



Cabral Gold

Cabral Gold Inc.

An exploration stage company

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Unaudited)

THREE MONTHS ENDED MARCH 31, 2022

Cabral Gold Inc.

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes	March 31, 2022	Dec. 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,041,562	\$ 4,898,213
Accounts receivable		131,095	138,276
Prepaid expenses		97,377	185,573
Total Current assets		2,270,034	5,222,062
Non-current assets			
Fixed assets	5	2,362,193	2,030,837
Mineral properties	6	2,795,840	2,277,461
Total Assets		\$ 7,428,067	\$ 9,530,360
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 1,325,205	\$ 908,838
Total Current liabilities		1,325,205	908,838
Shareholders' equity			
Share capital	9(a)	30,891,884	30,891,884
Reserves	9(b), 9(c), 9(d)	5,367,216	5,020,479
Accumulated other comprehensive income		(431,778)	(1,045,855)
Accumulated deficit		(29,724,460)	(26,244,986)
Total Shareholders' equity		6,102,862	8,621,522
Total Liabilities and Shareholders' equity		\$ 7,428,067	\$ 9,530,360
Nature of operations and going concern (Note 1)			
Subsequent event (Note 13)			
Commitments and contingent liabilities (Note 17)			

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

Approved by the Board of Directors

"Derrick Weyrauch"
Derrick Weyrauch, Director

"Rodney Cooper"
Rodney Cooper, 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, 2022	3 months ended March 31, 2021
Expenses			
Exploration and development	10	\$ 2,764,764	\$ 1,460,110
Stock-based compensation	9(c), 9(d)	346,737	249,716
Depreciation	5	147,475	68,572
Management	13(a)	114,193	105,991
Marketing		72,377	110,847
Office and administrative		28,475	32,757
Listing expense		13,565	23,807
Professional fees		11,955	19,787
		<u>3,499,541</u>	<u>2,071,587</u>
Other income and expenses			
Foreign exchange loss		2,959	1,830
Interest income		(23,026)	(3,913)
		<u>3,479,474</u>	<u>2,069,504</u>
Net loss for the period			
Other comprehensive loss (income)			
Unrealised foreign currency translation items		(614,077)	237,415
		<u>\$ 2,865,397</u>	<u>\$ 2,306,919</u>
Total comprehensive loss for the period			
Loss per share, Basic and diluted		\$ 0.02	\$ 0.02
Weighted average shares outstanding, Basic and diluted		141,684,460	119,501,137

The accompanying notes are an integral part of these condensed interim 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, 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
Balance at December 31, 2021	141,684,460	30,891,884	2,138,893	2,737,895	143,691	(1,045,855)	(26,244,986)	\$ 8,621,522
Stock-based compensation	-	-	-	307,262	39,475	-	-	346,737
Comprehensive loss	-	-	-	-	-	614,077	(3,479,474)	(2,865,397)
Balance at March 31, 2022	141,684,460	\$ 30,891,884	\$ 2,138,893	\$ 3,045,157	\$ 183,166	(\$ 431,778)	(\$ 29,724,460)	\$ 6,102,862

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

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

(Expressed in Canadian Dollars)

	3 months ended March 31, 2022	3 months ended March 31, 2021
OPERATING ACTIVITIES		
Net loss for the period	(\$ 3,479,474)	(\$ 2,069,504)
Adjustments for items not involving cash:		
Depreciation	147,475	68,572
Stock-based compensation	346,737	249,716
Unrealised foreign exchange	(16,715)	(19,048)
	(3,001,977)	(1,770,264)
Net changes in non-cash working capital:		
Decrease (increase) in accounts receivable	7,181	(4,597)
Decrease (increase) in prepaid expenses	88,196	(48,231)
Increase (decrease) in accounts payable	425,069	281,346
Cash used in operating activities	(2,481,531)	(1,541,746)
INVESTING ACTIVITIES		
Additions to mineral properties	(229,324)	(176,169)
Additions to fixed assets	(203,746)	(185,159)
Cash used in investing activities	(433,070)	(361,328)
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	57,950	(1,434)
Net decrease in cash and cash equivalents	(2,856,651)	(1,899,233)
Cash and cash equivalents, beginning of period	4,898,213	5,477,780
Cash and cash equivalents, end of period	\$ 2,041,562	\$ 3,578,547

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2022

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 condensed interim 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, 2022, the Company reported a net loss of \$3,479,474 (three months ended March 31, 2021: net loss of \$2,069,504), and as at that date had a net working capital balance of \$944,829 (December 31, 2021: \$4,313,224).

