



Cabral Gold

Cabral Gold Inc.

An exploration stage company

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company were prepared by management in accordance with International Financial Reporting Standards, and within the framework of the significant accounting policies in the notes to these financial statements. Management is responsible for the preparation and presentation of the consolidated financial statements and Management Discussion and Analysis (“MD&A”).

A system of accounting and control is maintained in order to provide reasonable assurance that the assets are safeguarded and that transactions are properly recorded and executed in accordance with management’s authorization. The system includes established policies and procedures, the selection and training of qualified persons, and the appropriate delegation of authority and segregation of responsibilities for a corporation of the size of Cabral Gold Inc.

The Board of Directors, based on recommendations from its Audit Committee, reviews and approves the consolidated financial statements and MD&A. The Audit Committee meets with management and the Company’s independent auditors to ensure that management is fulfilling its responsibility to maintain financial controls and systems and to make recommendations to the Board of Directors for approval of all financial information released to the public. The Audit Committee also meets with the independent auditors to discuss the scope and the results of the audit and the audit report prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements for the years ended December 31, 2020 and 2019 have been audited on behalf of the shareholders by the Company’s independent auditors, DeVisser Gray LLP, in accordance with Canadian generally accepted auditing standards. The auditor’s report outlines the scope of their audit and their opinion on these consolidated financial statements.

“Alan Carter”

Alan Carter
President and Chief Executive Officer

“Paul Hansed”

Paul Hansed
Chief Financial Officer

March 26, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cabral Gold Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cabral Gold Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is G. Cameron Dong.



Chartered Professional Accountants

Vancouver, BC, Canada
March 26, 2021

Cabral Gold Inc.**Consolidated statements of financial position**

(Expressed in Canadian Dollars)

	Notes	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 5,477,780	\$ 705,725
Accounts receivable		116,078	128,946
Prepaid expenses		68,279	61,296
Total Current assets		5,662,137	895,967
Non-current assets			
Fixed assets	5	1,172,863	973,539
Mineral properties	6	1,519,490	1,538,620
Total Assets		\$ 8,354,490	\$ 3,408,126
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 416,077	\$ 262,343
Total Current liabilities		416,077	262,343
Shareholders' equity			
Share capital	10(a)	21,197,071	11,866,177
Reserves	10(b), 10(c), 10(d)	2,514,669	2,030,044
Accumulated other comprehensive income		(733,526)	(338,571)
Accumulated deficit		(15,039,801)	(10,411,867)
Total Shareholders' equity		7,938,413	3,145,783
Total Liabilities and Shareholders' equity		\$ 8,354,490	\$ 3,408,126
Nature of operations and going concern (Note 1)			
Subsequent events (Notes 6, 10 and 14)			
Commitments and contingent liabilities (Note 18)			

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.**Consolidated statements of loss and comprehensive loss**

(Expressed in Canadian Dollars except number of shares)

	Notes	Year ended	
		Dec. 31, 2020	Dec. 31, 2019
Expenses			
Exploration and development	11	\$ 2,651,842	\$ 2,837,886
Stock-based compensation	10(c), 10(d)	843,544	425,941
Management	14(a)	418,434	372,595
Marketing		342,638	337,212
Depreciation	5	174,619	108,613
Office and administrative		109,556	104,745
Travel		34,011	71,210
Professional fees		42,206	47,451
Listing expense		24,572	17,139
		<u>4,641,422</u>	<u>4,322,792</u>
Other income and expenses			
Foreign exchange loss		20,041	11,149
Interest income		(7,229)	(18,316)
Other income		(26,300)	(12,691)
Gain on disposal of PGM	7	-	(4,820)
		<u>4,627,934</u>	<u>4,298,114</u>
Net loss for the year			
		4,627,934	4,298,114
Other comprehensive income and loss			
Unrealised foreign currency translation items		394,955	152,008
		<u>\$ 5,022,889</u>	<u>\$ 4,450,122</u>
Total comprehensive loss for the year			
		\$ 5,022,889	\$ 4,450,122
Loss per share, Basic and diluted		\$ 0.05	\$ 0.09
Weighted average shares outstanding, Basic and diluted		85,452,013	48,793,093

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

Cabral Gold Inc.

