



Cabral Gold

Cabral Gold Inc.

An exploration stage company

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Unaudited)

SIX MONTHS ENDED JUNE 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	June 30, 2020	Dec. 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,906,187	\$ 705,725
Accounts receivable		115,314	128,946
Prepaid expenses		18,377	61,296
Total Current assets		3,039,878	895,967
Non-current assets			
Fixed assets	5	823,484	973,539
Mineral properties	6	1,447,702	1,538,620
Total Assets		\$ 5,311,064	\$ 3,408,126
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 362,160	\$ 262,343
Total Current liabilities		362,160	262,343
Shareholders' equity			
Share capital	8(a)	14,956,270	11,866,177
Reserves	8(b), 8(c), 8(d)	2,175,267	2,030,044
Subscription receipts	8(a)	490,625	
Accumulated other comprehensive income		(797,433)	(338,571)
Accumulated deficit		(11,875,825)	(10,411,867)
Total Shareholders' equity		4,948,904	3,145,783
Total Liabilities and Shareholders' equity		\$ 5,311,064	\$ 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 June 30, 2020	3 months ended June 30, 2019	6 months ended June 30, 2020	6 months ended June 30, 2019
Expenses					
Exploration and evaluation	9	\$ 314,252	\$ 511,988	\$ 858,546	\$ 1,430,707
Office and administrative		98,502	105,821	178,596	171,177
Management	12(a)	95,779	90,958	190,953	182,610
Stock-based compensation	8(c), 8(d)	55,394	73,394	132,695	212,322
Depreciation	5	31,153	25,580	68,799	49,172
Travel		26,217	17,510	33,991	41,683
Professional fees		6,488	26,997	16,219	40,513
Listing expense		3,897	6,358	6,083	12,033
		<u>631,682</u>	<u>858,606</u>	<u>1,485,882</u>	<u>2,140,217</u>
Other income and expenses					
Foreign exchange expense		5,579	3,411	5,886	8,280
Gain on disposal of PGM		-	-	-	(5,049)
Interest income		(23)	(3,093)	(543)	(5,593)
Gain on sale of mineral property (net)		9,305	-	(27,267)	-
Net loss for the period		\$ 646,543	\$ 858,924	\$ 1,463,958	\$ 2,137,855
Other comprehensive income and loss					
Unrealised foreign currency translation items		152,447	14,882	458,682	61,916
Total comprehensive loss for the period		\$ 798,990	\$ 873,806	\$ 1,922,640	\$ 2,199,771
Loss per share, Basic and diluted		\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.06
Weighted average shares outstanding, Basic and diluted		64,801,793	38,862,418	63,230,521	38,862,418

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	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
Subscription receipts	-	-	404,000	-	-	-	-	-	404,000
Share issuance costs	-	(1,180)	-	-	-	-	-	-	(1,180)
Stock-based compensation	-	-	-	-	212,322	-	-	-	212,322
Comprehensive loss	-	-	-	-	-	-	(61,916)	(2,137,855)	(2,199,771)
Balance at June 30, 2019	38,862,418	\$ 8,689,557	\$ 404,000	\$ 1,268,647	\$ 487,605	\$ -	(\$ 248,479)	(\$ 8,251,608)	\$ 2,349,722
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	25,997,400	3,249,675	-	-	-	-	-	-	3,249,675
Share issuance costs	-	(159,582)	-	12,528	-	-	-	-	(147,054)
Subscription receipts	-	-	490,625	-	-	-	-	-	490,625
Stock-based compensation	-	-	-	-	122,361	10,334	-	-	132,695
Comprehensive loss	-	-	-	-	-	-	(458,862)	(1,463,958)	(1,922,820)
Balance at June 30, 2020	87,656,650	\$ 14,956,270	\$ 490,625	\$ 1,341,348	\$ 816,696	\$ 17,223	(\$ 797,433)	(\$ 11,875,825)	\$ 4,948,904

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)

	6 months ended June 30, 2020	6 months ended June 30, 2019
OPERATING ACTIVITIES		
Net loss for the period	(\$ 1,463,958)	(\$ 2,137,855)
Adjustments for items not involving cash:		
Stock-based compensation	132,695	212,322
Depreciation	68,799	49,172
Unrealised foreign exchange loss (gain)	10,652	(5,051)
	(1,251,812)	(1,881,412)
Net changes in non-cash working capital:		
Decrease (increase) in accounts receivable	13,632	(12,584)
Decrease (increase) in prepaid expenses	42,919	(55,164)
Increase in accounts payable	76,819	212,319
Cash used in operating activities	(1,118,442)	(1,736,841)
INVESTING ACTIVITIES		
Additions to mineral properties	(139,712)	(149,423)
Additions to fixed assets	(133,962)	(60,001)
Cash used in investing activities	(273,674)	(209,424)
FINANCING ACTIVITIES		
Issuance of shares for cash	3,249,675	-
Share issuance costs	(147,054)	(1,180)
Subscription receipts	490,625	404,000
Cash provided by financing activities	3,593,246	402,820
Effect of change in exchange rate on cash	(668)	(2,955)
Net decrease in cash and cash equivalents	2,200,462	(1,546,400)
Cash and cash equivalents, beginning of period	705,725	1,684,630
Cash and cash equivalents, end of period	\$ 2,906,187	\$ 138,230

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)

Six months ended June 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 June 30, 2020, the Company had a net working capital balance of \$2,677,718 (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. 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.

