



Cabral Gold

Cabral Gold Inc.

An exploration stage company

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2020

NOTICE

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

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

(Expressed in Canadian Dollars)

| | Notes | Sept. 30, 2020 | Dec. 31, 2019 |
|--|------------------|---------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 4,460,412 | \$ 705,725 |
| Accounts receivable | | 128,873 | 128,946 |
| Prepaid expenses | | 90,041 | 61,296 |
| Total Current assets | | 4,679,326 | 895,967 |
| Non-current assets | | | |
| Fixed assets | 5 | 959,893 | 973,539 |
| Mineral properties | 6 | 1,460,357 | 1,538,620 |
| Total Assets | | \$ 7,099,576 | \$ 3,408,126 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 7 | \$ 406,678 | \$ 262,343 |
| Total Current liabilities | | 406,678 | 262,343 |
| Shareholders' equity | | | |
| Share capital | 8(a) | 18,077,202 | 11,866,177 |
| Reserves | 8(b), 8(c), 8(d) | 2,507,449 | 2,030,044 |
| Subscription receipts | | 242,667 | - |
| Accumulated other comprehensive income | | (855,093) | (338,571) |
| Accumulated deficit | | (13,279,327) | (10,411,867) |
| Total Shareholders' equity | | 6,692,898 | 3,145,783 |
| Total Liabilities and Shareholders' equity | | \$ 7,099,576 | \$ 3,408,126 |
| Nature of operations and going concern (Note 1) | | | |
| Subsequent events (Notes 8 and 16) | | | |
| Commitments and contingent liabilities (Notes 6 and 15) | | | |

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

Approved by the Board of Directors

"Derrick Weyrauch"

Derrick Weyrauch, Director

"Dennis Moore"

Dennis Moore, Director

Cabral Gold Inc.**Condensed interim consolidated statements of loss and comprehensive loss**

(Expressed in Canadian Dollars except number of shares)

| | Notes | 3 months ended Sept. 30, 2020 | 3 months ended Sept. 30, 2019 | 9 months ended Sept. 30, 2020 | 9 months ended Sept. 30, 2019 |
|---|------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Expenses | | | | | |
| Exploration and evaluation | 9 | \$ 733,325 | \$ 614,432 | \$ 1,591,871 | \$ 2,045,139 |
| Stock-based compensation | 8(c), 8(d) | 332,182 | 117,317 | 464,877 | 329,639 |
| Office and administrative | | 127,348 | 122,165 | 305,905 | 292,263 |
| Management | 12(a) | 124,867 | 93,094 | 315,820 | 276,783 |
| Depreciation | 5 | 47,412 | 25,819 | 116,211 | 74,991 |
| Professional fees | | 18,777 | 11,402 | 34,996 | 51,915 |
| Listing expense | | 13,277 | 2,746 | 19,360 | 14,779 |
| Travel | | - | 11,404 | 34,030 | 53,087 |
| | | 1,397,188 | 998,379 | 2,883,070 | 3,138,596 |
| Other income and expenses | | | | | |
| Foreign exchange expense | | 7,896 | 3,229 | 13,782 | 11,509 |
| Gain on sale of mineral property (net) | | 1,054 | - | (26,213) | - |
| Gain on disposal of PGM | 2 | - | 151 | - | (4,898) |
| Interest income | | (2,636) | (8,020) | (3,179) | (13,613) |
| Net loss for the period | | \$ 1,403,502 | \$ 993,739 | \$ 2,867,460 | \$ 3,131,594 |
| Other comprehensive income and loss | | | | | |
| Unrealised foreign currency translation items | | 57,660 | 122,734 | 516,522 | 184,650 |
| Total comprehensive loss for the period | | \$ 1,461,162 | \$ 1,116,473 | \$ 3,383,982 | \$ 3,316,244 |
| Loss per share, Basic and diluted | | \$ 0.01 | \$ 0.02 | \$ 0.04 | \$ 0.07 |
| Weighted average shares outstanding, Basic and diluted | | 99,436,507 | 55,464,459 | 75,387,276 | 44,457,245 |

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

Cabral Gold Inc.