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
Balance at December 31, 2018	38,862,418	\$ 8,690,737	\$ 1,268,647	\$ 275,283	\$ -	(\$ 186,563)	(\$ 6,113,753)	\$ 3,934,351
Units issued for cash	22,796,832	3,419,525	-	-	-	-	-	3,419,525
Unit issuance costs	-	(244,085)	60,173	-	-	-	-	(183,912)
Stock-based compensation	-	-	-	419,052	6,889	-	-	425,941
Comprehensive loss	-	-	-	-	-	(152,008)	(4,298,114)	(4,450,122)
Balance at December 31, 2019	61,659,250	\$ 11,866,177	\$ 1,328,820	\$ 694,335	\$ 6,889	(\$ 338,571)	(\$ 10,411,867)	\$ 3,145,783
Balance at December 31, 2019	61,659,250	\$ 11,866,177	\$ 1,328,820	\$ 694,335	\$ 6,889	(\$ 338,571)	(\$ 10,411,867)	\$ 3,145,783
Shares issued for cash:								
Private placement (non-brokered)	31,032,110	3,879,014	-	-	-	-	-	3,879,014
Private placement (brokered)	2,400,000	300,000	-	-	-	-	-	300,000
Exercise of warrants	23,907,877	5,104,865	(279,990)	-	-	-	-	4,824,875
Exercise of share stock options	492,500	231,482	-	(91,457)	-	-	-	140,025
Share issuance costs	-	(184,467)	12,528	-	-	-	-	(171,939)
Stock-based compensation	-	-	-	791,730	51,814	-	-	843,544
Comprehensive loss	-	-	-	-	-	(394,955)	(4,627,934)	(5,022,889)
Balance at December 31, 2020	119,491,737	\$ 21,197,071	\$ 1,061,358	\$ 1,394,608	\$ 58,703	(\$ 733,526)	(\$ 15,039,801)	\$ 7,938,413

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

Cabral Gold Inc.**Consolidated statements of cash flows**

(Expressed in Canadian Dollars)

	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
OPERATING ACTIVITIES		
Net loss for the year	(\$ 4,627,934)	(\$ 4,298,114)
Adjustments for items not involving cash:		
Depreciation	174,619	108,613
Stock-based compensation	843,544	425,941
Unrealised foreign exchange gain	132,701	11,472
Gain on disposal of PGM	-	(4,820)
	(3,477,070)	(3,756,908)
Net changes in non-cash working capital:		
Decrease (increase) in accounts receivable	12,868	(36,091)
Increase in prepaid expenses	(6,983)	(44,960)
Increase in accounts payable	131,160	46,075
Decrease in other liabilities and provisions	-	(3,084)
Cash used in operating activities	(3,340,025)	(3,794,968)
INVESTING ACTIVITIES		
Additions to mineral properties	(225,343)	(222,046)
Additions to fixed assets	(622,757)	(193,176)
Cash used in investing activities	(848,100)	(415,222)
FINANCING ACTIVITIES		
Issuance of shares and units for cash	9,143,914	3,419,525
Share issuance costs	(171,939)	(183,912)
Cash provided by financing activities	8,971,975	3,235,613
Effect of change in exchange rate on cash	(11,795)	(4,328)
Net increase (decrease) in cash and cash equivalents	4,772,055	(978,905)
Cash and cash equivalents, beginning of year	705,725	1,684,630
Cash and cash equivalents, end of year	\$ 5,477,780	\$ 705,725

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

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2020 and December 31, 2019

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. For the year ended December 31, 2020, the Company reported a net loss of \$4,627,934 (year ended December 31, 2019: net loss of \$4,298,114) and cash applied to operating activities of \$3,340,025 (year ended December 31, 2019: \$3,794,968), and as at that date had a net working capital balance of \$5,246,060 (December 31, 2019: \$633,624) and an accumulated deficit of \$15,039,801 (December 31, 2019: \$10,411,867).

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

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.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2020 and December 31, 2019

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 26, 2021, the effective date the Board of Directors approved these financial statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements as at and for the period ended December 31, 2020.

