



Cabral Gold

Cabral Gold Inc.

An exploration stage company

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2021

NOTICE

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

Cabral Gold Inc.

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes	Sept. 30, 2021	Dec. 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 8,545,505	\$ 5,477,780
Accounts receivable		136,619	116,078
Prepaid expenses		268,154	68,279
Total Current assets		8,950,278	5,662,137
Non-current assets			
Fixed assets	5	1,649,247	1,172,863
Mineral properties	6	2,061,357	1,519,490
Total Assets		\$ 12,660,882	\$ 8,354,490
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 892,873	\$ 416,077
Total Current liabilities		892,873	416,077
Shareholders' equity			
Share capital	8(a)	31,313,524	21,197,071
Reserves	8(b), 8(c), 8(d)	4,150,586	2,514,669
Accumulated other comprehensive income		(946,607)	(733,526)
Accumulated deficit		(22,749,494)	(15,039,801)
Total Shareholders' equity		11,768,009	7,938,413
Total Liabilities and Shareholders' equity		\$ 12,660,882	\$ 8,354,490
Nature of operations and going concern (Note 1)			
Commitments and contingent liabilities (Note 16)			

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

Approved by the Board of Directors

"Derrick Weyrauch"
Derrick Weyrauch, Director

"Carlos Vilhena"
Carlos Vilhena, Director

Cabral Gold Inc.

Condensed interim consolidated statements of loss and comprehensive loss

(Expressed in Canadian Dollars except number of shares)

	Notes	3 months ended Sept. 30, 2021	3 months ended Sept. 30, 2020	9 months ended Sept. 30, 2021	9 months ended Sept. 30, 2020
Expenses					
Exploration and evaluation	9	\$ 2,575,258	\$ 733,325	\$ 5,561,006	\$ 1,591,871
Stock-based compensation	8(c), 8(d)	568,879	332,182	1,124,513	464,877
Management	12(a)	137,743	124,867	347,968	315,820
Marketing		108,808	96,252	290,087	221,926
Depreciation	5	102,609	47,412	246,915	116,211
Office and administrative		26,977	31,096	79,662	83,979
Professional fees		13,962	18,777	48,147	34,996
Listing expense		10,577	13,277	36,442	19,360
Travel		-	-	-	34,030
		<u>3,544,813</u>	<u>1,397,188</u>	<u>7,734,740</u>	<u>2,883,070</u>
Other income and expenses					
Foreign exchange expense (gain)		(3,746)	7,896	1,121	13,782
Interest income		(12,204)	(2,636)	(26,168)	(3,179)
Loss (gain) on sale of mineral property		-	1,054	-	(26,213)
Net loss for the period		<u>\$ 3,528,863</u>	<u>\$ 1,403,502</u>	<u>\$ 7,709,693</u>	<u>\$ 2,867,460</u>
Other comprehensive income and loss					
Unrealised foreign currency translation items		205,016	57,660	213,081	516,522
Total comprehensive loss for the period		<u>\$ 3,733,879</u>	<u>\$ 1,461,162</u>	<u>\$ 7,922,774</u>	<u>\$ 3,383,982</u>
Loss per share, Basic and diluted		\$ 0.03	\$ 0.01	\$ 0.06	\$ 0.04
Weighted average shares outstanding, Basic and diluted		140,279,460	99,436,507	126,717,659	75,387,276

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 loss	Accumulated deficit	Total shareholders' equity
Balance at December 31, 2019	61,659,250	\$ 11,866,177	\$ -	\$ 1,328,820	\$ 694,335	\$ 6,889	(\$ 338,571)	(\$ 10,411,867)	\$ 3,145,783
Shares issued for cash:									
Private placement	33,432,110	4,179,014	-	-	-	-	-	-	4,179,014
Exercise of warrants	10,887,377	2,192,476	-	-	-	-	-	-	2,192,476
Exercise of stock options	95,500	16,075	-	-	-	-	-	-	16,075
Share issuance costs	-	(176,540)	-	12,528	-	-	-	-	(164,012)
Subscription receipts	-	-	242,667	-	-	-	-	-	242,667
Stock-based compensation	-	-	-	-	436,918	27,959	-	-	464,877
Comprehensive loss	-	-	-	-	-	-	(516,522)	(2,867,460)	(3,383,982)
Balance at Sept. 30, 2020	106,074,237	\$ 18,077,202	\$ 242,667	\$ 1,341,348	\$ 1,131,253	\$ 34,848	(\$ 855,093)	(\$ 13,279,327)	\$ 6,692,898
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:									
Private placement (units)	21,298,000	\$ 11,074,960	\$ -	\$ 425,960	\$ -	\$ -	\$ -	\$ -	11,500,920
Exercise of stock options	403,724	147,200	-	-	(63,671)	-	-	-	83,529
Exercise of warrants	100,000	25,000	-	-	-	-	-	-	25,000
Share issuance costs	-	(1,207,207)	-	225,615	-	-	-	-	(981,592)
Vesting of RSUs	374,999	76,500	-	-	-	(76,500)	-	-	-
Stock-based compensation	-	-	-	-	1,010,806	113,707	-	-	1,124,513
Comprehensive loss	-	-	-	-	-	-	(213,081)	(7,709,693)	(7,922,774)
Balance at Sept. 30, 2021	141,668,460	\$ 31,313,524	\$ -	\$ 1,712,933	\$ 2,341,743	\$ 95,910	(\$ 946,607)	(\$ 22,749,494)	\$ 11,768,009