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)

Six months ended June 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. ("CGL").

The Company's interest in Poconé Gold Mineração Ltda. ("PGM") was held through Magellan Brazil. The Company disposed of its interest in PGM in September 2018.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the 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 August 28, 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 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.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 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	-	6,498	-	127,464	133,962
Foreign exchange differences	(143,970)	(31,963)	(32,024)	(56,212)	(264,169)
June 30, 2020	521,452	105,673	106,263	278,536	1,011,924
Accumulated depreciation:					
December 31, 2019	-	(33,290)	(69,670)	(65,632)	(168,592)
Depreciation expense	-	(15,702)	(15,733)	(37,364)	(68,799)
Foreign exchange differences	-	11,677	20,123	17,151	48,951
June 30, 2020	-	(37,315)	(65,280)	(85,845)	(188,440)
Net book value:					
December 31, 2019	665,422	97,848	68,617	141,652	973,539
June 30, 2020	\$ 521,452	\$ 68,358	\$ 40,983	\$ 192,691	\$ 823,484

	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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2020

6. MINERAL PROPERTIES

6 months ended June 30, 2020				
	Jan. 1, 2020	Additions	Foreign exchange	Mar. 31, 2020
Cuiú Cuiú	\$ 1,420,696	\$ 129,123	(\$ 223,189)	\$ 1,326,630
Bom Jardim	102,039	33,587	(26,830)	108,796
Other	15,885	-	(3,609)	12,276
	<u>\$ 1,538,620</u>	<u>\$ 162,710</u>	<u>(\$ 253,628)</u>	<u>\$ 1,447,702</u>

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
	<u>\$ 1,373,387</u>	<u>\$ 245,948</u>	<u>(\$ 80,715)</u>	<u>\$ 1,538,620</u>

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.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 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 \$1,249 as at June 30, 2020) to each of the 19 majority stakeholders and R\$ 2,500 per year (\$624) to each of the 61 minority stakeholders.

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

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2020	Dec. 31, 2019
Due to officers and directors (see Note 12(b))	\$ 79,622	\$ 2,609
Brazil, payroll and related costs	75,257	81,496
Canada, share issuance costs	56,638	-
Brazil, claim settlement	28,734	37,180
Brazil, deferred payroll taxes (Covid-19 program)	18,119	-
Canada, professional fees	16,831	40,063
Brazil, Cuiú Cuiú condominium liability (see Note 6)	16,406	15,372
Brazil, third party permitting studies	3,567	14,360
Brazil, freight and travel	-	10,902
Brazil, other	37,335	51,739
Canada, other	29,651	8,622
	<u>\$ 362,160</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 common shares. The Company also issued an aggregate of 144,000 share purchase warrants ("Broker Warrants") in connection with the brokered portion of the private placement (see Note 8(b)). Each Broker Warrant entitles the holder to purchase one common share

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2020

of the Company at a purchase 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.

As at June 30, 2020, the Company had received \$490,625 in subscription receipts relating to the July 2020 private placement closings.

(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)

Six months ended June 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
June 30, 2020		24,877,190	0.20
Exercised		(6,077,044)	0.20
August 28, 2020		18,800,146	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 (average)	156%
Risk-free interest rate	1.85%
Expected life (months)	24

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2020

Expiry date		Exercise price	Number of warrants
Finder warrants (July 2019 private placement)	July 25, 2020	0.20	970,358
Warrants (July 2019 private placement)	November 25, 2020	0.20	22,796,832
Finder warrants (Dec. 2018 private placement)	Nov. 28, 2020	0.25	366,000
Pre-Transaction San Angelo warrants	May 26, 2021	0.25	600,000
Broker warrants (June 2020 private placement)	June 19, 2022	0.20	144,000
		0.20	24,877,190

The weighted average remaining life of outstanding share purchase warrants as at June 30, 2020 was five months (December 31, 2019: 11 months). These figures reflect the extension of the July 2019 warrants described below.

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, remain unchanged.

July and August 2020, exercise of warrants

During the period from July 1 through August 28, 2020, 6,766,044 share purchase warrants were exercised for total proceeds of \$1,353,209. All warrants exercised had an exercise price of \$0.20 and related to the July 2019 private placement. 745,045 of the warrants exercised were finder warrants.

No share purchase warrants were exercised in the six months ended June 30, 2020.

