Cabral Gold Inc.

An exploration stage company

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

THREE MONTHS ENDED MARCH 31, 2019

Cabral Gold Inc.

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes		March 31, 2019		Dec. 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents		$	554,655	$	1,684,630
Accounts receivable			99,615		92,855
Prepaid expenses			49,017		16,336
Total Current assets			**703,287**		**1,793,821**
Non-current assets					
Fixed assets	5		966,221		968,382
Mineral properties	6		1,460,518		1,373,387
Total Assets		**$**	**3,130,026**	**$**	**4,135,590**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	8	$	380,663	$	197,186
Other liabilities and provisions	9		3,229		4,053
Total Current liabilities			**383,892**		**201,239**
Total liabilities			**383,892**		**201,239**
Shareholders' equity					
Share capital	10(a)		8,689,557		8,690,737
Reserves	10(b), 10(c)		1,682,858		1,543,930
Accumulated other comprehensive income			(233,597)		(186,563)
Accumulated deficit			(7,392,684)		(6,113,753)
Total Shareholders' equity			**2,746,134**		**3,934,351**
Total Liabilities and Shareholders' equity		**$**	**3,130,026**	**$**	**4,135,590**

Nature of operations and going concern (Note 1)
Subsequent events (Notes 6 and 18)
Commitments and contingent liabilities (Notes 6, 9 and 17)

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

Approved by the Board of Directors

"Derrick Weyrauch"
Derrick Weyrauch, Director

"Charles Oliver"
Charles Oliver, 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, 2019		3 months ended March 31, 2018
Expenses					
Exploration and development	11	$	918,719	$	470,578
Stock-based compensation	10(c)		138,928		-
Management	14(a)		91,652		85,977
Office and administrative			65,356		78,919
Travel			24,173		14,230
Depreciation	5		23,592		8,724
Professional fees			13,516		128,352
Listing expense			5,675		13,329
			1,281,611		800,109
Other income and expenses					
Foreign exchange expense			4,869		408
Penalties and financing charges			-		837
Interest income			(2,500)		(10,739)
Gain on disposal of PGM			(5,049)		-
Gain on tax restructuring			-		(280,798)
Net loss for the year			**1,278,931**		**509,817**
Other comprehensive income and loss					
Unrealised foreign currency translation items			47,034		(26,985)
Total comprehensive loss for the year		**$**	**1,325,965**	**$**	**482,832**
Loss per share, Basic and diluted		$	0.03	$	0.02
Weighted average shares outstanding, Basic and diluted			38,862,418		31,412,418

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

Cabral Gold Inc.

Condensed interim consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars)

	Issued common shares		Share capital		Reserves, Warrants		Reserves, Stock options		Accumulated other comprehensive loss		Accumulated deficit		Total shareholders' equity
Balance at December 31, 2017	**31,412,418**	**$**	**7,007,824.00**	**$**	**1,202,767.00**	**$**	**222,903.00**	**($**	**90,344)**	**($**	**2,910,093)**	**$**	**5,433,057.00**
Comprehensive loss	-		-		-		-		26,985		(509,817)		**(482,832)**
Balance at March 31, 2018	**31,412,418**	**$**	**7,007,824**	**$**	**1,202,767**	**$**	**222,903**	**($**	**63,359)**	**($**	**3,419,910)**	**$**	**4,950,225**
Balance at December 31, 2018	**38,862,418**	**$**	**8,690,737**	**$**	**1,268,647**	**$**	**275,283**	**($**	**186,563)**	**($**	**6,113,753)**	**$**	**3,934,351**
Share issuance costs	-		(1,180)	$	-	$	-	$	-	$	-		**(1,180)**
Stock options issued	-		-		-		138,928		-		-		**138,928**
Comprehensive loss	-		-		-		-		(47,034)		(1,278,931)		**(1,325,965)**
Balance at March 31, 2019	**38,862,418**	**$**	**8,689,557**	**$**	**1,268,647**	**$**	**414,211**	**($**	**233,597)**	**($**	**7,392,684)**	**$**	**2,746,134**