Certain of the prior year's figures have been reclassified to reflect the account classification adopted in the current year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All amounts are presented in Canadian Dollars unless otherwise indicated. A summary of significant accounting policies is as follows:

(a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

These financial statements include the accounts of Cabral Gold Inc. and its subsidiaries and former associate as follows:

	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's interest in PGM was disposed of in September 2018.

All intercompany transactions and balances have been eliminated upon consolidation.

Subsidiaries are those entities which Cabral Gold Inc. controls. The Company has control over an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is obtained by Cabral Gold Inc. and are deconsolidated from the date that control ceases.

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

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(c) Significant estimates and critical judgement

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgements and estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. Information about such judgements and estimation is contained in the accounting policies and notes to the consolidated financial statements, and the key areas are summarised below.

Functional currency

Management is required to assess the functional currency of each entity of the Company. In concluding the functional currencies of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Impairment of mineral properties

Mineral properties are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Assessment of impairment indicators involves the application of a number of significant judgments over internal and external factors including reserve and resource estimation, future precious metal prices, estimated costs of future production, changes in government legislation and regulations, estimated deferred income taxes, the availability of financing and various other operational factors. If any such indication exists, an estimate of the recoverable amount is undertaken. If the asset's carrying amount exceeds its recoverable amount, an impairment loss is recognised in the statement of loss.

Title to mineral properties

Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(d) Foreign currency translation

Functional currency

Items included in the financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2020 and December 31, 2019

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of loss.

Subsidiaries

The results and financial position of the Company's subsidiaries that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date
- Income and expenses are translated at average exchange rates for the period
- Equity is translated using historical rates
- All resulting exchange differences are recognised in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve (a component of other comprehensive loss). When a foreign operation is sold, such exchange differences are recognised in the statement of loss as part of the gain or loss on sale.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and short-term investments, which are readily convertible into cash or which have maturities of three months or less when purchased.

(f) Fixed assets

Fixed assets are recorded at cost. Depreciation of all depreciable fixed assets is provided on a straight-line basis over four years.

Fixed assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2020 and December 31, 2019

(g) Mineral properties and exploration and development expenditures

Costs relating to the acquisition and claim maintenance of mineral properties (including option payments and annual fees to maintain the property in good standing) are capitalised and deferred by property until the project to which they relate is sold, abandoned, impaired or placed into production.

The Company expenses all exploration, evaluation and development expenditures until management concludes that a future economic benefit is more likely than not to be realised. In evaluating if expenditures meet this criterion to be capitalised, management considers the following:

- The extent to which reserves or resources, as defined in National Instrument 43-101, have been identified in relation to the property in question;
- The conclusions of National Instrument 43-101 compliant preliminary economic assessment studies, preliminary feasibility studies and/or feasibility studies regarding the property in question;
- The status of environmental permits; and
- The status of mining leases or permits.

Once the Company considers that a future economic benefit is more likely than not of being realised, all subsequent costs directly relating to the advancement of the related area of interest are capitalised.

Capitalised mineral property costs are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped into CGUs. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(h) Decommissioning provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2020, the Company did not have any decommissioning obligations.

(i) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or

Cabral Gold Inc.

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directly in equity in which case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and stock options are recognised as a deduction from equity, net of any related income tax effects.

(k) Stock-based compensation

The Company grants stock options to certain of its employees, directors and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognised over the tranche's vesting period based on the number of awards expected to vest. This number is reviewed annually, with any change in

Cabral Gold Inc.

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estimate recognised immediately in compensation expense with a corresponding adjustment to reserves. Upon exercise of a stock option, consideration paid together with the stock-based compensation amount previously recognised in reserves is recorded as an increase to share capital.

The Company grants restricted share units (“RSUs”) to certain of its employees, directors and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant based on the market price of the Company’s common shares as at that date. Upon exercise of a RSU, the stock-based compensation amount previously recognised in reserves is recorded as an increase to share capital.

(l) Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by the treasury stock method.

(m) Accounting standards effective in 2020

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.

4. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2020, and have not been applied in preparing these consolidated financial statements.