(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)

Six months ended June 30, 2020

	Expiration	Number of options	Weighted average exercise price
December 31, 2018		1,683,000	0.31
Issued:			
January 23, 2019	22-Jan-24	1,694,672	0.25
September 9, 2019	6-Sep-24	2,575,000	0.15
Expired		(307,000)	0.33
Forfeited		(174,579)	0.25
December 31, 2019		5,471,093	0.22
Expired		(672,645)	0.33
June 30, 2020		4,798,448	0.20

The weighted average remaining life of outstanding stock options as at June 30, 2020 was 38 months (December 31, 2019: 44 months).

Stock-based compensation relating to stock options totalled \$122,361 in the six months ended June 30, 2020 (six months ended June 30, 2019: \$212,322).

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.

(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
June, 2020	266,666

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2020

Stock-based compensation relating to RSUs totalled \$10,334 in the six months ended June 30, 2020 (six months ended June 30, 2019: nil).

In August 2020, the Company granted RSUs to five officers and directors pursuant to the Company's RSU plan. Subject to any necessary or required approval of the TSX Venture Exchange, the RSUs will 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 \$172,500.

9. EXPLORATION AND EVALUATION

6 months ended June 30, 2020					
	Cuiú Cuiú		Other	Logistical support	Total
Payroll	\$ 356,131	\$ -	\$ -	\$ 18,108	\$ 374,239
Field costs	217,638	2,242	-	-	219,880
Consulting, third parties	97,749	41,194	-	-	138,943
Freight and travel	65,617	-	-	6,261	71,878
Office and logistics	-	-	-	38,781	38,781
Assay	14,825	-	-	-	14,825
	\$ 751,960	\$ 43,436	\$ 63,150	\$ 858,546	

6 months ended June 30, 2019					
	Cuiú Cuiú		Poconé	Logistical support	Total
Drilling contractor	\$ 477,315	\$ -	\$ -	\$ -	\$ 477,315
Payroll	435,138	-	-	16,734	451,872
Field costs	231,884	-	-	-	231,884
Freight and travel	91,092	-	-	11,982	103,074
Office and logistics	-	-	-	57,775	57,775
Consulting, third parties	57,494	-	-	-	57,494
Assay	38,204	-	-	-	38,204
Other (1)	-	13,089	-	-	13,089
	\$ 1,331,127	\$ 13,089	\$ 86,491	\$ 1,430,707	

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Six months ended June 30, 2020

10. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the six months ended June 30, 2020 amounted to \$574,359 (six months ended June 30, 2019: \$632,027).

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:			
June 30, 2020	\$ 1,856	\$ 2,269,330	\$ 2,271,186
December 31, 2019	2,689	2,509,470	2,512,159
Net loss:			
6 months ended June 30, 2020	544,087	919,871	1,463,958
6 months ended June 30, 2019	\$ 638,054	\$ 1,499,801	\$ 2,137,855

12. RELATED PARTY TRANSACTIONS

(a) Management compensation

	6 months ended June, 2020	6 months ended June, 2019
Management:		
Employment and consulting remuneration	\$ 170,000	\$ 170,000
Payroll related costs	12,550	12,610
Stock-based compensation	60,295	130,169
	<u>242,845</u>	<u>312,779</u>
Directors (excluding management):		
Stock-based compensation, stock options	21,969	47,857
Stock-based compensation, RSUs	10,334	-
	<u>32,303</u>	<u>47,857</u>
	<u>\$ 275,148</u>	<u>\$ 360,636</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 June 30, 2020, the Company owed a total of \$79,622 to management in connection with unreimbursed expenditures incurred by management on behalf of the Company and advances made

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to the Company by management. This liability had been repaid in full by August 28, 2020. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

(c) Related parties, other issues

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

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.

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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 June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	602,917	1,117	1,114,883	9,660
Receivables	7,865	-	14,801	-
Accounts payable and accrued liabilities	(718,533)	-	(624,316)	(23,582)
	(107,751)	1,117	505,368	(13,922)
Equivalent in Canadian dollars	(26,905)	1,522	163,284	(18,082)

Based on the balances held as at June 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 \$2,538.

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

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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 June 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 June 30, 2020.

15. CONTINGENT LIABILITY

The Company is subject to litigation in the jurisdictions where it operates. As at June 30, 2020 and August 28, 2020, there was one case outstanding which had not been settled or where 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 June 30, 2020 as follows:

- The Company raised \$929,339 on the sale of 7,434,710 common shares in July 2020 (see Note 8(a))
- The Company extended the expiry date of 22,796,832 share purchase warrants from July 25, 2020 to November 25, 2020 (see Note 8(b))
- The Company realised proceeds of \$1,353,209 on the exercise of 6,766,044 share purchase warrants in July and August 2020 (see Note 8(b))
- The Company granted 3,405,000 stock options having an exercise price of \$0.27 in July 2020 (see Note 8(c))
- The Company granted RSUs relating to 575,000 common shares to five officers and directors in July 2020 (see Note 8(d)).

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

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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.