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, 2019	3 months ended March 31, 2018
OPERATING ACTIVITIES		
Net loss for the period	($ 1,278,931)	($ 509,817)
Adjustments for items not involving cash:		
Depreciation	23,592	8,724
Stock-based compensation	138,928	-
Unrealised foreign exchange gain	3,446	(12,271)
Gain on tax restructuring	-	(280,798)
	(1,112,965)	**(794,162)**
Net changes in non-cash working capital:		
Increase in accounts receivable	(6,760)	(15,253)
Decrease (increase) in prepaid expenses	(32,681)	82,796
Increase in accounts payable	173,477	88,263
Decrease in other liabilities and provisions	(824)	-
Cash used in operating activities	**(979,753)**	**(638,356)**
INVESTING ACTIVITIES		
Additions to mineral properties	(101,419)	(14,454)
Additions to fixed assets	(45,038)	(103,590)
Cash used in investing activities	**(146,457)**	**(118,044)**
FINANCING ACTIVITIES		
Share issuance costs	(1,180)	-
Cash provided by financing activities	**(1,180)**	**-**
Effect of change in exchange rate on cash	**(2,585)**	**728**
Net increase in cash and cash equivalents	**(1,129,975)**	**(755,672)**
Cash and cash equivalents, beginning of period	**1,684,630**	**3,680,427**
Cash and cash equivalents, end of period	**$ 554,655**	**$ 2,924,755**

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

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, 2019, the Company reported a net loss of $1,278,931 (three months ended March 31, 2018: net loss of $509,817) and cash applied to operating activities of $979,753 (three months ended March 31, 2018: $638,356), and as at that date had a net working capital balance of $319,395 (December 31, 2018: $1,592,582) and an accumulated deficit of $7,392,684 (December 31, 2018: $6,113,753).

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from equity financings and/or loans provided by the Company's existing shareholders and/or new shareholders and/or through other arrangements. Management is exploring all available options to secure additional funding. Given the continuation of weak investor sentiment and capital market conditions, there exists significant uncertainty as to the Company's ability to raise additional funds on favorable terms. There is no assurance that the Company will be successful in its funding efforts.

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

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

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. Furthermore, these conditions indicate the existence of a material uncertainty that raises substantial doubt as to the Company's ability to continue as a going concern.

(Unaudited, Expressed in Canadian Dollars)

The Company does not have sufficient funds from existing working capital to meet its planned objectives and property obligations beyond May 2019.

In May 2019, the Company announced its intent to raise gross proceeds of up to $3,000,000 through a private placement comprised of up to 20,000,000 units at a price of $0.15 per unit (see Note 18).

2. BASIS OF CONSOLIDATION

These financial statements include the accounts of Cabral Gold Inc. and its subsidiaries and associate (until September 2018) 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.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2018.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 28, 2019, the effective date the Company's Board of Directors approved these financial statements.

The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2018.

(Unaudited, Expressed in Canadian Dollars)

4. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standards adopted during the period

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

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

New accounting standards and interpretations

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

5. FIXED ASSETS

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2018	$ 721,310	$ 63,014	$ 150,718	$ 106,517	$ 1,041,559
Additions	-	29,097	-	15,941	45,038
Foreign exchange differences	(17,217)	(2,307)	(3,830)	(2,477)	(25,831)
March 31, 2019	704,093	89,804	146,888	119,981	1,060,766
Accumulated depreciation:					
December 31, 2018	-	(8,215)	(38,069)	(26,893)	(73,177)
Depreciation expense	-	(5,972)	(9,914)	(7,706)	(23,592)
Foreign exchange differences	-	353	1,210	661	2,224
March 31, 2019	-	(13,834)	(46,773)	(33,938)	(94,545)
Net book value:					
December 31, 2018	721,310	54,799	112,649	79,624	968,382
March 31, 2019	**$ 704,093**	**$ 75,970**	**$ 100,115**	**$ 86,043**	**$ 966,221**

(Unaudited, Expressed in Canadian Dollars)

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

6. MINERAL PROPERTIES

3 months ended March 31, 2019				
	Jan. 1, 2019	**Additions**	**Foreign exchange**	**Mar. 31, 2019**
Cuiú Cuiú	$ 1,322,685	$ 87,510	($ 22,382)	$ 1,387,813
Bom Jardim	46,191	23,909	(1,797)	68,303
Other	4,511	-	(109)	4,402
	$ 1,373,387	**$ 111,419**	**($ 24,288)**	**$ 1,460,518**

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

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 agreement, garimpiero condominium

On February 19, 2006, Magellan Brazil entered into a surface access agreement with the holders of the traditional surface rights over the Cuiú Cuiú property. The owners are organised into a 'condominium' (which is similar to a cooperative, but with fewer rights) comprising minority stakeholders and majority stakeholders.

The February 19, 2006 agreement has since been amended and extended several times with the most recent amendment taking place on March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R$ 5,000 per year (equivalent of $1,715 as at March 31, 2019) to each of the 21 majority stakeholders and R$ 2,500 per year ($857) to each of the 60 minority stakeholders.