The Company has determined that these new accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or will not have a significant impact on the Company’s consolidated financial statements.

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2020 and December 31, 2019

5. FIXED ASSETS

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2019	\$ 665,422	\$ 131,138	\$ 138,287	\$ 207,284	\$ 1,142,131
Additions	-	96,923	114,896	410,938	622,757
Foreign exchange differences	(116,466)	(45,819)	(51,156)	(96,457)	(309,898)
December 31, 2020	548,956	182,242	202,027	521,765	1,454,990
Accumulated depreciation:					
December 31, 2019	-	(33,290)	(69,670)	(65,632)	(168,592)
Depreciation expense	-	(36,354)	(41,545)	(96,720)	(174,619)
Foreign exchange differences	-	14,204	22,170	24,710	61,084
December 31, 2020	-	(55,440)	(89,045)	(137,642)	(282,127)
Net book value:					
December 31, 2019	665,422	97,848	68,617	141,652	973,539
December 31, 2020	\$ 548,956	\$ 126,802	\$ 112,982	\$ 384,123	\$1,172,863

	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	665,422	131,138	138,287	207,284	1,142,131
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	-	(33,290)	(69,670)	(65,632)	(168,592)
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

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6. MINERAL PROPERTIES

Year ended December 31, 2020				
	Jan. 1, 2020	Additions	Foreign exchange	Dec. 31, 2020
Cuiú Cuiú	\$ 1,420,696	\$ 176,679	(\$ 233,892)	\$ 1,363,483
Bom Jardim	102,039	63,229	(28,793)	136,475
Other	15,885	8,009	(4,362)	19,532
	\$ 1,538,620	\$ 247,917	(\$ 267,047)	\$ 1,519,490

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
	\$ 1,373,387	\$ 245,948	(\$ 80,715)	\$ 1,538,620

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.

(a) Cuiú Cuiú

Surface access agreement, garimpeiro 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.

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The February 19, 2006 agreement has since been amended and extended several times the most recent of which was on March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R\$ 5,400 per year (equivalent of \$1,323 as at December 31, 2020) to each of the 19 majority stakeholders and R\$ 2,700 per year (\$662) to each of the 61 minority stakeholders.

Payments totalling approximately \$66,000 are due to the garimpeiros (both majority and minority stakeholders) in April and May 2021 in connection with the surface access fee in respect of the year ended March 2022.

The agreement specifies that in the event that an economically viable gold resource is identified, Magellan Brazil will make an additional payment to the holders of the traditional surface rights based on the amount of gold defined (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Less than 1.0 million ounces: US\$ 2,000,000
- 1.0 million ounces to 2.0 million ounces: US\$ 3,000,000
- 2.0 million ounces to 3.0 million ounces: US\$ 4,000,000
- 3.0 million ounces to 4.0 million ounces: US\$ 6,000,000
- More than 4.0 million ounces: an additional US\$ 3,000,000 for every additional million ounces identified in excess of 4.0 million ounces of contained gold.

Upon delivery and approval of the final research reports on the areas under consideration to the Brazilian National Department of Mineral Production or at any time if the size of the gold reserve is found to be economically viable (pursuant to a formal feasibility study), Magellan Brazil is to provide written notice to the condominium following which the aforementioned payment is to be made within 90 days.

Acquisition of garimpeiro interests

The surface access agreement with the garimpeiro condominium provides the Company with the right to acquire any stakeholder's interest at any time for a specified price as defined in the agreement. Such purchases are made for the purpose of consolidating land tenure of strategic ground.

During 2020, the Company chose to acquire a minority stakeholder's interest at a negotiated price of R\$ 100,000 (approximately \$31,000). The purchase price was paid in full during 2020.

In March 2021, the Company chose to acquire the interest of a majority stakeholder for a price of R\$ 465,000 (approximately \$104,000) as per the terms of the garimpeiro condominium agreement. The purchase price was paid in full in March 2021.

New surface access and purchase agreements within the Cuiú Cuiú district

During 2020, the Company entered into three new surface access and purchase agreements relating to a total of 9,285 hectares located northeast and east of the the main Cuiú Cuiú property.