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

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

(Expressed in Canadian Dollars)

	9 months ended Sept. 30, 2021	9 months ended Sept. 30, 2020
OPERATING ACTIVITIES		
Net loss for the period	(\$ 7,709,693)	(\$ 2,867,460)
Adjustments for items not involving cash:		
Stock-based compensation	1,124,513	464,877
Depreciation	246,915	116,211
Unrealised foreign exchange loss (gain)	(127,677)	73,442
	(6,465,942)	(2,212,930)
Net changes in non-cash working capital:		
Decrease (increase) in accounts receivable	(20,541)	73
Increase in prepaid expenses	(199,875)	(28,745)
Increase in accounts payable	450,721	122,636
Cash used in operating activities	(6,235,637)	(2,118,966)
INVESTING ACTIVITIES		
Additions to mineral properties	(558,302)	(210,359)
Additions to fixed assets	(767,385)	(384,496)
Cash used in investing activities	(1,325,687)	(594,855)
FINANCING ACTIVITIES		
Issuance of units for cash	11,500,920	-
Issuance of shares for cash	108,529	6,387,565
Share/unit issuance costs	(981,592)	(164,012)
Subscription receipts	-	242,667
Cash provided by financing activities	10,627,857	6,466,220
Effect of change in exchange rate on cash	1,192	2,288
Net decrease in cash and cash equivalents	3,067,725	3,754,687
Cash and cash equivalents, beginning of period	5,477,780	705,725
Cash and cash equivalents, end of period	\$ 8,545,505	\$ 4,460,412

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

1. NATURE OF OPERATIONS

Cabral Gold Inc. (“**Cabral Gold**” or the “**Company**”; formerly San Angelo Oil Limited (“**San Angelo**”)) was incorporated on February 11, 2014 under the British Columbia Business Corporations Act.

The Company’s registered office is located at 1200 – 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8.

Going concern

The nature of the Company’s operations results in significant expenditures for the acquisition and exploration of mineral properties. To date, the Company has not generated any revenue from mining or other operations as it is considered to be in the exploration stage.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) applicable to a going concern, which assumes the Company will be able to realise its assets and settle its liabilities in the normal course of business. For the nine months ended September 30, 2021, the Company reported a net loss of \$7,709,693 (nine months ended September 30, 2020: net loss of \$2,867,460), and as at that date had a net working capital balance of \$8,057,405 (December 31, 2020: \$5,246,060).

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

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

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

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

2. BASIS OF PREPARATION

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

	Location	Ownership	Functional currency
Cabral Gold B.C. Inc.	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. ("**CG B.C.**").

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, 2020.

The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2020.

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

4. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for annual periods commencing on or after January 1, 2021, and have not been applied in preparing these consolidated financial statements.