Payments totalling approximately $90,000 were due to the garimpieros (both majority and minority stakeholders) in April and May 2019 in connection with the surface access fee in respect of the year ended March 2020. With the exception of amounts totalling $3,429, all payments had been made by May 28, 2019.

7. POCONÉ

The Company was a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso were to be identified, explored and developed. The first agreement was entered into between Magellan and ECI Exploration & Mining Inc. ("ECI") on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the "ECI Venture"). The second set of agreements was between Magellan, ECI and Brasil Central Engenharia Ltda. ("Brasil Central") pursuant to which Magellan, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through a newly incorporated entity, PGM. Magellan Brazil held a 35% interest in PGM through September 26, 2018.

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

(Unaudited, Expressed in Canadian Dollars)

On September 26, 2018, an agreement was entered into pursuant to which the shares of PGM held by both Magellan Brazil and the Brazilian subsidiary of ECI were transferred to Brasil Central in exchange for Brasil Central taking over the debts of PGM and making nominal cash payments. A gain of $49,963 was recognised by the Company in 2018 primarily in connection with the termination of Magellan Brazil's share of certain PGM liabilities that had been previously recognised in Magellan Brazil's books of account. A further gain of $5,049 was recognised in the three months ended March 31, 2019 relating to the Company's share of cash payments received in connection with the transaction.

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

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2019	Dec. 31, 2018
Brazil, drilling and assay	$ 108,102	$ -
Brazil, payroll and related costs	87,674	54,016
Due to officers and directors (see Note 14(b)	53,277	8,870
Canada, professional fees	40,477	60,131
Brazil, freight and travel	23,862	11,365
Brazil, Cuiú Cuiú condominium liability (see Note 6)	7,101	7,277
Brazil, employee litigation settlement	3,865	11,711
Brazil, third party permitting studies	-	18,638
Brazil, other	32,577	9,018
Canada, other	23,728	16,160
	$ 380,663	**$ 197,186**

9. OTHER LIABILITIES AND PROVISIONS

Various legal, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations. The balance of Other liabilities and provisions as at March 31, 2019 is comprised of a provision of approximately $3,200 representing management's best estimate of expenditures required to settle present contingent obligations relating to such matters. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Company's estimates (see Note 17).

10. SHAREHOLDERS' EQUITY

(a) Share capital

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

(Unaudited, Expressed in Canadian Dollars)

(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, 2017		**8,197,032**	**0.76**
Issued:			
Finder warrants (Dec. 2018 private placement)	28-Nov-20	366,000	0.25
Expired	30-Oct-18	(3,465,664)	0.75
December 31, 2018		**5,097,368**	**0.72**
March 31, 2019		**5,097,368**	**0.72**

The Company had the following share purchase warrants outstanding as at March 31, 2019:

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

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

The weighted average remaining life of outstanding share purchase warrants as at March 31, 2019 was 10 months (December 31, 2018: 13 months).

(c) Stock options

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

(Unaudited, Expressed in Canadian Dollars)

	Expiration	Number of options	Weighted average exercise price
December 31, 2017		**1,233,000**	**0.33**
Issued:			
June 20, 2018	19-Jun-23	450,000	0.23
December 31, 2018		**1,683,000**	**0.31**
Issued:			
January 23, 2019	22-Jan-24	1,694,672	0.25
March 31, 2019		**3,377,672**	**0.28**

The weighted average remaining life of outstanding stock options as at March 31, 2019 was 40 months (December 31, 2018: 26 months).

Stock-based compensation totalled $138,928 in the three months ended March 31, 2019 (three months ended March 31, 2018: nil).

All stock options granted in the three months ended March 31, 2019 will vest in five equal tranches over 24 months including an initial tranche vesting on the date of issuance.