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Garimpo Cilmar

In August 2020, Magellan Brazil entered into an agreement pursuant to which it gained access to a parcel of land having a total area of approximately 5,447 hectares located northeast of the main Cuiú Cuiú property. The monthly fee for the year ending August 2021 amounts to R\$ 12,000 (\$2,941) per month; thereafter, the monthly charge is to be adjusted based on official inflation indices.

Garimpo Santa Barbara

In March 2020, Magellan Brazil entered into an agreement pursuant to which it gained access to a parcel of land having a total area of approximately 2,769 hectares in the Nova Aliança area located southeast of the main Cuiú Cuiú property. The monthly fee for the year ending February 2021 amounts to R\$ 6,000 (\$1,471) per month. In March 2021, the monthly fee was increased to R\$ 7,000 per month in respect of the year ending February 28, 2022.

Garimpo Nova Aliança

In February 2020, Magellan Brazil entered into an agreement pursuant to which it gained access to a parcel of land having a total area of approximately 1,069 hectares in the Nova Aliança area located east of the main Cuiú Cuiú property. The monthly fee for the year ending February 2021 amounts to R\$ 6,000 per month. In March 2021, the monthly fee was increased to R\$ 7,000 (\$1,716) per month in respect of the year ending February 28, 2022.

Based on the current terms, the total annualised surface access fees for the three properties will amount to R\$ 308,000 (approximately \$72,600) in respect of 2021.

Each of the three agreements include an option pursuant to which Magellan Brazil may purchase the subject property by making a payment to the owner based on the amount of gold defined on the applicable property at the time of activation and payment (as measured in accordance with provisions defined by the Brazilian National Mining Agency (*Agencia Nacional de Mineração*)) as follows:

- Less than 1.0 million ounces: US\$ 1,000,000
- 1.0 million ounces to 2.0 million ounces: US\$ 2,000,000
- 2.0 million ounces to 3.0 million ounces: US\$ 3,000,000
- 3.0 million ounces to 4.0 million ounces: US\$ 4,000,000
- More than 4.0 million ounces: an additional US\$ 1,000,000 for every additional million ounces identified in excess of 1.0 million ounces of contained gold to a maximum of US\$ 2,000,000.

Sandstorm NSR

In May 2012, Magellan Minerals Ltd. (“Magellan”), the former parent company of Magellan Brazil, and Magellan Brazil granted Sandstorm Gold Ltd. (“Sandstorm”) a 1.0% net smelter royalty (“NSR”) on the Cuiú Cuiú project for consideration of US\$ 500,000. The Company is required to pay an advance royalty of US\$ 250,000 on the date that it obtains a feasibility study that recommends placing all or part of the Cuiú Cuiú project into production and a further advance royalty payment of US\$ 250,000 on each one year anniversary of this date thereafter until the

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property enters commercial production. As part of the transaction, Magellan provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Cuiú Cuiú project.

Magellan's rights and responsibilities associated with this agreement were transferred to Cabral pursuant to an agreement dated May 2, 2016.

Equinox NSR

A 0.5% royalty on the Cuiú Cuiú property is held by Equinox Gold Corp. ("Equinox"). The Equinox NSR is subordinate to the Sandstorm NSR.

(b) Bom Jardim

In December 2020, the Company finalised an option agreement pursuant to which the Company agreed to provide an option to a third party to acquire a 51% interest in part of the Bom Jardim property. The object of the option agreement comprises approximately 6% of the total area of the Bom Jardim property. The agreement provides for the following:

- Option payments totalling US\$ 300,000 over three years, and
- Exploration expenditures totalling a minimum of US\$ 2,000,000 over three years.

Following acquisition of a 51% interest in the property, the optionee has the option to acquire a further 19% thereby increasing its total interest in the property to 70% in return for incurring a further US\$ 3,000,000 in exploration expenditures.

Following the increase in the optionee's interest in the property to 70%, the Company is required to cover 30% of applicable exploration spend in order to avoid diluting its interest. In the event the Company's interest is diluted to 10%, it may convert its interest to a 2.0% NSR on the property.

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 Minerals 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 effective April 15, 2016.

