



# Cabral Gold

## **Cabral Gold Inc.**

An exploration stage company

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

**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	Sept. 30, 2019	Dec. 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,973,465	\$ 1,684,630
Accounts receivable		109,801	92,855
Prepaid expenses		58,996	16,336
<b>Total Current assets</b>		<b>2,142,262</b>	<b>1,793,821</b>
<b>Non-current assets</b>			
Fixed assets	5	914,605	968,382
Mineral properties	6	1,498,392	1,373,387
<b>Total Assets</b>		<b>\$ 4,555,259</b>	<b>\$ 4,135,590</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 364,697	\$ 197,186
Other liabilities and provisions	9	7,203	4,053
<b>Total Current liabilities</b>		<b>371,900</b>	<b>201,239</b>
<b>Total liabilities</b>		<b>371,900</b>	<b>201,239</b>
<b>Shareholders' equity</b>			
Share capital	10(a)	11,866,177	8,690,737
Reserves	10(b), 10(c), 10(d)	1,933,742	1,543,930
Accumulated other comprehensive income		(371,213)	(186,563)
Accumulated deficit		(9,245,347)	(6,113,753)
<b>Total Shareholders' equity</b>		<b>4,183,359</b>	<b>3,934,351</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>\$ 4,555,259</b>	<b>\$ 4,135,590</b>
<b>Nature of operations and going concern (Note 1)</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 Sept. 30, 2019	3 months ended Sept. 30, 2018	9 months ended Sept. 30, 2019	9 months ended Sept. 30, 2018
<b>Expenses</b>					
Exploration and evaluation	11	\$ 614,432	\$ 727,053	\$ 2,045,139	\$ 1,852,746
Stock-based compensation	10(c), 10(d)	117,317	17,415	329,639	34,965
Office and administrative		122,165	53,533	292,263	188,876
Management	14(a)	93,094	81,682	276,783	254,410
Depreciation	5	25,819	19,544	74,991	45,401
Travel		11,404	11,254	53,087	61,144
Professional fees		11,402	63,192	51,915	250,810
Listing expense		2,746	1,048	14,779	18,824
		<u>998,379</u>	<u>974,721</u>	<u>3,138,596</u>	<u>2,707,176</u>
<b>Other income and expenses</b>					
Foreign exchange expense		3,229	6,203	11,509	1,716
Gain on disposal of PGM		151	(42,696)	(4,898)	(42,696)
Interest income		(8,020)	(8,562)	(13,613)	(24,462)
Adjustment to provisions		-	(16,832)	-	9,934
Penalties and financing charges		-	(148)	-	782
Gain on tax restructuring		-	(41,327)	-	(311,015)
		<u>-</u>	<u>(41,327)</u>	<u>-</u>	<u>(311,015)</u>
<b>Net loss for the period</b>		<b><u>\$ 993,739</u></b>	<b><u>\$ 871,359</u></b>	<b><u>\$ 3,131,594</u></b>	<b><u>\$ 2,341,435</u></b>
<b>Other comprehensive income and loss</b>					
Unrealised foreign currency translation items		122,734	64,238	184,650	233,721
		<u>122,734</u>	<u>64,238</u>	<u>184,650</u>	<u>233,721</u>
<b>Total comprehensive loss for the period</b>		<b><u>\$ 1,116,473</u></b>	<b><u>\$ 935,597</u></b>	<b><u>\$ 3,316,244</u></b>	<b><u>\$ 2,575,156</u></b>
Loss per share, Basic and diluted		\$ 0.02	\$ 0.03	\$ 0.07	\$ 0.07
Weighted average shares outstanding, Basic and diluted		55,464,459	31,412,418	44,457,245	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	Reserves, Warrants	Reserves, Stock options	Reserves, RSUs	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>\$ 1,202,767.00</b>	<b>\$ 222,903.00</b>	<b>\$ -</b>	<b>(\$ 90,344)</b>	<b>\$ 2,910,093</b>	<b>\$ 5,433,057</b>
Stock-based compensation	-	-	-	34,965	-	-	-	34,965
Comprehensive loss	-	-	-	-	-	(233,721)	(2,341,435)	(2,575,156)
<b>Balance at September 30, 2018</b>	<b>31,412,418</b>	<b>\$ 7,007,824</b>	<b>\$ 1,202,767</b>	<b>\$ 257,868</b>	<b>\$ -</b>	<b>(\$ 324,065)</b>	<b>\$ 5,251,528</b>	<b>\$ 2,892,866</b>
<b>Balance at December 31, 2018</b>	<b>38,862,418</b>	<b>\$ 8,690,737</b>	<b>\$ 1,268,647</b>	<b>\$ 275,283</b>	<b>\$ -</b>	<b>(\$ 186,563)</b>	<b>\$ 6,113,753</b>	<b>\$ 3,934,351</b>
Units issued for cash	22,796,832	3,419,525	-	-	-	-	-	3,419,525
Share issuance costs	-	(244,085)	60,173	-	-	-	-	(183,912)
Stock-based compensation	-	-	-	327,917	1,722	-	-	329,639
Comprehensive loss	-	-	-	-	-	(184,650)	(3,131,594)	(3,316,244)
<b>Balance at September 30, 2019</b>	<b>61,659,250</b>	<b>\$ 11,866,177</b>	<b>\$ 1,328,820</b>	<b>\$ 603,200</b>	<b>\$ 1,722</b>	<b>(\$ 371,213)</b>	<b>\$ 9,245,347</b>	<b>\$ 4,183,359</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)

