



Cabral Gold

Cabral Gold Inc.

An exploration stage company

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Unaudited)

THREE MONTHS ENDED MARCH 31, 2021

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	Mar. 31, 2021	Dec. 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 3,578,547	\$ 5,477,780
Accounts receivable		120,675	116,078
Prepaid expenses		116,510	68,279
Total Current assets		3,815,732	5,662,137
Non-current assets			
Fixed assets	5	1,181,066	1,172,863
Mineral properties	6	1,611,962	1,519,490
Total Assets		\$ 6,608,760	\$ 8,354,490
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 722,275	\$ 416,077
Total Current liabilities		722,275	416,077
Shareholders' equity			
Share capital	8(a)	21,202,346	21,197,071
Reserves	8(b), 8(c), 8(d)	2,764,385	2,514,669
Accumulated other comprehensive income		(970,941)	(733,526)
Accumulated deficit		(17,109,305)	(15,039,801)
Total Shareholders' equity		5,886,485	7,938,413
Total Liabilities and Shareholders' equity		\$ 6,608,760	\$ 8,354,490
Nature of operations and going concern (Note 1)			
Subsequent events (Note 16)			
Commitments and contingent liabilities (Note 15)			

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

Approved by the Board of Directors

"Derrick Weyrauch"
Derrick Weyrauch, Director

"Carlos Vilhena"
Carlos Vilhena, Director

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

(Expressed in Canadian Dollars except number of shares)

	Notes	3 months ended March 31, 2021	3 months ended March 31, 2020
Expenses			
Exploration and development	9	\$ 1,460,110	\$ 544,294
Stock-based compensation	8(c), 8(d)	249,716	77,301
Marketing		110,847	52,786
Management	12(a)	105,991	95,174
Depreciation	5	68,572	37,646
Office and administrative		32,757	27,308
Listing expense		23,807	2,186
Professional fees		19,787	9,731
Travel		-	7,774
		<u>2,071,587</u>	<u>854,200</u>
Other income and expenses			
Foreign exchange loss		1,830	307
Interest income		(3,913)	(520)
Other income		-	(36,572)
		<u>2,069,504</u>	<u>817,415</u>
Net loss for the period			
Other comprehensive income and loss			
Unrealised foreign currency translation items		237,415	306,415
		<u>\$ 2,306,919</u>	<u>\$ 1,123,830</u>
Total comprehensive loss for the period			
Loss per share, Basic and diluted		\$ 0.02	\$ 0.01
Weighted average shares outstanding, Basic and diluted		119,501,137	61,659,250

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

Cabral Gold Inc.

Condensed interim consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars)

	Issued common shares	Share capital	Reserves, Warrants	Reserves, Stock options	Reserves, RSUs	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
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
Stock-based compensation	-	-	-	72,134	5,167	-	-	77,301
Comprehensive loss	-	-	-	-	-	(306,415)	(817,415)	(1,123,830)
Balance at March 31, 2020	61,659,250	\$ 11,866,177	\$ 1,328,820	\$ 766,469	\$ 12,056	(\$ 644,986)	(\$ 11,229,282)	\$ 2,099,254
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
Shares issued for cash:								
Exercise of stock options	23,500	5,275	-	-	-	-	-	5,275
Stock-based compensation	-	-	-	227,009	22,707	-	-	249,716
Comprehensive loss	-	-	-	-	-	(237,415)	(2,069,504)	(2,306,919)
Balance at March 31, 2021	119,515,237	\$ 21,202,346	\$ 1,061,358	\$ 1,621,617	\$ 81,410	(\$ 970,941)	(\$ 17,109,305)	\$ 5,886,485

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

Cabral Gold Inc.**Condensed interim consolidated statements of cash flows**

(Expressed in Canadian Dollars)

	3 months ended March 31, 2021	3 months ended March 31, 2020
OPERATING ACTIVITIES		
Net loss for the period	(\$ 2,069,504)	(\$ 817,415)
Adjustments for items not involving cash:		
Depreciation	68,572	37,646
Stock-based compensation	249,716	77,301
Unrealised foreign exchange loss (gain)	(19,048)	11,293
	(1,770,264)	(691,175)
Net changes in non-cash working capital:		
Decrease (increase) in accounts receivable	(4,597)	3,989
Decrease (increase) in prepaid expenses	(48,231)	34,896
Increase in accounts payable	281,346	144,054
Cash used in operating activities	(1,541,746)	(508,236)
INVESTING ACTIVITIES		
Additions to mineral properties	(176,169)	(58,849)
Additions to fixed assets	(185,159)	(107,105)
Cash used in investing activities	(361,328)	(165,954)
FINANCING ACTIVITIES		
Issuance of shares and units for cash	5,275	-
Cash provided by financing activities	5,275	-
Effect of change in exchange rate on cash	(1,434)	452
Net increase (decrease) in cash and cash equivalents	(1,899,233)	(673,738)
Cash and cash equivalents, beginning of period	5,477,780	705,725
Cash and cash equivalents, end of period	\$ 3,578,547	\$ 31,987