Virtually no exploration activity was undertaken on any of the Poconé properties since 2012. The Company has historically incurred various claim maintenance and other charges and realised proceeds on the liquidation of certain assets relating to both the ECI Venture and PGM.

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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. Gains of \$49,963 and \$4,820 were recognised by the Company in 2018 and 2019, respectively, 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.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Dec. 31, 2020	Dec. 31, 2019
Brazil:		
Payroll and related costs	\$ 88,913	\$ 81,496
Third party permitting and other studies	72,937	14,360
Claim settlement	28,204	37,180
Freight and travel	25,634	10,902
Cuiú Cuiú condominium liability	16,104	15,372
Drilling and assay	11,391	9,185
Other	86,431	42,554
Canada:		
Professional fees	17,758	40,063
Other	51,111	8,622
Due to officers and directors (see Note 14(b))	17,594	2,609
	<u>\$ 416,077</u>	<u>\$ 262,343</u>

9. INCOME TAXES

A reconciliation of income taxes at the statutory rate is as follows:

	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Net loss before income taxes	(\$ 4,627,934)	(\$ 4,298,114)
Statutory tax rate	30.78%	31.30%
Expected income tax recovery	(1,424,436)	(1,345,163)
Effect of deductible/non-deductible items for income tax purpoc	257,604	103,850
Unrecognised benefit of non-capital losses	1,166,832	1,241,313
Deferred income tax expense	<u>-</u>	<u>-</u>

The Company's deductible temporary differences and unused tax losses consist of the following amounts:

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	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Non-capital losses	\$ 21,844,047	\$ 21,671,227
Mineral properties	(1,519,490)	(1,538,620)
Fixed assets	(1,172,863)	(973,539)
Share issue costs	323,829	382,367
	<u>\$ 19,475,523</u>	<u>\$ 19,541,435</u>

The Company has non-capital losses of approximately \$6,600,000 in its Canadian operations and \$15,000,000 in its Brazilian operations for income tax purposes which are available to reduce future taxable income.

10. SHAREHOLDERS' EQUITY

(a) Share capital

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

June and July 2020 private placement

On July 7, 2020, the Company closed the third and final tranche of a private placement financing; the first and second closings took place on June 19, 2020 and July 6, 2020. A total of 33,432,110 common shares were issued at a price of \$0.125 per common share for gross proceeds of \$4,179,014. The private placement included a brokered component comprising 2,400,000 common shares for gross proceeds of \$300,000.

Total finder's fees paid to third parties in connection with the financing amounted to \$55,625; \$34,625 of this amount related to the non-brokered portion of the private placement and included \$18,000 paid through the issuance of common shares, while the remaining \$21,000 related to the brokered portion of the private placement and were paid through the issuance of 168,000 common shares. The Company also issued an aggregate of 144,000 share purchase warrants ("Broker Warrants") in connection with the brokered portion of the private placement (see Note 10(b)). Each Broker Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.20 for a period of 24 months following closing of the private placement.

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

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 was comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one

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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.

Escrowed shares

Under the policies of the TSX-V, an aggregate of 13,305,342 common shares exchanged for CGL shares in connection with the CGL Transaction were placed in escrow to be released over a 36-month period commencing in October 2017; 10% were released on October 31, 2017 and 15% were be released every six months thereafter through October 31, 2020. There were no common shares held in escrow as at December 31, 2020.

(b) Share purchase warrants

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

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	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
Issued:			
Broker warrants (June 2020 private placement)	19-Jun-22	144,000	0.20
Exercised:			
Finder warrants (July 2019 private placement)	25-Jul-20	(745,045)	0.20
Warrants (July 2019 private placement)	25-Nov-20	(22,296,832)	0.20
Finder warrants (Dec. 2018 private placement)	28-Nov-20	(366,000)	0.25
Pre-Transaction San Angelo warrants	26-May-21	(500,000)	0.25
Expired:			
Finder warrants (July 2019 private placement)	25-Jul-20	(225,313)	0.20
Warrants (July 2019 private placement)	25-Nov-20	(500,000)	0.20
December 31, 2020		244,000	0.22