	9 months ended Sept. 30, 2019	9 months ended Sept. 30, 2018
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(\$ 3,131,594)	(\$ 2,341,435)
Adjustments for items not involving cash:		
Stock-based compensation	329,639	34,965
Depreciation	74,991	45,401
Unrealised foreign exchange loss (gain)	5,829	39,506
Gain on tax restructuring (Note 7)	-	(311,015)
Gain on disposal of PGM (Note 6)	-	(42,696)
	<b>(2,721,135)</b>	<b>(2,575,274)</b>
Net changes in non-cash working capital:		
Increase in accounts receivable	(16,946)	(42,274)
Decrease (increase) in prepaid expenses	(42,660)	84,063
Increase in accounts payable	151,216	157,563
Increase (decrease) in other liabilities and provisions	4,119	(9,981)
<b>Cash used in operating activities</b>	<b>(2,625,406)</b>	<b>(2,385,903)</b>
<b>INVESTING ACTIVITIES</b>		
Additions to mineral properties	(206,968)	(296,848)
Additions to fixed assets	(111,245)	(118,560)
<b>Cash used in investing activities</b>	<b>(318,213)</b>	<b>(415,408)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares for cash	3,419,525	-
Share issuance costs	(183,912)	-
<b>Cash provided by financing activities</b>	<b>3,235,613</b>	<b>-</b>
<b>Effect of change in exchange rate on cash</b>	<b>(3,159)</b>	<b>1,777</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>288,835</b>	<b>(2,799,534)</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>\$ 1,973,465</b>	<b>\$ 880,893</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)

Nine months ended September 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 September 30, 2019, the Company had a net working capital balance of \$1,770,362 (December 31, 2018: \$1,592,582).

As at November 26, 2019, the Company did not have sufficient working capital to meet its planned exploration objectives and property obligations beyond the second quarter of 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)

Nine months ended September 30, 2019

	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 November 26, 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.

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



## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2019

#### *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	-	48,569	-	62,676	111,245
Foreign exchange differences	(67,182)	(10,976)	(14,944)	(10,036)	(103,138)
September 30, 2019	654,128	100,607	135,774	159,157	1,049,666
<b>Accumulated depreciation:</b>					
December 31, 2018	-	(8,215)	(38,069)	(26,893)	(73,177)
Depreciation expense	-	(19,409)	(28,855)	(26,727)	(74,991)
Foreign exchange differences	-	2,701	6,588	3,818	13,107
September 30, 2019	-	(24,923)	(60,336)	(49,802)	(135,061)
<b>Net book value:</b>					
December 31, 2018	721,310	54,799	112,649	79,624	968,382
<b>September 30, 2019</b>	<b>\$ 654,128</b>	<b>\$ 75,684</b>	<b>\$ 75,438</b>	<b>\$ 109,355</b>	<b>\$ 914,605</b>