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

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 three months ended March 31, 2021, the Company reported a net loss of \$2,069,504 (three months ended March 31, 2020: net loss of \$817,415), and as at that date had a net working capital balance of \$3,093,457 (December 31, 2020: \$5,246,060) and an accumulated deficit of \$17,109,305 (December 31, 2020: \$15,039,801).

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2020.

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, 2020.

4. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for annual periods commencing on or after January 1, 2021, 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

5. FIXED ASSETS

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2020	\$ 548,956	\$ 182,242	\$ 202,027	\$ 521,765	\$ 1,454,990
Additions	-	51,458	37,773	95,928	185,159
Foreign exchange differences	(45,485)	(22,895)	(23,649)	(45,995)	(138,024)
March 31, 2021	503,471	210,805	216,151	571,698	1,502,125
Accumulated depreciation:					
December 31, 2020	-	(55,440)	(89,045)	(137,642)	(282,127)
Depreciation expense	-	(14,726)	(15,211)	(38,635)	(68,572)
Foreign exchange differences	-	6,978	10,137	12,525	29,640
March 31, 2021	-	(63,188)	(94,119)	(163,752)	(321,059)
Net book value:					
December 31, 2020	548,956	126,802	112,982	384,123	1,172,863
March 31, 2021	\$ 503,471	\$ 147,617	\$ 122,032	\$ 407,946	\$ 1,181,066

	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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

6. MINERAL PROPERTIES

3 months ended March 31, 2021				
	Dec. 31, 2020	Additions	Foreign exchange	Mar. 31, 2021
Cuiú Cuiú	\$ 1,363,483	\$ 174,811	(\$ 92,145)	\$ 1,446,149
Bom Jardim	136,475	26,210	(14,499)	148,186
Other	19,532	-	(1,905)	17,627
	\$ 1,519,490	\$ 201,021	(\$ 108,549)	\$ 1,611,962

Year ended December 31, 2020				
	Dec. 31, 2019	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

The Company's primary mineral property is Cuiú Cuiú.

All of the Company's mineral properties are located in Brazil.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee their titles. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

It is possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties could be impaired in the future.

The Company is required to make statutory claim maintenance expenditures to the Brazilian authorities each year to maintain its properties in good standing.

Cuiú Cuiú surface access agreement, 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) comprising minority stakeholders and majority stakeholders.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

The February 19, 2006 agreement has since been amended and extended several times with the most recent amendment taking place on March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R\$ 5,400 per year (equivalent of \$1,194 as at March 31, 2021) to each of the 19 majority stakeholders and R\$ 2,700 per year (\$597) to each of the 61 minority stakeholders.

Payments totalling approximately \$60,000 were made to the garimpeiros (both majority and minority stakeholders) in March and April 2021 in connection with the surface access fee in respect of the year ended March 2022.

Acquisition of Cuiú Cuiú 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.

In March 2021, the Company acquired the interest of a majority stakeholder for a price of R\$ 474,000 (approximately \$105,000) pursuant to the terms of the garimpeiro condominium agreement.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	Dec. 31, 2020
Brazil:		
Drilling and assay	\$ 238,230	\$ 11,391
Payroll and related costs	123,986	88,913
Fuel	34,501	1,005
Freight and travel	33,481	25,634
Claim settlement	25,454	28,204
Third party contractors	21,325	20,359
Cuiú Cuiú condominium liability	19,013	16,104
Equipment rental	13,715	-
Third party permitting and other studies	-	72,937
Other	91,092	65,067
Canada:		
Marketing	45,100	41,200
Professional fees	30,854	17,758
Other	18,243	9,911
Due to officers and directors (see Note 12(b))	27,281	17,594
	<u>\$ 722,275</u>	<u>\$ 416,077</u>

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

8. SHAREHOLDERS' EQUITY

(a) Share capital

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

(b) Share purchase warrants

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

	Expiration	Number of warrants	Weighted average exercise price
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
March 31, 2021		244,000	0.22

The Company had the following share purchase warrants outstanding as at March 31, 2021:

	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

Subsequent to March 31, 2021 through May 28, 2021, a total of 100,000 share purchase warrants were exercised at a weighted average exercise price of \$0.25.