The fair value of the finder warrants issued in 2019 and 2020 in connection with the July 2019 and June/July 2020 private placements, respectively, were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	June 19, 2020 (\$0.20)	July 25, 2019 (\$0.20)
Dividends	-	-
Expected volatility (average)	156%	97%
Risk-free interest rate	1.85%	0.86%
Expected life (months)	24	12

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

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	Expiry date	Exercise price	Number of warrants
Pre-Transaction San Angelo warrants	May 26, 2021	0.25	100,000
Broker warrants (June 2020 private placement)	June 19, 2022	0.20	144,000
		0.22	244,000

The weighted average remaining life of outstanding share purchase warrants as at December 31, 2020 was 12 months (December 31, 2019: seven months).

(c) Stock options

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

	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	5-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
Issued:			
July 21, 2020	21-Jul-25	3,405,000	0.27
November 14, 2020	13-Nov-25	1,150,000	0.60
Exercised		(492,500)	0.28
Expired		(672,645)	0.33
Forfeited		(90,000)	0.15
December 31, 2020		8,770,948	0.28

The weighted average remaining life of outstanding stock options as at December 31, 2020 was 48 months (December 31, 2019: 44 months).

Stock-based compensation relating to stock options totalled \$791,730 in the year ended December 31, 2020 (year ended December 31, 2019: \$419,052).

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All stock options granted in 2019 and 2020 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 2019 and 2020 were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	Nov. 14, 2020 (\$0.60)	July 21, 2020 (\$0.27)	Sept. 6, 2019 (\$0.15)	Jan. 23, 2019 (\$0.25)
Dividends	-	-	-	-
Expected volatility (average)	160%	164%	125%	153%
Risk-free interest rate	1.5%	1.5%	2.0%	2.2%
Expected life (months)	60	60	60	60
Expected rate of forfeiture	15.0%	15.0%	15.0%	13.0%

Subsequent to December 31, 2020 through March 26, 2021, a total of 23,500 stock options were exercised at a weighted average exercise price of \$0.22.

(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.

In August 2020, the Company granted a total of 575,000 RSUs to five officers and directors of the Company effective July 30, 2020. Fifty percent of the RSUs will vest on January 30, 2022 and the remaining 50% will vest on July 30, 2023. The fair value of the RSUs granted was determined based on the Company's share price on the date of grant being \$0.26.

In September 2019, the Company granted a total of 266,666 RSUs to two non-executive directors of the Company effective September 6, 2019. Fifty percent of the RSUs representing 133,332 common shares vested 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.

Stock-based compensation relating to RSUs totalled \$51,814 in the year ended December 31, 2020 (year ended December 31, 2019: \$6,889).

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

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	Number of RSUs
December 31, 2018	-
Issued:	
September 6, 2019	266,666
December 31, 2019	266,666
Issued:	
July 30, 2020	575,000
December 31, 2020	841,666

11. EXPLORATION AND DEVELOPMENT

Year ended December 31, 2020					
	Cuiú Cuiú		Other	Logistical support	Total
Payroll	\$ 815,060	\$ -	\$ 37,578	\$ 852,638	
Field costs	788,311	3,291	-	791,602	
Consulting, third parties	384,421	-	-	384,421	
Freight and travel	267,271	41,452	8,740	317,463	
Drilling	166,994	-	-	166,994	
Office and logistics	-	-	84,874	84,874	
Assay	53,850	-	-	53,850	
	\$ 2,475,907	\$ 44,743	\$ 131,192	\$ 2,651,842	

Year ended December 31, 2019					
	Cuiú Cuiú		Other	Logistical support	Total
Payroll	\$ 883,570	\$ -	\$ 48,371	\$ 931,941	
Drilling	806,059	-	-	806,059	
Field costs	494,136	14,839	-	508,975	
Freight and travel	218,464	-	17,170	235,634	
Consulting, third parties	182,624	-	-	182,624	
Office and logistics	-	-	95,619	95,619	
Assay	77,034	-	-	77,034	
	\$ 2,661,887	\$ 14,839	\$ 161,160	\$ 2,837,886	

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12. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the year ended December 31, 2020 amounted to \$1,289,571 (year ended December 31, 2019: \$1,336,716).