The Company has determined that these new accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or will not have a significant impact on the Company's consolidated financial statements.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

5. FIXED ASSETS

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2020	\$ 548,956	\$ 182,242	\$ 202,027	\$ 521,765	\$ 1,454,990
Additions	10,572	248,894	167,075	340,844	767,385
Foreign exchange differences	(14,277)	(12,819)	(11,051)	(19,732)	(57,879)
September 30, 2021	545,251	418,317	358,051	842,877	2,164,496
Accumulated depreciation:					
December 31, 2020	-	(55,440)	(89,045)	(137,642)	(282,127)
Depreciation expense	-	(60,353)	(54,351)	(132,211)	(246,915)
Foreign exchange differences	-	3,479	4,258	6,056	13,793
September 30, 2021	-	(112,314)	(139,138)	(263,797)	(515,249)
Net book value:					
December 31, 2020	548,956	126,802	112,982	384,123	1,172,863
September 30, 2021	\$ 545,251	\$ 306,003	\$ 218,913	\$ 579,080	\$ 1,649,247

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2019	\$ 665,422	\$ 131,138	\$ 138,287	\$ 207,284	\$ 1,142,131
Additions	-	96,923	114,896	410,938	622,757
Foreign exchange differences	(116,466)	(45,819)	(51,156)	(96,457)	(309,898)
December 31, 2020	548,956	182,242	202,027	521,765	1,454,990
Accumulated depreciation:					
December 31, 2019	-	(33,290)	(69,670)	(65,632)	(168,592)
Depreciation expense	-	(36,354)	(41,545)	(96,720)	(174,619)
Foreign exchange differences	-	14,204	22,170	24,710	61,084
December 31, 2020	-	(55,440)	(89,045)	(137,642)	(282,127)
Net book value:					
December 31, 2019	665,422	97,848	68,617	141,652	973,539
December 31, 2020	\$ 548,956	\$ 126,802	\$ 112,982	\$ 384,123	\$ 1,172,863

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

6. MINERAL PROPERTIES

9 months ended Sept. 30, 2021				
	Dec. 31, 2020	Additions	Foreign exchange	Sept. 30, 2021
Cuiú Cuiú	\$ 1,363,483	\$ 532,250	(\$ 36,010)	\$ 1,859,723
Bom Jardim	136,475	44,652	(5,686)	175,441
Other	19,532	7,475	(814)	26,193
	\$ 1,519,490	\$ 584,377	(\$ 42,510)	\$ 2,061,357

Year ended December 31, 2020				
	Dec. 31, 2019	Additions	Foreign exchange	Dec. 31, 2020
Cuiú Cuiú	\$ 1,420,696	\$ 176,679	(\$ 233,892)	\$ 1,363,483
Bom Jardim	102,039	63,229	(28,793)	136,475
Other	15,885	8,009	(4,362)	19,532
	\$ 1,538,620	\$ 247,917	(\$ 267,047)	\$ 1,519,490

The Company's primary mineral property is Cuiú Cuiú.

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

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

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

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

Cuiú Cuiú surface access agreement, garimpeiro condominium

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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

The February 19, 2006 agreement has since been amended and extended several times with the most recent amendment taking place on March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R\$ 5,400 per year (equivalent of \$1,268 as at September 30, 2021) to each of the 20 majority stakeholders and R\$ 2,700 per year (\$634) to each of the 62 minority stakeholders.

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

Acquisition of Cuiú Cuiú garimpeiro interests

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

In March 2021, the Company acquired the interest of a majority stakeholder for a price of R\$ 474,000 (approximately \$112,000) pursuant to the terms of the garimpeiro condominium agreement.

In May 2021, the Company acquired the interest of a majority stakeholder for a price of R\$ 474,000 (approximately \$112,000). In July 2021, the Company paid a further R\$ 30,000 (approximately \$7,000) in connection with this purchase. A final amount relating to compensation for structures and other improvements on the property will be determined and paid in 2022.

In August 2021, the Company acquired the interest of a majority stakeholder for a price of R\$ 468,900 (approximately \$111,000).

In September 2021, the Company acquired the interest of a minority stakeholder for a price of R\$ 108,480 (approximately \$25,000).

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Sept. 30, 2021	Dec. 31, 2020
Brazil:		
Drilling and assay	\$ 341,831	\$ 11,391
Payroll and related costs	250,531	88,913
Equipment rental	67,369	-
Claim settlement	27,031	28,204
Cuiú Cuiú condominium liability	19,873	16,104
Freight and travel	12,706	25,634
Third party contractors	-	20,359
Third party permitting and other studies	-	72,937
Other	126,228	66,072
Canada:		
Professional fees	12,000	17,758
Marketing	6,520	41,200
Other	2,918	9,911
Due to officers and directors (see Note 12(b))	25,866	17,594
	<u>\$ 892,873</u>	<u>\$ 416,077</u>

8. SHAREHOLDERS' EQUITY

(a) Share capital

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

July 2021 bought-deal financing

In June 2021, the Company announced that it had entered into an agreement with Cormark Securities Inc., on behalf of a syndicate of investment dealers pursuant to which the underwriters agreed to purchase, on a bought-deal basis, an aggregate of 18,520,000 units (the “Units”) from the treasury of the Company, at a price of \$0.54 per Unit for total gross proceeds of approximately \$10 million (the “Offering”). The Company granted the Underwriters an option (the “Over-Allotment Option”) to purchase up to an additional 15% of the Units of the Offering on the same terms exercisable at any time up to 30 days following the closing of the Offering, for market stabilization purposes and to cover over-allotments, if any.