Condensed interim consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars)

| | Issued common shares | Share capital | Subscription receipts | Reserves, Warrants | Reserves, Stock options | 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 |
| 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) |
| Balance at Sept. 30, 2019 | 61,659,250 | \$ 11,866,177 | \$ - | \$ 1,328,820 | \$ 603,200 | \$ 1,722 | (\$371,213) | (\$9,245,347) | \$ 4,183,359 |
| 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 | 33,432,110 | 4,179,014 | - | - | - | - | - | - | 4,179,014 |
| Exercise of warrants | 10,887,377 | 2,192,476 | - | - | - | - | - | - | 2,192,476 |
| Exercise of options | 95,500 | 16,075 | - | - | - | - | - | - | 16,075 |
| Share issuance costs | - | (176,540) | - | 12,528 | - | - | - | - | (164,012) |
| Subscription receipts | - | - | 242,667 | - | - | - | - | - | 242,667 |
| Stock-based compensation | - | - | - | - | 436,918 | 27,959 | - | - | 464,877 |
| Comprehensive loss | - | - | - | - | - | - | (516,522) | (2,867,460) | (3,383,982) |
| Balance at Sept. 30, 2020 | 106,074,237 | \$ 18,077,202 | \$ 242,667 | \$ 1,341,348 | \$ 1,131,253 | \$ 34,848 | (\$855,093) | (\$13,279,327) | \$ 6,692,898 |

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, 2020 | 9 months ended Sept. 30, 2019 |
|---|----------------------------------|----------------------------------|
| OPERATING ACTIVITIES | | |
| Net loss for the period | (\$2,867,460) | (\$3,131,594) |
| Adjustments for items not involving cash: | | |
| Stock-based compensation | 464,877 | 329,639 |
| Depreciation | 116,211 | 74,991 |
| Unrealised foreign exchange loss | 73,442 | 5,829 |
| | (2,212,930) | (2,721,135) |
| Net changes in non-cash working capital: | | |
| Decrease (increase) in accounts receivable | 73 | (16,946) |
| Increase in prepaid expenses | (28,745) | (42,660) |
| Increase in accounts payable | 122,636 | 151,216 |
| Increase in other liabilities and provisions | - | 4,119 |
| Cash used in operating activities | (2,118,966) | (2,625,406) |
| INVESTING ACTIVITIES | | |
| Additions to mineral properties | (210,359) | (206,968) |
| Additions to fixed assets | (384,496) | (111,245) |
| Cash used in investing activities | (594,855) | (318,213) |
| FINANCING ACTIVITIES | | |
| Issuance of shares for cash | 6,387,565 | 3,419,525 |
| Share issuance costs | (164,012) | (183,912) |
| Subscription receipts | 242,667 | - |
| Cash provided by financing activities | 6,466,220 | 3,235,613 |
| Effect of change in exchange rate on cash | 2,288 | (3,159) |
| Net decrease in cash and cash equivalents | 3,754,687 | 288,835 |
| Cash and cash equivalents, beginning of period | 705,725 | 1,684,630 |
| Cash and cash equivalents, end of period | \$ 4,460,412 | \$ 1,973,465 |

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, 2020

1. NATURE OF OPERATIONS

Cabral Gold Inc. (“Cabral Gold” or the “Company”) 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, 2020, the Company had a net working capital balance of \$4,272,648 (December 31, 2019: \$633,624).

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

The recoverability of the carrying value of mineral properties and deferred expenditures is dependent upon a number of factors including the existence of recoverable reserves, the ability of the Company to obtain financing to maintain properties in good standing and continue exploration and development and the discovery of economically recoverable reserves.

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

In the event the Company is unable to arrange appropriate financing, the carrying value of its assets and liabilities could be subject to material adjustment and the Company may not be able to meet its obligations as they become due in the normal course of business.

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, 2020

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

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

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. 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 International Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard 34, 'Interim Financial Reporting'. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2019.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of November 27, 2020, the effective date the Company's Board of Directors approved these financial statements.

The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2019.