The fair values of the stock options granted in the three months ended March 31, 2019 were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

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

(Unaudited, Expressed in Canadian Dollars)

11. EXPLORATION AND DEVELOPMENT

3 months ended March 31, 2019	Cuiú Cuiú	Poconé	Logistical support	Total
Drilling contractor	$ 375,930	$ -	$ -	$ 375,930
Payroll	227,910	-	9,148	237,058
Field costs	144,864	-	-	144,864
Freight and travel	58,902	-	10,535	69,437
Consulting, third parties	34,060	-	-	34,060
Office and logistics	-	-	27,574	27,574
Assay	20,521	-	-	20,521
Other (1)	-	9,275	-	9,275
	$ 862,187	**$ 9,275**	**$ 47,257**	**$ 918,719**

3 months ended March 31, 2018	Cuiú Cuiú	Pocone	Local administration	Total
Consulting, third parties	$ 187,486	$ -	$ -	$ 187,486
Payroll	114,784	-	-	114,784
Field costs	104,216	-	-	104,216
Office and logistics	-	-	29,547	29,547
Freight and travel	17,640	-	2,329	19,969
Other (1)	6,671	5,487	-	12,158
Assay	2,418	-	-	2,418
	$ 433,215	**$ 5,487**	**$ 31,876**	**$ 470,578**

(1) Presented net of asset rental revenues and proceeds on disposal of assets relating to the ECI Venture and PGM Venture (see Note 7)

12. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the three months ended March 31, 2019 amounted to $319,686 (three months ended March 31, 2018: $209,051).

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:

(Unaudited, Expressed in Canadian Dollars)

	Canada	Brazil	Total
Non-current assets:			
March 31, 2019	$ 1,230	$ 2,425,509	$ 2,426,739
December 31, 2018	1,336	2,340,433	2,341,769
Net loss:			
3 months ended March 31, 2019	341,776	937,156	1,278,932
3 months ended March 31, 2018	$ 318,284	$ 191,533	$ 509,817

14. RELATED PARTY TRANSACTIONS

(a) Management compensation

	3 months ended March 31, 2019	3 months ended March 31, 2018
Management:		
Employment and consulting remuneration	$ 85,000	$ 62,500
Payroll related costs	6,652	4,810
Stock-based compensation	75,101	-
Consulting fees (1)	-	18,667
	166,753	85,977
Directors (excluding management):		
Stock-based compensation	40,901	-
	40,901	-
	$ 207,654	**$ 85,977**

(1) Consulting fees relate to $28,000 paid to a company controlled by an individual who joined the Company's Board of Directors as Executive Chairman in May 2018 in respect of advisory services provided during the period February through April 2018, inclusive

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

(b) Balances due to related parties

As at March 31, 2019, the Company owed a total of $53,277 to management in connection with unreimbursed expenditures incurred on behalf of the Company and deferred remuneration. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

15. CAPITAL MANAGEMENT

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

- To safeguard its ability to continue as a going concern

- To have sufficient capital to be able to meet its strategic objectives including the continued exploration and development of its existing mineral projects and the identification of additional projects.

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

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

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

16. FINANCIAL INSTRUMENTS

(a) Carrying value and fair value

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

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

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

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

Accounts payable and accrued liabilities and other liabilities and provisions are classified as other financial liabilities and are recorded in the financial statements at amortised cost. The fair value of 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 March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	R$	US$	R$	US$
Cash and cash equivalents	164,349	6,128	568,251	49,394
Receivables	14,694	-	24,140	-
Accounts payable and accrued liabilities	(569,184)	(21,640)	(387,188)	(21,742)
	(390,141)	(15,512)	205,203	27,652
Equivalent in Canadian dollars	(133,818)	(20,729)	72,129	37,723

Based on the balances held as at March 31, 2019, a 10% decrease in the $ per R$ and $ per US$ exchange rates on this date would have resulted in an increase in the net loss for the year then ended of approximately $15,455.

Liquidity risk

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

Credit risk

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

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at March 31, 2019.

Interest rate risk

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

The Company did not have any interest bearing liabilities outstanding as at March 31, 2019.

17. CONTINGENT LIABILITY

The Company is subject to litigation in the counties where it operates. As at March 31, 2019 and May 28, 2019, there were several cases outstanding which had not been settled or where final judgement had not been rendered. Management is vigorously defending against those claims and has assessed the likelihood of loss related to the outstanding litigation and has recorded a provision of approximately $3,200 with regard to all outstanding litigation and related exposures.

18. SUBSEQUENT EVENT

In May 2019, the Company announced the terms of a private placement comprised of up to 20,000,000 units (each a "Unit") at a price of $0.15 per Unit for gross proceeds of up to $3,000,000. Each Unit will be comprised of a common share of the Company and one share purchase warrant. Each share purchase warrant ("Warrant") will entitle the holder to purchase one common share at a purchase price of $0.20 per for a period of 12 months following the closing of the private placement.

The Company may pay a finder's fee of up to 7% of the gross proceeds raised in connection with the private placement. Closing of the private placement and the payment of any finder's fees will be subject to the approval of the TSX Venture Exchange.

The private placement is expected to close in June 2019.