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. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

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, 2022

	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 B.C. Inc. ("**CGBC**").

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2021.

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, 2021.

4. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2022, and have not been applied in preparing these condensed interim 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 condensed interim consolidated financial statements.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2022

5. FIXED ASSETS

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2021	\$ 556,296	\$ 587,796	\$ 350,973	\$ 1,159,908	\$ 2,654,973
Additions	14,550	52,764	-	136,432	203,746
Foreign exchange differences	78,705	102,449	57,024	143,983	382,161
March 31, 2022	649,551	743,009	407,997	1,440,323	3,240,880
Accumulated depreciation:					
December 31, 2021	-	(145,958)	(157,556)	(320,622)	(624,136)
Depreciation expense	-	(43,897)	(24,433)	(79,145)	(147,475)
Foreign exchange differences	-	(30,127)	(28,913)	(48,036)	(107,076)
March 31, 2022	-	(219,982)	(210,902)	(447,803)	(878,687)
Net book value:					
December 31, 2021	556,296	441,838	193,417	839,286	2,030,837
March 31, 2022	\$ 649,551	\$ 523,027	\$ 197,095	\$ 992,520	\$2,362,193

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2020	\$ 548,956	\$ 182,242	\$ 202,027	\$ 521,765	\$ 1,454,990
Additions	33,726	438,201	168,593	682,533	1,323,053
Foreign exchange differences	(26,386)	(32,647)	(19,647)	(44,390)	(123,070)
December 31, 2021	556,296	587,796	350,973	1,159,908	2,654,973
Accumulated depreciation:					
December 31, 2020	-	(55,440)	(89,045)	(137,642)	(282,127)
Depreciation expense	-	(98,692)	(77,245)	(196,430)	(372,367)
Foreign exchange differences	-	8,174	8,734	13,450	30,358
December 31, 2021	-	(145,958)	(157,556)	(320,622)	(624,136)
Net book value:					
December 31, 2020	548,956	126,802	112,982	384,123	1,172,863
December 31, 2021	\$ 556,296	\$ 441,838	\$ 193,417	\$ 839,286	\$2,030,837

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2022

6. MINERAL PROPERTIES

3 months ended March 31, 2022				
	Jan. 1, 2022	Additions	Foreign exchange	Mar. 31, 2022
Cuiú Cuiú	\$ 2,082,180	\$ 210,255	\$ 266,229	\$ 2,558,664
Bom Jardim	169,914	8,891	27,422	206,227
Other	25,367	1,476	4,106	30,949
	\$ 2,277,461	\$ 220,622	\$ 297,757	\$ 2,795,840

Year ended December 31, 2021				
	Jan. 1, 2021	Additions	Foreign exchange	Dec. 31, 2021
Cuiú Cuiú	\$ 1,363,483	\$ 798,174	(\$ 79,477)	\$ 2,082,180
Bom Jardim	136,475	44,207	(10,768)	169,914
Other	19,532	7,400	(1,565)	25,367
	\$ 1,519,490	\$ 849,781	(\$ 91,810)	\$ 2,277,461

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, 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, 2022

The February 19, 2006 agreement has since been amended and extended several times the most recent of which was on March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R\$ 5,400 per year (equivalent of \$1,421 as at March 31, 2022) to each of the 20 majority stakeholders and R\$ 2,700 per year (\$711) to each of the 62 minority stakeholders.

Payments totalling approximately \$73,000 were made to the garimpeiros (both majority and minority stakeholders) in March and April 2022 in connection with the surface access fee in respect of the year ended March 2023.

Acquisition of garimpeiro interests

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

In March 2022, the Company acquired the interest of a majority stakeholder for a price of R\$ 434,600 (approximately \$105,000) pursuant to the terms of the garimpeiro condominium agreement.

7. POCONÉ

The Company was a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso were to be identified, explored and developed. The first agreement was entered into between Magellan Minerals Ltd. ("**Magellan**", the parent company of Magellan Brazil until April 2016) 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 CGBC effective April 15, 2016.

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

In August 2015, ECI received notification that a former optionor of one of the property interests acquired by ECI on behalf of the ECI Venture had filed a claim against ECI and PGM in connection with an option agreement that had been entered into with the ECI Venture in December 2009. As of May 27, 2022, no claim had been filed against the Company, however, the Company is responsible for 50% of costs of ECI pursuant to the ECI Venture agreement. The plaintiff is claiming an amount of US\$ 780,000 plus damages.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2022

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.