4. RECENT ACCOUNTING PRONOUNCEMENTS

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

The Company has determined that new accounting standards or amendments to existing accounting standards that had been issued as at November 27, 2020 but which had future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

5. FIXED ASSETS

| | Land | Buildings | Vehicles | Equipment | Total |
|----------------------------------|-------------------|------------------|------------------|-------------------|-------------------|
| Cost: | | | | | |
| December 31, 2019 | \$ 665,422 | \$ 131,138 | \$ 138,287 | \$ 207,284 | \$ 1,142,131 |
| Additions | - | 27,010 | 80,369 | 277,117 | 384,496 |
| Foreign exchange differences | (150,510) | (39,160) | (55,715) | (99,862) | (345,247) |
| Sept. 30, 2020 | 514,912 | 118,988 | 162,941 | 384,539 | 1,181,380 |
| Accumulated depreciation: | | | | | |
| December 31, 2019 | - | (33,290) | (69,670) | (65,632) | (168,592) |
| Depreciation expense | - | (23,940) | (27,711) | (64,560) | (116,211) |
| Foreign exchange differences | - | 14,655 | 24,519 | 24,142 | 63,316 |
| Sept. 30, 2020 | - | (42,575) | (72,862) | (106,050) | (221,487) |
| Net book value: | | | | | |
| December 31, 2019 | 665,422 | 97,848 | 68,617 | 141,652 | 973,539 |
| Sept. 30, 2020 | \$ 514,912 | \$ 76,413 | \$ 90,079 | \$ 278,489 | \$ 959,893 |

| | 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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

6. MINERAL PROPERTIES

| 9 months ended Sept. 30, 2020 | | | | |
|--------------------------------------|---------------------|-------------------|-----------------------------|-----------------------|
| | Jan. 1, 2020 | Additions | Foreign exchange | Sept. 30, 2020 |
| Cuiú Cuiú | \$ 1,420,696 | \$ 158,935 | (\$269,234) | \$ 1,310,397 |
| Bom Jardim | 102,039 | 64,902 | (35,756) | 131,185 |
| Other | 15,885 | 8,221 | (5,331) | 18,775 |
| | \$ 1,538,620 | \$ 232,058 | (\$310,321) | \$ 1,460,357 |

| 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.

Cuiú Cuiú: Surface access and purchase agreement, garimpiero condominium

On February 19, 2006, Magellan Brazil entered into a surface access and purchase 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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Nine months ended September 30, 2020

The February 19, 2006 agreement has since been amended and extended several times with the most recent amendment dated March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R\$ 5,000 per year (equivalent of \$1,178 as at September 30, 2020) to each of the 18 majority stakeholders and R\$ 589 per year (\$624) to each of the 60 minority stakeholders.

Payments totalling approximately \$70,000 were made to the garimpieros in April and May 2020 in connection with the surface access fee in respect of the year ended March 2021.

New surface access and purchase agreements within the Cuiú Cuiú district

During 2020 to date, 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.

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 (\$2,827) 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 March 2021 amounts to R\$ 6,000 (\$1,414) per month; thereafter, the monthly charge is to be adjusted based on official inflation indices.

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 (\$1,414) per month; thereafter, the monthly charge is to be adjusted based on official inflation indices.

The total annualised surface access fees for the three properties amount to R\$ 288,000 (\$67,872) which is subject to adjustment based on official inflation indices.

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

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- 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.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | Sept. 30, 2020 | Dec. 31, 2019 |
|--|-------------------|-------------------|
| Brazil: | | |
| Payroll and related costs | \$ 117,407 | \$ 81,496 |
| Claim settlement | 27,111 | 37,180 |
| Third party contractors | 21,805 | - |
| Drilling and assay | 17,904 | 9,185 |
| Taxes | 15,922 | - |
| Cuiú Cuiú condominium liability (see Note 6) | 15,480 | 15,372 |
| Fuel | 14,826 | - |
| Freight and travel | 11,812 | 10,902 |
| Security | 10,835 | - |
| Deferred payroll taxes (Covid-19 program) | 7,953 | - |
| Third party permitting studies | 4,912 | 14,360 |
| Other | 39,391 | 42,554 |
| Canada: | | |
| Professional fees | 19,827 | 40,063 |
| Other | 55,545 | 8,622 |
| Due to officers and directors (see Note 12(b)) | 25,948 | 2,609 |
| | <u>\$ 406,678</u> | <u>\$ 262,343</u> |

8. SHAREHOLDERS' EQUITY

(a) Share capital

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

June 2020, initial closing of private placement

On June 19, 2020, the Company closed the first tranche of a private placement financing pursuant to which a total of 25,997,400 common shares were issued at a price of \$0.125 per common share for gross proceeds of \$3,249,675. The private placement included a brokered component comprising 2,400,000 common shares for gross proceeds of \$300,000. Two subsequent tranches of the private placement closed in July 2020.