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 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

9 months ended September 30, 2019				
	Jan. 1, 2019	Additions	Foreign exchange	Sept. 30, 2019
Cuiú Cuiú	\$ 1,322,685	\$ 147,664	(\$ 88,127)	\$ 1,382,222
Bom Jardim	46,191	63,156	(8,825)	100,522
Other	4,511	12,443	(1,306)	15,648
	<b>\$ 1,373,387</b>	<b>\$ 223,263</b>	<b>(\$ 98,258)</b>	<b>\$ 1,498,392</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)

Nine months ended September 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 \$1,591 as at September 30, 2019) to each of the 21 majority stakeholders and R\$ 2,500 per year (\$796) 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 \$15,144, all payments had been made to the garimpieros as at September 30, 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)

Nine months ended September 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 \$4,898 was recognised in the nine months ended September 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

	Sept. 30, 2019	Dec. 31, 2018
Brazil, payroll and related costs	112,399	54,016
Brazil, drilling and assay	75,894	-
Other exploration	47,007	9,018
Canada, professional fees	38,997	60,131
Canada, other	24,534	16,160
Brazil, freight and travel	19,061	11,365
Brazil, third party permitting studies	16,388	18,638
Due to officers and directors (see Note 14(b))	\$ 15,273	\$ 8,870
Brazil, Cuiú Cuiú condominium liability (see Note 6)	15,144	7,277
Brazil, employee litigation settlement	-	11,711
	<u>\$ 364,697</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 September 30, 2019 is comprised of a provision of approximately \$7,200 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)

Nine months ended September 30, 2019

#### *July 2019 private placement*

On July 25, 2019, the Company closed a private placement financing pursuant to which a total of 22,796,832 units (“Units”) were issued 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.

Total finder’s fees paid to third parties in connection with the financing amounted to \$145,581, equivalent to 7% of the applicable proceeds raised. In addition, 970,358 share purchase warrants were issued to finders, equivalent to 7% of the number of applicable Units (see Note 10(b)). Each such 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.

#### (b) Share purchase warrants

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

	<b>Expiration</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
<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>
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
<b>September 30, 2019</b>		<b>28,864,558</b>	<b>0.29</b>

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

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 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
Warrants (July 2019 private placement)	July 25, 2020	0.20	22,796,832
Finder warrants (July 2019 private placement)	July 25, 2020	0.20	970,358
Finder warrants (Dec. 2018 private placement)	Nov. 28, 2020	0.25	366,000
Pre-Transaction San Angelo warrants	May 26, 2021	0.25	600,000
		<b>0.72</b>	<b>28,864,558</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 September 30, 2019 was eight months (December 31, 2018: 13 months).

#### (c) Stock options

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

	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
September 9, 2019	6-Sep-24	2,575,000	0.15
Expired		(307,000)	0.33
Forfeited		(174,579)	0.25
<b>September 30, 2019</b>		<b>5,471,093</b>	<b>0.22</b>

The weighted average remaining life of outstanding stock options as at September 30, 2019 was 47 months (December 31, 2018: 26 months).

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2019

Stock-based compensation relating to stock options totalled \$327,917 in the nine months ended September 30, 2019 (nine months ended September 30, 2018: \$34,965).

All stock options granted in the nine months ended September 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 nine months ended September 30, 2019 were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	Sept. 6, 2019 (\$0.15)	Jan. 23, 2019 (\$0.25)
Dividends	-	-
Expected volatility (average)	125%	153%
Risk-free interest rate	2.0%	2.2%
Expected life (months)	60	60
Expected rate of forfeiture	15.0%	13.0%

#### (d) Restricted share units

Under the terms of the Company's Restricted Share Unit Plan ("RSU Plan") the Board of Directors may, from time to time, grant to employees, officers and consultants, restricted share units ("RSUs") in such numbers and for such terms as may be determined by the Board of Directors. RSUs granted under the RSU Plan are exercisable after the vesting conditions, as specified by the Board of Directors, are met. The vesting period may not exceed three years.