The disposal of PGM does not reduce the Company's exposure relating to the aforementioned legal claim against ECI and PGM. Furthermore, as part of the sale of PGM, Magellan Brazil and the Brazilian subsidiary of ECI provided an indemnification to PGM relating to any losses resulting from the legal claim.

Recent decisions of the applicable courts have gone against the defendants in this case which increases the risk that the Company may ultimately incur a loss. As at May 27, 2022, however, the significant uncertainty present regarding the outcome of the case and related issues is such that at this time, management is unable to estimate the likelihood of a loss ultimately being realised by the Company or the quantum and timing of any such loss should it occur. No provision has been made in the accounts for any amount associated with the claim (see Note 17(a)).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	Dec. 31, 2021
Brazil:		
Drilling and assay	\$ 569,996	\$ 385,369
Payroll and related costs	286,587	204,573
Claims purchase (see Note 6(a))	97,384	84,175
Equipment rental	39,784	38,903
Claim settlement	-	48,064
Cuiú Cuiú condominium liability	21,064	16,881
Freight and travel	71,688	2,269
Other	161,855	88,020
Canada:		
Professional fees	24,197	3,184
Marketing	6,200	22,200
Other	22,349	6,754
Due to officers and directors (see Note 13(b))	24,101	8,446
	<u>\$ 1,325,205</u>	<u>\$ 908,838</u>

9. SHAREHOLDERS' EQUITY

(a) Share capital

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2022

(b) Share purchase warrants

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

	Expiry date	Number of warrants	Weighted average exercise price
December 31, 2020		244,000	0.22
Issued:			
Warrants (July 2021 bought deal)	July 6, 2023	10,649,000	0.80
Underwriters' Warrants (July 2021 bought deal)	July 6, 2023	1,042,320	0.54
Exercised:			
Pre-2017 RTO warrants	May 26, 2021	(100,000)	0.25
December 31, 2021		11,835,320	0.77
March 31, 2022		11,835,320	0.77

The Company had the following share purchase warrants outstanding as at March 31, 2022:

	Expiry date	Exercise price	Number of warrants
Broker warrants (June 2020 private placement)	June 19, 2022	0.20	144,000
Warrants (July 2021 bought deal)	July 6, 2023	0.80	10,649,000
Underwriters' warrants (July 2021 bought deal)	July 6, 2023	0.54	1,042,320
		0.77	11,835,320

The weighted average remaining life of outstanding share purchase warrants as at March 31, 2022 was 15 months (December 31, 2021: 18 months).

(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)

Three months ended March 31, 2022

		Number of	Weighted
Expiry date		options	average exercise price
December 31, 2020		8,770,948	0.28
Issued:			
April 12, 2021	April 11, 2026	600,000	0.49
August 31, 2021	August 30, 2026	4,050,000	0.51
Exercised		(419,724)	0.21
Expired		(100,000)	0.27
Forfeited		(518,000)	0.24
December 31, 2021		12,383,224	0.37
March 31, 2022		12,383,224	0.37

The Company had the following stock options outstanding as at March 31, 2022:

Issue date	Expiry date	Exercise price	Number of stock options
June 20, 2018	June 19, 2023	0.23	450,000
January 23, 2019	January 22, 2024	0.25	1,323,224
September 9, 2019	September 6, 2024	0.15	2,045,000
July 21, 2020	July 21, 2025	0.27	2,765,000
November 13, 2020	November 13, 2025	0.60	1,150,000
April 12, 2021	April 11, 2026	0.49	600,000
August 31, 2021	August 30, 2026	0.51	4,050,000
		0.37	12,383,224

The weighted average remaining life of outstanding stock options as at March 31, 2022 was 40 months (December 31, 2021: 43 months).

Stock-based compensation relating to stock options totalled \$307,262 in the three months ended March 31, 2022 (three months ended March 31, 2021: \$227,009).

(d) Restricted share units

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2022

	Number of RSUs
December 31, 2020	841,666
Issued:	
April 12, 2021	584,374
Vested	(374,999)
December 31, 2021	1,051,041
March 31, 2022	1,051,041

The RSUs that were to have vested as at January 30, 2022 did not vest as at this date due to the black-out in effect relating to the pending announcement of a financing.

Stock-based compensation relating to RSUs totalled \$39,475 in the three months ended March 31, 2022 (three months ended March 31, 2021: \$22,707).