Total finder's fees paid to third parties in connection with the financing amounted to \$49,500; \$21,000 of this amount 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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

the private placement (see Note 8(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 2020, second and final closings of private placement

On July 6, 2020 and July 7, 2020, the Company closed the second and final tranches of the private placement financing pursuant to which a total of 3,934,710 and 3,500,000 common shares, respectively, were issued for gross proceeds of \$491,839 and \$437,500, respectively. Both the second and final closings of the private placement were non-brokered and all common shares included therein were issued at a price of \$0.125 per common share.

In connection with the second and final closings of the private placement, the Company incurred finder's fees totalling \$3,500 all of which was paid in cash.

Exercise of share purchase warrants and stock options

In the nine months ended September 30, 2020, 10,887,337 share purchase warrants and 95,500 stock options were exercised (see Notes 8(b) and 8(c), respectively).

(b) Share purchase warrants

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

| | Expiration | Number of warrants | Weighted average exercise price |
|--|------------|--------------------|---------------------------------|
| December 31, 2018 | | 5,097,368 | 0.72 |
| Issued: | | | |
| Warrants (July 2019 private placement) | 25-Nov-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: | | | |
| Warrants (July 2019 private placement) | 25-Nov-20 | (9,842,332) | 0.20 |
| Finder warrants (July 2019 private placement) | 25-Jul-20 | (745,045) | 0.20 |
| Pre-Transaction San Angelo warrants | 26-May-21 | (300,000) | 0.25 |
| Expired: | | | |
| Finder warrants (July 2019 private placement) | 25-Jul-20 | (225,313) | 0.20 |
| September 30, 2020 | | 13,764,500 | 0.20 |

The fair value of the Broker Warrants issued in connection with the June 2020 private placement were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

| | June 19, 2020 |
|-------------------------|----------------------|
| | (\$0.20) |
| Dividends | - |
| Expected volatility | 156% |
| Risk-free interest rate | 1.85% |
| Expected life (months) | 24 |

The Company had the following share purchase warrants outstanding as at September 30, 2020:

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(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

| | Expiry date | Exercise price | Number of warrants |
|---|-------------------|----------------|--------------------|
| Warrants (July 2019 private placement) | November 25, 2020 | 0.20 | 12,954,500 |
| Finder warrants (Dec. 2018 private placement) | Nov. 28, 2020 | 0.25 | 366,000 |
| Pre-Transaction San Angelo warrants | May 26, 2021 | 0.25 | 300,000 |
| Broker warrants (June 2020 private placement) | June 19, 2022 | 0.20 | 144,000 |
| | | 0.20 | 13,764,500 |

The weighted average remaining life of outstanding share purchase warrants as at September 30, 2020 was two months (December 31, 2019: 11 months).

Extension of July 2019 warrants

In July 2020, the Company announced that it had extended the expiry date of the 22,796,832 share purchase warrants issued pursuant to the July 2019 private placement. The expiry date was extended from July 25, 2020, to November 25, 2020. All other terms of the share purchase warrants, including the \$0.20 exercise price, remained unchanged.

Exercise of share purchase warrants

In the nine months ended September 30, 2020, 10,887,337 share purchase warrants were exercised at a weighted average exercise price of \$0.20 for total proceeds of \$2,192,475.

In the period subsequent to September 30, 2020 through November 27, 2020, a further 13,020,500 share purchase warrants were exercised at a weighted average exercise price of \$0.20 for total proceeds of \$2,632,400.