The weighted average remaining life of outstanding share purchase warrants as at March 31, 2021 was 9 months (December 31, 2020: 12 months).

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

(c) Stock options

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

	Expiration	Number of options	Weighted average exercise price
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
Exercised		(23,500)	0.28
March 31, 2021		8,747,448	0.28

The weighted average remaining life of outstanding stock options as at March 31, 2021 was 45 months (December 31, 2020: 48 months).

Stock-based compensation relating to stock options totalled \$227,009 in the three months ended March 31, 2021 (three months ended March 31, 2020: \$72,134).

(d) Restricted share units

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

	Number of RSUs
December 31, 2019	266,666
Issued:	
July 30, 2020	575,000
December 31, 2020	841,666
March 31, 2021	841,666

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

Stock-based compensation relating to RSUs totalled \$22,707 in the three months ended March 31, 2021 (three months ended March 31, 2020: \$5,167).

9. EXPLORATION AND DEVELOPMENT

3 months ended March 31, 2021				
	Cuiú Cuiú	Other	Logistical support	Total
Drilling	\$ 506,037	\$ -	\$ -	\$ 506,037
Field costs	407,665	4,602	-	412,267
Payroll	300,048	-	12,204	312,252
Freight and travel	129,282	-	579	129,861
Assay	38,298	-	-	38,298
Consulting, third parties	34,146	-	-	34,146
Office and logistics	-	-	27,249	27,249
	\$ 1,415,476	\$ 4,602	\$ 40,032	\$ 1,460,110

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

10. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the three months ended March 31, 2021 amounted to \$422,752 (three months ended March 31, 2020: \$321,720).

11. SEGMENTED INFORMATION

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

	Canada	Brazil	Total
Non-current assets:			
March 31, 2021	\$ 3,307	\$ 2,789,721	\$ 2,793,028
December 31, 2020	4,995	2,687,358	2,692,353
Net loss:			
3 months ended March 31, 2021	441,026	1,628,478	2,069,504
3 months ended March 31, 2020	\$ 256,634	\$ 560,781	\$ 817,415

12. RELATED PARTY TRANSACTIONS

(a) Management compensation

	3 months ended March 31, 2021	3 months ended March 31, 2020
Management:		
Employment remuneration	\$ 44,750	\$ 55,250
Consulting fees	49,000	29,750
Payroll related costs	7,791	7,024
Stock-based compensation, stock options	44,617	60,352
Stock-based compensation, RSUs	7,313	-
	<u>153,471</u>	<u>152,376</u>
Directors (excluding management):		
Stock-based compensation, stock options	49,317	12,750
Stock-based compensation, RSUs	15,394	5,167
	<u>64,711</u>	<u>17,917</u>
	<u>\$ 218,182</u>	<u>\$ 170,293</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 Capital Corp., companies controlled by the Executive Chairman and the Chief Financial Officer, respectively.

(b) Balances due to related parties

As at March 31, 2021, the Company owed a total of \$27,281 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in the second quarter of 2021. 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)

Three months ended March 31, 2021

(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.

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 (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.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

(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 March 31, 2021 and December 31, 2020:

	March 31, 2021		December 31, 2020	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	2,326,792	110,291	2,277,986	3,895
Receivables and prepaid expenses	265,140	-	15,446	-
Accounts payable and accrued liabilities	(2,619,669)	(2,323)	(1,261,749)	-
	(27,737)	107,968	1,031,683	3,895
Equivalent in Canadian dollars	(6,135)	135,770	252,866	4,959

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 March 31, 2021.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2021

Interest rate risk

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short-term nature, changes in interest rates will have a corresponding impact on interest income realised on such assets.

The Company did not have any interest-bearing liabilities outstanding as at March 31, 2021.

15. 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 March 31, 2021 and May 28, 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.

16. SUBSEQUENT EVENTS

(a) Acquisition of Cuiú Cuiú 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.

In May 2021, the Company acquired the interest of a majority stakeholder for a price of R\$ 474,000. An additional nominal amount relating to compensation for structures and other

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

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improvements on the property will be determined and paid in Q3 2021. This purchase followed from a purchase of the interest of another majority stakeholder in March 2021 (see Note 6).

(b) Stock options

Subsequent to March 31, 2021 through May 28, 2021, a total of 380,224 stock options were exercised at a weighted average exercise price of \$0.21 and 228,000 stock options having a weighted average exercise price of \$0.24 were forfeited.

(c) RSUs

Subsequent to March 31, 2021 through May 28, 2021, a total of 584,374 RSUs were granted to employees, officers and directors, and 374,999 RSUs vested .