



# Cabral Gold

## **Cabral Gold Inc.**

An exploration stage company

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2022 AND 2021

**Cabral Gold Inc.****Condensed Interim Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

	Notes	Sept. 30, 2022	Dec. 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 913,689	\$ 4,898,213
Accounts receivable		149,542	138,276
Prepaid expenses		51,719	185,573
<b>Total Current assets</b>		<b>1,114,950</b>	<b>5,222,062</b>
<b>Non-current assets</b>			
Fixed assets	6	2,032,398	2,030,837
Mineral properties	7	2,801,319	2,277,461
<b>Total Assets</b>		<b>\$ 5,948,667</b>	<b>\$ 9,530,360</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9, 14(c)	\$ 1,896,001	\$ 908,838
Term loan	14(b)	\$ 1,041,732	\$ -
<b>Total Current liabilities</b>		<b>2,937,733</b>	<b>908,838</b>
<b>Shareholders' equity</b>			
Share capital	10(a)	32,959,184	30,891,884
Reserves	10(b), 10(c), 10(d)	6,238,911	5,020,479
Accumulated other comprehensive income		(553,437)	(1,045,855)
Accumulated deficit		(35,633,724)	(26,244,986)
<b>Total Shareholders' equity</b>		<b>3,010,934</b>	<b>8,621,522</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>\$ 5,948,667</b>	<b>\$ 9,530,360</b>
<b>Nature of operations and going concern (Note 1)</b>			
<b>Subsequent event (Note 19)</b>			
<b>Commitments and contingent liabilities (Notes 8 and 18)</b>			

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Approved by the Board of Directors

"Alan Carter"

Alan Carter, Director

"Derrick Weyrauch"

Derrick Weyrauch, 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, 2022	3 months ended Sept. 30, 2021	9 months ended Sept. 30, 2022	9 months ended Sept. 30, 2021
<b>Expenses</b>					
Exploration and evaluation	11	\$ 1,267,258	\$ 2,575,258	\$ 7,262,403	\$ 5,561,006
Stock-based compensation	10(c), 10(d)	188,564	568,879	769,117	1,124,513
Depreciation	6	156,348	102,609	468,430	246,915
Management	14(a)	111,713	137,743	335,051	347,968
Marketing		68,707	108,808	218,504	290,087
Office and administrative		23,294	26,977	89,100	79,662
Professional fees		26,157	13,962	62,534	48,147
Listing expense		1,359	10,577	49,133	36,442
Travel		1,487	-	15,899	-
		<u>1,844,887</u>	<u>3,544,813</u>	<u>9,270,171</u>	<u>7,734,740</u>
<b>Other income and expenses</b>					
Interest expense		94,604	-	120,996	-
Foreign exchange expense (gain)		62,812	(3,746)	72,527	1,121
Other income		(32,187)	-	(32,187)	-
Interest income		(11,029)	(12,204)	(42,769)	(26,168)
		<u>\$ 1,959,087</u>	<u>\$ 3,528,863</u>	<u>\$ 9,388,738</u>	<u>\$ 7,709,693</u>
<b>Net loss for the period</b>					
<b>Other comprehensive income and loss</b>					
Unrealised foreign currency translation items		(66,513)	205,016	(492,418)	213,081
		<u>\$ 1,892,574</u>	<u>\$ 3,733,879</u>	<u>\$ 8,896,320</u>	<u>\$ 7,922,774</u>
<b>Total comprehensive loss for the period</b>					
Loss per share, Basic and diluted		\$ 0.01	\$ 0.03	\$ 0.06	\$ 0.06
Weighted average shares outstanding,					
Basic and diluted		151,801,079	140,279,460	145,167,265	126,717,659

