345,000 representing 10.1% of the total raised.

The Company paid aggregate cash finder's fees of \$158,846 and issued an aggregate of 1,058,972 share purchase warrants ("Finder's Warrants") to certain finders in connection with the private placement. Each Finder's Warrant entitles the holder to purchase one common share of the Company at a purchase price of \$0.20 for a period of 12 months following closing of the private placement.

All securities issued in connection with the private placement are subject to a statutory hold period of four months plus a day from the date of issuance.

Subscription receipts relating to the private placement totalling \$404,000 had been received as at June 30, 2019.