In July 2021, the Company announced that it had closed the bought-deal prospectus offering selling an aggregate of 21,298,000 Units, which included the exercise in full of the Over-Allotment Option, for aggregate gross proceeds of \$11,500,920.

Each Unit is comprised of one common share of the Company and one-half of one share purchase warrant of the Company (each whole share purchase warrant, a “Warrant”). Each Warrant entitles

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

the holder to acquire one common share at an exercise price of \$0.80 per share until July 6, 2023, subject to the terms of a warrant indenture dated July 6, 2021 between the Company and Computershare Trust Company of Canada as warrant agent.

The Company paid a cash commission of \$562,853 and issued an aggregate of 1,042,320 underwriters' warrants (the "**Underwriters' Warrants**"). Each Underwriters' Warrant is exercisable into one Common Share at an exercise price of \$0.54 per share until July 6, 2023.

Total share issuance costs amounted to approximately \$982,000 (excluding the estimated value of the Underwriters' Warrants of \$272,046).

(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, 2019		24,733,190	0.20
Issued:			
Broker warrants (June 2020 private placement)	June 19, 2022	144,000	0.20
Exercised:			
Finder warrants (July 2019 private placement)	July 25, 2020	(745,045)	0.20
Warrants (July 2019 private placement)	Nov. 25, 2020	(22,296,832)	0.20
Finder warrants (Dec. 2018 private placement)	Nov. 28, 2020	(366,000)	0.25
Pre-2017 RTO San Angelo warrants	May 26, 2021	(500,000)	0.25
Expired:			
Finder warrants (July 2019 private placement)	July 25, 2020	(225,313)	0.20
Warrants (July 2019 private placement)	Nov. 25, 2020	(500,000)	0.20
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 San Angelo warrants	May 26, 2021	(100,000)	0.25
September 30, 2021		11,835,320	0.77

The Company had the following share purchase warrants outstanding as at September 30, 2021:

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

	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 September 30, 2021 was 21 months (December 31, 2020: 12 months).

In July 2021, the Company announced that the TSX Venture Exchange had accepted for listing the 10,649,000 Warrants issued in connection with the July 2021 bought-deal financing.

(c) Stock options

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

	Expiry date	Number of options	Weighted average exercise price
December 31, 2019		5,471,093	0.22
Issued:			
July 21, 2020	July 21, 2025	3,405,000	0.27
November 14, 2020	Nov. 13, 2025	1,150,000	0.60
Exercised		(492,500)	0.28
Expired		(672,645)	0.33
Forfeited		(90,000)	0.15
December 31, 2020		8,770,948	0.28
Issued:			
April 12, 2021	April 11, 2026	600,000	0.49
August 31, 2021	August 30, 2026	4,050,000	0.51
Exercised		(403,724)	0.21
Forfeited		(518,000)	0.24
September 30, 2021		12,499,224	0.37

The weighted average remaining life of outstanding stock options as at September 30, 2021 was 46 months (December 31, 2020: 48 months).

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

Stock-based compensation relating to stock options totalled \$1,010,806 in the nine months ended September 30, 2021 (nine months ended September 30, 2020: \$436,918).

All stock options granted in 2021 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 2021 were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	August 31, 2021 (\$0.51)	April 12, 2021 (\$0.49)
Dividends	-	-
Expected volatility (average)	119%	154%
Risk-free interest rate	1.0%	1.2%
Expected life (months)	60	60
Expected rate of forfeiture	15.0%	15.0%

(d) Restricted share units

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

December 31, 2019	266,666
Issued:	
July 30, 2020	575,000
December 31, 2020	841,666
Issued:	
April 12, 2021	584,374
Vested	(374,999)
September 30, 2021	1,051,041

The vesting profile of the RSUs outstanding as at September 30, 2021 is as follows:

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

Date of vesting	RSUs
January 30, 2022	200,000
September 6, 2022	66,667
October 12, 2022	85,939
July 30, 2023	200,000
April 12, 2024	498,435
	1,051,041

Stock-based compensation relating to RSUs totalled \$113,707 in the nine months ended September 30, 2021 (nine months ended September 30, 2020: \$27,959).