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
Non-current assets:			
December 31, 2020	\$ 4,995	\$ 2,687,358	\$ 2,692,353
December 31, 2019	\$ 2,689	\$ 2,509,470	\$ 2,512,159
Net loss:			
Year ended December 31, 2020	1,540,110	3,087,826	4,627,936
Year ended December 31, 2019	1,307,517	2,990,597	4,298,114

14. RELATED PARTY TRANSACTIONS

(a) Management compensation

	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Management:		
Employment remuneration	\$ 189,417	\$ 154,000
Consulting fees	190,167	186,000
Payroll related costs	21,656	23,281
Stock-based compensation, stock options	256,554	228,364
Stock-based compensation, RSUs	12,188	-
	<u>669,982</u>	<u>591,645</u>
Directors (excluding management):		
Stock-based compensation, stock options	154,547	85,151
Stock-based compensation, RSUs	39,626	6,889
	<u>194,173</u>	<u>92,040</u>
	<u>\$ 864,155</u>	<u>\$ 683,685</u>

Management comprises the Executive Chairman, the President and Chief Executive Officer and the Chief Financial Officer. Employment remuneration is paid to the President and Chief Executive Officer and the Chief Financial Officer. Consulting fees are paid to Geofin Consulting and Hornby

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Capital Corp., companies controlled by the Executive Chairman and the Chief Financial Officer, respectively.

(b) Balances due to related parties

As at December 31, 2020, the Company owed a total of \$17,594 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in the first quarter of 2021. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

(c) Other related party issues

All transactions with related parties have occurred in the normal course of operations and have been measured at the exchange amount, which is the amount agreed to by the related parties.

Officers and directors of the Company subscribed for a total of 1,700,000 common shares for gross proceeds of \$212,500 in the June and July 2020 private placement and 1,966,667 Units for gross proceeds of \$345,000 in the July 2019 private placement (see Note 10(a)).

Officers and directors of the Company and persons and entities related thereto exercised a total of 2,300,000 share purchase warrants at an exercise price of \$0.20 during 2020 (see Note 10(b)).

Officers and directors of the Company exercised a total of 297,000 stock options at an exercise price of \$0.35 during 2020 (see Note 10(c)).

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.

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16. FINANCIAL INSTRUMENTS

(a) Carrying value and fair value

The Company's financial instruments comprise cash and cash equivalents, accounts receivable (excluding sales taxes) and accounts payable and accrued liabilities.

Financial instruments recognised at fair value on the consolidated statements of financial position are classified in fair value hierarchy levels as follows:

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

Cash and cash equivalents and accounts receivable are classified as subsequently measured at amortised cost. Amortised cost approximates fair market value due to the short-term nature of the balances.

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

(b) Financial risks

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

Foreign exchange risk

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

The Company held the following foreign currency denominated balances as at December 31, 2020 and December 31, 2019:

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2020 and December 31, 2019

	December 31, 2020		December 31, 2019	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	2,277,986	3,895	1,114,883	9,660
Receivables and prepaid expenses	15,446	-	14,801	-
Accounts payable and accrued liabilities	(1,261,749)	-	(624,316)	(23,582)
	1,031,683	3,895	505,368	(13,922)
Equivalent in Canadian dollars	252,866	4,959	163,284	(18,082)

Based on the balances held as at December 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 \$25,782.

Liquidity risk

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

Credit risk

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

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at December 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 December 31, 2020.

17. SUPPLEMENTARY CASH FLOW INFORMATION

The consolidated statements of cash flows exclude the following items that do not require the use of cash:

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2020 and December 31, 2019

	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Share issuance costs paid in warrants	\$ 12,528	\$ 60,173

18. CONTINGENT LIABILITY

(a) Litigation

Various legal, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations and the Company is therefore subject to litigation in the counties in which it operates. As at December 31, 2020 and March 26, 2021, there was one legal case outstanding which had not been settled. 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. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Company's estimates.

(b) COVID-19

The Company's operations could be significantly and adversely impacted by the effects of a widespread global outbreak of a contagious disease, such as the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.