On September 6, 2019, the Company granted a total of 266,666 RSUs to two non-executive directors of the Company. Fifty percent of the RSUs will vest on March 6, 2021 and the remaining 50% will vest on September 6, 2022. The fair value of the RSUs granted was determined based on the Company's share price on the date of grant being \$0.155.

A continuity of the Company's RSUs is as follows:

	Number of RSUs
<b>December 31, 2017</b>	-
<b>December 31, 2018</b>	-
Issued:	
September 6, 2019	266,666
<b>September 30, 2019</b>	<b>266,666</b>

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2019

Stock-based compensation relating to RSUs totalled \$1,722 in the nine months ended September 30, 2019 (nine months ended September 30, 2018: nil).

#### 11. EXPLORATION AND EVALUATION

9 months ended September 30, 2019				
	Cuiú Cuiú	Poconé	Logistical support	Total
Payroll	\$ 647,945	\$ -	\$ 35,394	\$ 683,339
Drilling contractor	569,018	-	-	569,018
Field costs	366,727	-	-	366,727
Freight and travel	144,394	-	15,282	159,676
Consulting, third parties	111,498	-	-	111,498
Office and logistics	-	-	74,881	74,881
Assay	60,783	-	-	60,783
Other (1)	6,366	12,851	-	19,217
	<b>\$ 1,906,731</b>	<b>\$ 12,851</b>	<b>\$ 125,557</b>	<b>\$ 2,045,139</b>

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
	<b>\$ 1,622,740</b>	<b>\$ 13,566</b>	<b>\$ 216,440</b>	<b>\$ 1,852,746</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 nine months ended September 30, 2019 amounted to \$989,375 (nine months ended September 30, 2018: \$934,399).



## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2019

#### 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:

	Canada	Brazil	Total
<b>Non-current assets:</b>			
September 30, 2019	\$ 2,739	\$ 2,410,258	\$ 2,412,997
December 31, 2018	1,336	2,340,433	2,341,769
<b>Net loss:</b>			
9 months ended Sept. 30, 2019	968,026	2,163,568	3,131,594
9 months ended Sept. 30, 2018	\$ 819,025	\$ 1,522,410	\$ 2,341,435

#### 14. RELATED PARTY TRANSACTIONS

##### (a) Management compensation

	9 months ended Sept. 30, 2019	9 months ended Sept. 30, 2018
Management:		
Employment and consulting remuneration	\$ 255,000	\$ 212,500
Payroll related costs	16,636	13,910
Stock-based compensation	178,748	34,965
Consulting fees (1)	-	28,000
	<u>450,384</u>	<u>289,375</u>
Directors (excluding management):		
Stock-based compensation	69,106	-
	<u>69,106</u>	<u>-</u>
	<u>\$ 519,490</u>	<u>\$ 289,375</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.

Officers and directors of Cabral and their spouses subscribed for a total of 1,966,667 Units of the July 2019 private placement representing gross proceeds of \$345,000 or 10.1% of the total gross proceeds raised.

## **Cabral Gold Inc.**

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

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2019

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

As at September 30, 2019, the Company owed a total of \$15,273 to management in connection with unreimbursed expenditures incurred on behalf of the Company. Virtually all of this balance was paid by November 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
- 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

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2019

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, 2019 and December 31, 2018:

	September 30, 2019		December 31, 2018	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	218,385	72,569	568,251	49,394
Receivables	21,240	-	24,140	-
Accounts payable and accrued liabilities	(965,851)	(23,550)	(387,188)	(21,742)
	(726,226)	49,019	205,203	27,652
Equivalent in Canadian dollars	(231,158)	64,916	72,129	37,723

Based on the balances held as at September 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 \$16,624.

##### *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

## **Cabral Gold Inc.**

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

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2019

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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, 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.

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

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

The Company is subject to litigation in the counties where it operates. As at September 30, 2019 and November 26, 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 \$7,200 with regard to all outstanding litigation and related exposures.