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
<b>Balance at December 31, 2020</b>	<b>119,491,737</b>	<b>\$ 21,197,071</b>	<b>\$ 1,061,358</b>	<b>\$ 1,394,608</b>	<b>\$ 58,703</b>	<b>(\$ 733,526)</b>	<b>(\$ 15,039,801)</b>	<b>\$ 7,938,413</b>
Shares issued for cash:								
Private placement (units)	21,298,000	11,074,960	425,960	-	-	-	-	<b>11,500,920</b>
Exercise of stock options	403,724	147,200	-	(63,671)	-	-	-	<b>83,529</b>
Exercise of warrants	100,000	25,000	-	-	-	-	-	<b>25,000</b>
Unit issuance costs	-	(1,207,207)	225,615	-	-	-	-	<b>(981,592)</b>
Vesting of RSUs	374,999	76,500	-	-	(76,500)	-	-	-
Stock-based compensation	-	-	-	1,010,806	113,707	-	-	<b>1,124,513</b>
Comprehensive loss	-	-	-	-	-	(213,081)	(7,709,693)	<b>(7,922,774)</b>
<b>Balance at September 30, 2021</b>	<b>141,668,460</b>	<b>\$ 31,313,524</b>	<b>\$ 1,712,933</b>	<b>\$ 2,341,743</b>	<b>\$ 95,910</b>	<b>(\$ 946,607)</b>	<b>(\$ 22,749,494)</b>	<b>\$ 11,768,009</b>
<b>Balance at December 31, 2021</b>	<b>141,684,460</b>	<b>30,891,884</b>	<b>2,138,893</b>	<b>2,737,895</b>	<b>143,691</b>	<b>(1,045,855)</b>	<b>(26,244,986)</b>	<b>\$ 8,621,522</b>
Shares issued for cash:								
Private placement (units)	10,138,358	2,539,589	501,918	-	-	-	-	<b>3,041,507</b>
Unit issuance costs	-	(472,289)	(52,603)	-	-	-	-	<b>(524,892)</b>
Subscription receipts	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	659,572	109,545	-	-	<b>769,117</b>
Comprehensive loss	-	-	-	-	-	492,418	(9,388,738)	<b>(8,896,320)</b>
<b>Balance at September 30, 2022</b>	<b>151,822,818</b>	<b>\$ 32,959,184</b>	<b>\$ 2,588,208</b>	<b>\$ 3,397,467</b>	<b>\$ 253,236</b>	<b>(\$ 553,437)</b>	<b>(\$ 35,633,724)</b>	<b>\$ 3,010,934</b>

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)

	<b>9 months ended Sept. 30, 2022</b>	<b>9 months ended Sept. 30, 2021</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(\$ 9,388,738)	(\$ 7,709,693)
Adjustments for items not involving cash:		
Stock-based compensation	769,117	1,124,513
Depreciation	468,430	246,915
Unrealised foreign exchange loss (gain)	73,047	(127,677)
	<b>(8,078,144)</b>	<b>(6,465,942)</b>
Net changes in non-cash working capital:		
Increase in accounts receivable	(11,266)	(20,541)
Decrease (increase) in prepaid expenses	133,854	(199,875)
Increase in accounts payable	971,165	450,721
<b>Cash used in operating activities</b>	<b>(6,984,391)</b>	<b>(6,235,637)</b>
<b>INVESTING ACTIVITIES</b>		
Additions to mineral properties	(297,177)	(558,302)
Additions to fixed assets	(271,593)	(767,385)
<b>Cash used in investing activities</b>	<b>(568,770)</b>	<b>(1,325,687)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares and units for cash	3,041,507	11,609,449
Share and unit issuance costs	(524,892)	(981,592)
Proceeds of term loan from officer	979,336	-
<b>Cash provided by financing activities</b>	<b>3,495,951</b>	<b>10,627,857</b>
<b>Effect of change in exchange rate on cash</b>	<b>72,686</b>	<b>1,192</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,984,524)</b>	<b>3,067,725</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,898,213</b>	<b>5,477,780</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 913,689</b>	<b>\$ 8,545,505</b>

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)

Nine months ended September 30, 2022

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### 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 nine months ended September 30, 2022, the Company reported a net loss of \$9,388,738 (nine months ended September 30, 2021: net loss of \$7,709,693), and as at that date had a net working capital deficit of \$1,822,783 (December 31, 2021: net working capital balance of \$4,313,224).

The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional funding to finance its exploration programs and to cover administrative and overhead expenses. The Company hopes to raise additional funding through the sale of equity or other instruments. Any financing solution could be highly dilutive to shareholders. Many factors influence the Company’s ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company’s track record and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities.

There is no assurance that the Company will be successful in its initiatives to obtain additional funding. These material uncertainties 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 would be unable to meet its obligations as they become due in the normal course of business.

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2022

## 2. BASIS OF PREPARATION

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

	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. ("**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.

## 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. CRITICAL JUDGEMENTS AND SIGNIFICANT ESTIMATES

The preparation of the interim consolidated financial statements in conformity with IFRS requires the use of judgements and estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. Information about such judgements and estimation is contained in the accounting policies and notes to the consolidated financial statements for the year ended December 31, 2021, and the key areas are summarised below.