(c) Stock options

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

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

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

| | | Number of | Weighted |
|---------------------------|-------------------|------------------|-------------------------------|
| Expiration | | options | average exercise price |
| December 31, 2018 | | 1,683,000 | 0.31 |
| Issued: | | | |
| January 23, 2019 | January 22, 2024 | 1,694,672 | 0.25 |
| September 9, 2019 | September 6, 2024 | 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 | July 21, 2025 | 3,405,000 | 0.27 |
| Exercised | | (95,500) | 0.17 |
| Expired | | (672,645) | 0.33 |
| Forfeited | | (90,000) | 0.15 |
| September 30, 2020 | | 8,017,948 | 0.23 |

In July 2020, the Company granted stock options to various employees, directors and consultants pursuant to the Company's stock option plan. The stock options entitle the holders to purchase a total of 3,405,000 common shares at a price of \$0.27 per common share. The stock options are exercisable for five years and are subject to vesting over 24 months.

The fair values of the stock options granted were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

| July 21, 2020 | |
|-----------------------------|-------|
| (\$0.27) | |
| Dividends | - |
| Expected volatility | 164% |
| Risk-free interest rate | 1.5% |
| Expected life (months) | 60 |
| Expected rate of forfeiture | 15.0% |

The Company had the following stock outstanding as at September 30, 2020:

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

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

| Grant date | Expiry date | Exercise price | Number of options |
|-------------------|--------------------|-----------------------|--------------------------|
| December 6, 2017 | December 5, 2020 | 0.35 | 297,000 |
| June 20, 2018 | June 19, 2023 | 0.23 | 450,000 |
| January 23, 2019 | January 22, 2024 | 0.25 | 1,458,948 |
| September 9, 2019 | September 6, 2024 | 0.15 | 2,407,000 |
| July 21, 2020 | July 21, 2025 | 0.27 | 3,405,000 |
| | | 0.23 | 8,017,948 |

In the nine months ended September 30, 2020, 95,500 stock options were exercised at an average exercise price of \$0.17 for total proceeds of \$16,075. In the period subsequent to September 30, 2020 through November 27, 2020, a further 347,000 stock options were exercised at an average exercise price of \$0.34 for total proceeds of \$116,450.

Stock-based compensation relating to stock options totalled \$436,918 in the nine months ended September 30, 2020 (nine months ended September 30, 2019: \$327,917).

The weighted average remaining life of outstanding stock options as at September 30, 2020 was 48 months (December 31, 2019: 44 months).

In November 2020, the Company granted stock options to various employees, a new director and consultants pursuant to the Company's stock option plan. The stock options entitle the holders to purchase a total of 1,150,000 common shares at a price of \$0.60 per common share. The stock options are exercisable for five years and are subject to vesting over 24 months.

(d) Restricted share units

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

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

In August 2020, the Company granted RSUs to five officers and directors pursuant to the Company's RSU plan. The RSUs entitle the holders to acquire a total of 575,000 common shares. 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 \$149,500.

Stock-based compensation relating to RSUs totalled \$27,959 in the nine months ended September 30, 2020 (nine months ended September 30, 2019: \$1,722).

9. EXPLORATION AND EVALUATION

| 9 months ended September 30, 2020 | | | | | | | | |
|-----------------------------------|-----------|---------|-------|--------------------|----|--------|----|---------|
| | Cuiú Cuiú | | Other | Logistical support | | Total | | |
| Payroll | \$ | 559,280 | \$ | - | \$ | 26,776 | \$ | 586,056 |
| Field costs | | 461,988 | | 3,282 | | - | | 465,270 |
| Consulting, third parties | | 195,445 | | 42,168 | | - | | 237,613 |
| Freight and travel | | 148,535 | | - | | 7,056 | | 155,591 |
| Office and logistics | | - | | - | | 61,100 | | 61,100 |
| Drilling (direct costs) | | 54,404 | | - | | - | | 54,404 |
| Assay | | 31,837 | | - | | - | | 31,837 |
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| 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 |
| | | | | | |
| | \$ | 1,906,731 | \$ 12,851 | \$ 125,557 | \$ 2,045,139 |

(1) Presented net of asset rental revenues and proceeds on disposal of assets relating to the ECI Venture and PGM Venture

10. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the nine months ended September 30, 2020 amounted to \$915,612 (nine months ended September 30, 2019: \$989,375).