9. EXPLORATION AND DEVELOPMENT

9 months ended September 30, 2021					
	Cuiú Cuiú		Other	Logistical support	Total
Drilling	\$ 1,901,224	\$ -	\$ -	\$ -	\$ 1,901,224
Field costs	1,465,799	11,960	-	-	1,477,759
Payroll	1,220,229	-	-	39,441	1,259,670
Freight and travel	530,804	-	-	5,734	536,538
Assay	207,089	-	-	-	207,089
Consulting, third parties	68,811	-	-	-	68,811
Office and logistics	-	-	-	109,915	109,915
	\$ 5,393,956	\$ 11,960	\$ 155,090	\$ 5,561,006	

9 months ended September 30, 2020					
	Cuiú Cuiú		Other	Logistical support	Total
Payroll	\$ 559,280	\$ -	\$ -	\$ 26,776	\$ 586,056
Field costs	461,988	3,282	-	-	465,270
Consulting, third parties	195,445	42,168	-	-	237,613
Freight and travel	148,535	-	-	7,056	155,591
Office and logistics	-	-	-	61,100	61,100
Drilling (direct costs)	54,404	-	-	-	54,404
Assay	31,837	-	-	-	31,837
	\$ 1,451,489	\$ 45,450	\$ 94,932	\$ 1,591,871	

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

10. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the nine months ended September 30, 2021 amounted to \$1,627,741 (nine months ended September 30, 2020: \$915,612).

11. SEGMENTED INFORMATION

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

	Canada	Brazil	Total
Non-current assets:			
September 30, 2021	\$ 2,634	\$ 3,707,970	\$ 3,710,604
December 31, 2020	4,995	2,687,358	2,692,353
Net loss:			
9 months ended September 30, 2021	1,431,943	6,277,750	7,709,693
9 months ended September 30, 2020	\$ 1,063,982	\$ 1,803,479	\$ 2,867,461

12. RELATED PARTY TRANSACTIONS

(a) Management compensation

	9 months ended Sept. 30, 2021	9 months ended Sept. 30, 2020
Management:		
Employment remuneration	\$ 134,250	\$ 194,916
Consulting fees	177,000	90,917
Payroll related costs	16,340	17,242
Stock-based compensation, stock options	225,093	183,389
Stock-based compensation, RSUs	38,159	4,875
	<u>590,842</u>	<u>491,339</u>
Directors (excluding management):		
Stock-based compensation, stock options	233,365	77,468
Stock-based compensation, RSUs	55,741	23,084
	<u>289,106</u>	<u>100,552</u>
	<u>\$ 879,948</u>	<u>\$ 591,891</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

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

Capital Corp., companies controlled by the Executive Chairman and the Chief Financial Officer, respectively.

(b) Balances due to related parties

As at September 30, 2021, the Company owed a total of \$25,866 to members of management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in the fourth quarter of 2021. 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.

13. SUPPLEMENTARY CASH FLOW INFORMATION

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

	9 months ended Sept. 30, 2021	9 months ended Sept. 30, 2020
Share issuance costs paid in warrants	\$ 272,046	\$ -

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.

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

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 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 September 30, 2021 and December 31, 2020:

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

	September 30, 2021		December 31, 2020	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	5,925,588	64,154	2,277,986	3,895
Receivables and prepaid expenses	73,981	-	15,446	-
Accounts payable and accrued liabilities	(3,599,695)	-	(1,261,749)	-
	2,399,874	64,154	1,031,683	3,895
Equivalent in Canadian dollars	563,730	81,739	252,866	4,959

Liquidity risk

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

Credit risk

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

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at September 30, 2021.

Interest rate risk

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

The Company did not have any interest-bearing liabilities outstanding as at September 30, 2021.

16. 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 September 30, 2021 and November 26, 2021, there was one legal case outstanding which had not been settled. Management is vigorously defending against this claim and has assessed the likelihood of loss related to the outstanding litigation as nil with regards to this outstanding litigation and related exposures. The ultimate outcome or actual cost of settlement may

Cabral Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2021

vary materially from management estimates due to the inherent uncertainty regarding the Company's estimates.

(b) COVID-19

The Company's operations could be significantly and adversely impacted by the effects of a widespread global outbreak of a contagious disease, such as the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations or 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.