10. EXPLORATION AND DEVELOPMENT

3 months ended March 31, 2022				
	Cuiú Cuiú	Other	Logistical support	Total
Drilling	\$ 1,051,012	\$ -	\$ -	\$ 1,051,012
Field costs	721,096	3,638	-	724,734
Payroll	493,542	-	9,017	502,559
Freight and travel	248,136	-	5,014	253,150
Assay	139,631	-	-	139,631
Consulting, third parties	56,749	-	-	56,749
Office and logistics	-	-	36,929	36,929
	\$ 2,710,166	\$ 3,638	\$ 50,960	\$ 2,764,764

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2022

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	

11. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the three months ended March 31, 2022 amounted to \$428,769 (three months ended March 31, 2021: \$422,752).

12. 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:			
March 31, 2022	\$ 1,999	\$ 5,156,034	\$ 5,158,033
December 31, 2021	2,297	4,306,001	4,308,298
Net loss:			
3 months ended March 31, 2022	440,522	3,038,952	3,479,474
3 months ended March 31, 2021	\$ 441,026	\$ 1,628,478	\$ 2,069,504

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Three months ended March 31, 2022

13. RELATED PARTY TRANSACTIONS

(a) Management compensation

	3 months ended March 31, 2022	3 months ended March 31, 2021
Management:		
Employment remuneration	\$ 44,750	\$ 44,750
Consulting fees	60,513	49,000
Payroll related costs	8,931	7,791
Stock-based compensation, stock options	87,780	44,617
Stock-based compensation, RSUs	12,910	7,313
	<u>214,884</u>	<u>153,471</u>
Directors (excluding management):		
Stock-based compensation, stock options	58,386	49,317
Stock-based compensation, RSUs	15,761	15,394
	<u>74,147</u>	<u>64,711</u>
	<u>\$ 289,031</u>	<u>\$ 218,182</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, 2022, the Company owed a total of \$24,101 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in the second quarter of 2022. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

(c) Other related party issues

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

In May 2022, Company announced that it had entered into an agreement for a term loan with Alan Carter, President and Chief Executive Officer of the Company, pursuant to which Dr. Carter will provide short-term financing to the Company by way of an unsecured term loan of up to \$1,500,000 (the "Term Loan"). The Term Loan will be advanced to the Company as required and will bear interest at a rate of 10% per annum. The parties intend that subject to TSX Venture Exchange approval, interest on the Term Loan be repayable in common shares. A total of \$250,000 of the Term Loan will be repayable within 90 days following advance of funds and the balance plus applicable interest will be repayable on or before December 31, 2022. If the Company repays the \$250,000

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contemplated above plus an additional \$250,000 prior to December 31, 2022, the maturity date of the Term Loan may be extended from December 31, 2022 until March 31, 2023 at the option of the Company. If the maturity date is so extended, the interest rate will increase to 12.5% retroactively to the date of initial advance on any amount not repaid by December 31, 2022. The proceeds received from the Term Loan will be used for advancement of the Company's Cuiú Cuiú project and for working capital and general corporate purposes.

14. 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.

15. 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

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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, 2022 and December 31, 2021:

	March 31, 2022		December 31, 2021	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	5,398,423	42,873	4,656,142	20,353
Receivables and prepaid expenses	76,524	-	699,804	-
Accounts payable and accrued liabilities	(4,742,998)	-	(3,816,499)	-
	731,949	42,873	1,539,447	20,353
Equivalent in Canadian dollars	192,578	53,574	350,224	25,804

Based on the balances held as at March 31, 2022, 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 period then ended of approximately \$24,615.

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

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financial assets recorded in the condensed interim 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, 2022.

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, 2022.

16. SUPPLEMENTARY CASH FLOW INFORMATION

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

	3 months ended March 31, 2022	3 months ended March 31, 2021
Accounts payable relating to mineral properties (net change) (\$	8,702)	\$ -

17. 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, 2022 and May 27, 2022, there was one legal case outstanding which had not been settled. The Company is not a defendant in this litigation, however, it does have a potential exposure pursuant to the terms of a historic joint venture agreement and a related indemnification provided to a third party in connection with the sale of its 35% interest in a company in 2018. Management is monitoring the progress of this case in the Brazilian courts and is continuing to support the defendants in their vigorous defence against this claim. Recent decisions of the applicable courts have gone against the defendants which increases the risk that the Company may ultimately incur a loss. As at May 27, 2022, however, the significant uncertainty present regarding the outcome of the case and related issues is such that at this time, management is unable to estimate the likelihood of a loss ultimately being realised by the Company or the quantum and timing of any such loss should it occur. No provision has been made in the accounts for any amount associated with the claim.

(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

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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.