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of mineral properties. The Company's assets are located in Canada and Brazil as follows:

| | Canada | Brazil | Total |
|-------------------------------|------------|--------------|--------------|
| Non-current assets: | | | |
| September 30, 2020 | \$ 2,372 | \$ 2,417,878 | \$ 2,420,250 |
| December 31, 2019 | 2,689 | 2,509,470 | 2,512,159 |
| Net loss: | | | |
| 9 months ended Sept. 30, 2020 | 1,063,982 | 1,803,479 | 2,867,461 |
| 9 months ended Sept. 30, 2019 | \$ 968,026 | \$ 2,163,568 | \$ 3,131,594 |

12. RELATED PARTY TRANSACTIONS

(a) Management compensation

| | 9 months ended Sept. 30, 2020 | 9 months ended Sept. 30, 2019 |
|---|----------------------------------|----------------------------------|
| Management: | | |
| Employment and consulting remuneration | \$ 285,833 | \$ 255,000 |
| Payroll related costs | 17,242 | 16,636 |
| Stock-based compensation, stock options | 183,389 | 178,748 |
| Stock-based compensation, RSUs | 4,875 | - |
| | <u>491,339</u> | <u>450,384</u> |
| Directors (excluding management): | | |
| Stock-based compensation, stock options | 77,468 | 67,384 |
| Stock-based compensation, RSUs | 23,084 | 1,722 |
| | <u>100,552</u> | <u>69,106</u> |
| | <u><u>\$ 591,891</u></u> | <u><u>\$ 519,490</u></u> |

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

(b) Balances due to related parties

As at September 30, 2020, the Company owed a total of \$25,948 to management in connection with unreimbursed expenditures incurred by management on behalf of the Company and advances made to the Company by management; this liability was repaid in full in October 2020. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

(c) Related parties, other issues

Officers and directors of Cabral subscribed for a total of 1,700,000 common shares for gross proceeds of \$212,500 in the June 2020 private placement.

13. CAPITAL MANAGEMENT

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

- To safeguard its ability to continue as a going concern
- To have sufficient capital to be able to meet its strategic objectives including the continued exploration and development of its existing mineral projects and the identification of additional projects.

Given the current exploration stage of its projects, the Company's primary source of capital is derived from equity issuances. Capital consists of equity attributable to common shareholders.

The Company has no externally imposed capital requirements and manages its capital structure in accordance with its strategic objectives and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares in the form of private placements and/or secondary public offerings.

Additional information relating to going concern is disclosed in Note 1.

14. FINANCIAL INSTRUMENTS

(a) Carrying value and fair value

The Company's financial instruments comprise cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities and other liabilities and provisions.

Financial instruments recognised at fair value on the consolidated balance sheets are classified in fair value hierarchy levels as follows:

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

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

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

(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, 2020 and December 31, 2019:

| | Sept.30, 2020 | | December 31, 2019 | |
|--|---------------|---------|-------------------|----------|
| | R\$ | US\$ | R\$ | US\$ |
| Cash and cash equivalents | 168,404 | 226,054 | 1,114,883 | 9,660 |
| Receivables | 15,596 | - | 14,801 | - |
| Accounts payable and accrued liabilities | (1,253,541) | - | (624,316) | (23,582) |
| | (1,069,541) | 226,054 | 505,368 | (13,922) |
| Equivalent in Canadian dollars | (251,984) | 301,533 | 163,284 | (18,082) |

Based on the balances held as at September 30, 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 \$4,955.

Liquidity risk

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

Credit risk

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2020

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at September 30, 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 September 30, 2020.

15. CONTINGENT LIABILITY

The Company is subject to litigation in the jurisdictions where it operates. As at September 30, 2020 and November 27, 2020, there was one case outstanding which had not been settled and for which final judgement had not been rendered. Management is vigorously defending against this claim and has assessed the likelihood of loss related to the outstanding litigation as nil with regards to this outstanding litigation and related exposures.

16. SUBSEQUENT EVENTS

Various events having a significant impact on the Company took place subsequent to September 30, 2020 as follows:

- The Company realised proceeds of \$2,632,400 on the exercise of 13,020,500 share purchase warrants in the period subsequent to September 30, 2020 through November 27, 2020 (see Note 8(b))
- The Company realised proceeds of \$116,450 on the exercise of 347,000 stock options in the period subsequent to September 30, 2020 through November 27, 2020 (see Note 8(c))
- The Company granted 1,150,000 stock options having an exercise price of \$0.60 in November 2020 (see Note 8(c)).

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including 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.