### *Going concern*

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding short and long-term financing, investing and operating activities, and management's strategic planning. Management has applied

## **Cabral Gold Inc.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2022

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judgement in the assessment of the Company continuing as a going concern by taking into account all available information. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate, as discussed in Note 1.]

#### ***Functional currency***

Management is required to assess the functional currency of each entity of the Company. In concluding the functional currencies of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

#### ***Impairment of mineral properties***

Mineral properties are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Assessment of impairment indicators involves the application of a number of significant judgments over internal and external factors including reserve and resource estimation, future precious metal prices, estimated costs of future production, changes in government legislation and regulations, estimated deferred income taxes, the availability of financing and various other operational factors. If any such indication exists, an estimate of the recoverable amount is undertaken. If the asset's carrying amount exceeds its recoverable amount, an impairment loss is recognised in the statement of loss.

#### ***Title to mineral properties***

Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

## **5. 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)

Nine months ended September 30, 2022

#### 6. FIXED ASSETS

	Land	Buildings	Vehicles	Equipment	Total
<b>Cost:</b>					
December 31, 2021	\$ 556,296	\$ 587,796	\$ 350,973	\$ 1,159,908	\$ 2,654,973
Additions	15,022	110,303	-	181,007	306,332
Disposals	-	-	(55,081)	-	(55,081)
Foreign exchange differences	63,798	89,440	39,916	121,432	314,586
September 30, 2022	635,116	787,539	335,808	1,462,347	3,220,810
<b>Accumulated depreciation:</b>					
December 31, 2021	-	(145,958)	(157,556)	(320,622)	(624,136)
Disposals	-	-	20,342	-	20,342
Depreciation expense	-	(142,916)	(72,235)	(253,279)	(468,430)
Foreign exchange differences	-	(35,598)	(26,491)	(54,099)	(116,188)
September 30, 2022	-	(324,472)	(235,940)	(628,000)	(1,188,412)
<b>Net book value:</b>					
December 31, 2021	556,296	441,838	193,417	839,286	2,030,837
<b>September 30, 2022</b>	<b>\$ 635,116</b>	<b>\$ 463,067</b>	<b>\$ 99,868</b>	<b>\$ 834,347</b>	<b>\$2,032,398</b>

	Land	Buildings	Vehicles	Equipment	Total
<b>Cost:</b>					
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
<b>Accumulated depreciation:</b>					
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)
<b>Net book value:</b>					
December 31, 2020	548,956	126,802	112,982	384,123	1,172,863
<b>December 31, 2021</b>	<b>\$ 556,296</b>	<b>\$ 441,838</b>	<b>\$ 193,417</b>	<b>\$ 839,286</b>	<b>\$2,030,837</b>

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2022

#### 7. MINERAL PROPERTIES

<b>9 months ended September 30, 2022</b>				
	<b>Jan. 1, 2022</b>	<b>Additions</b>	<b>Foreign exchange</b>	<b>Sept. 30, 2022</b>
Cuiú Cuiú	\$ 2,082,180	\$ 302,472	\$ 187,871	\$ 2,572,523
Bom Jardim	169,914	9,179	19,847	198,940
Other	25,367	1,524	2,965	29,856
	<b>\$ 2,277,461</b>	<b>\$ 313,175</b>	<b>\$ 210,683</b>	<b>\$ 2,801,319</b>

<b>Year ended December 31, 2021</b>				
	<b>Jan. 1, 2021</b>	<b>Additions</b>	<b>Foreign exchange</b>	<b>Dec. 31, 2021</b>
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
	<b>\$ 1,519,490</b>	<b>\$ 849,781</b>	<b>(\$ 91,810)</b>	<b>\$ 2,277,461</b>

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)

Nine months ended September 30, 2022

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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 \$1,371 as at September 30, 2022) to each of the 20 majority stakeholders and R\$ 2,700 per year (\$686) 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.

During 2021, the Company acquired the interest of five majority stakeholders and one minority stakeholder for total consideration of R\$ 2,534,280 (\$590,000) of which R\$ 70,000 was paid in June 2022 and R\$ 300,000 is due for payment in the first quarter of 2023.

During the nine months ended September 30, 2022, the Company acquired the interest of a majority stakeholder for total consideration of R\$ 434,600 (approximately \$109,000).

## **8. 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 November 28, 2022, no claim had been filed against the Company, however, the Company is

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, Expressed in Canadian Dollars)

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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.

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 November 28, 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 18(a)).

#### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Sept. 30, 2022	Dec. 31, 2021
Brazil:		
Drilling and assay	\$ 701,090	\$ 385,369
Payroll and related costs	231,592	204,573
Third party studies	143,372	-
Claims purchase (see Note 6)	76,170	84,175
Equipment rental	59,920	38,903
Security	34,142	9,571
Freight and travel	20,231	2,269
Cuiú Cuiú condominium liability	17,578	16,881
Claim settlement	-	48,064
Other	117,282	78,449
Canada:		
Exploration	121,641	-
Unit issuance costs	86,660	-
Professional fees	42,736	3,184
Marketing	36,000	22,200
Other	22,537	6,754
Interest expense	87,610	-
Interest expense, related party (see Note 14(b))	34,605	-
Due to officers and directors (see Note 14(c))	62,835	8,446
	<u>\$ 1,896,001</u>	<u>\$ 908,838</u>

## **Cabral Gold Inc.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited, Expressed in Canadian Dollars)

Nine months ended September 30, 2022

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#### **10. SHAREHOLDERS' EQUITY**

##### **(a) Share capital**

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

##### ***June 2022 brokered private placement***

On June 28, 2022, the Company closed a brokered private placement financing consisting of a total of 10,038,358 units at a price of \$0.30 per Unit for gross proceeds of \$3,011,507.

Each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant of the first closing entitles the holder to acquire one common share at an exercise price of \$0.50 per share until June 27, 2024, subject to the terms of a warrant indenture dated June 28, 2022 between the Company and Computershare Trust Company of Canada as warrant agent.

The Company paid a cash commission of \$142,851 to the brokers and issued an aggregate of 476,170 compensation options. Each compensation option is exercisable into one common share at an exercise price of \$0.30 per share until June 27, 2024.

Total unit issuance costs amounted to \$524,892 (excluding the estimated value of the compensation options of \$41,855).

Officers and directors of the Company subscribed for a total of 480,000 units for gross proceeds of \$144,000.

On July 20, 2022, a second closing of the financing took place consisting of 100,000 units for gross proceeds of \$30,000.

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### (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
<b>December 31, 2020</b>		<b>244,000</b>	<b>0.22</b>
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
<b>December 31, 2021</b>		<b>11,835,320</b>	<b>0.77</b>
Issued:			
Warrants (June 2022 private placement)	June 27, 2024	10,038,358	0.50
Compensation options (June 2022 private placement)	June 27, 2024	476,170	0.30
Warrants (July 2022 private placement)	July 19, 2024	100,000	0.50
Expiration:			
Broker warrants (June 2020 private placement)	June 19, 2022	(144,000)	0.20
<b>September 30, 2022</b>		<b>22,305,848</b>	<b>0.64</b>

The Company had the following share purchase warrants outstanding as at September 30, 2022:

	Expiry date	Exercise price	Number of warrants
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
Warrants (June 2022 private placement)	June 27, 2024	0.50	10,038,358
Compensation options (June 2022 private placement)	June 27, 2024	0.30	476,170
Warrants (July 2022 private placement)	July 19, 2024	0.50	100,000
		<b>0.64</b>	<b>22,305,848</b>

The weighted average remaining life of outstanding share purchase warrants as at September 30, 2022 was 15 months (December 31, 2021: 18 months).

#### (c) Stock options

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

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	Expiry date	Number of options	Weighted average exercise price
<b>December 31, 2020</b>		<b>8,770,948</b>	<b>0.28</b>
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
<b>December 31, 2021</b>		<b>12,383,224</b>	<b>0.37</b>
<b>September 30, 2022</b>		<b>12,383,224</b>	<b>0.37</b>

The Company had the following stock options outstanding as at September 30, 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
		<b>0.37</b>	<b>12,383,224</b>

The weighted average remaining life of outstanding stock options as at September 30, 2022 was 34 months (December 31, 2021: 43 months).

Stock-based compensation relating to stock options totalled \$659,572 in the nine months ended September 30, 2022 (nine months ended September 30, 2021: \$1,010,806).

#### (d) Restricted share units

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

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	Number of RSUs
<b>December 31, 2020</b>	<b>841,666</b>
Issued:	
April 12, 2021	584,374
Vested	(374,999)
<b>December 31, 2021</b>	<b>1,051,041</b>
<b>September 30, 2022</b>	<b>1,051,041</b>

The RSUs that vested as at January 30, 2022 and September 6, 2022 were not issued as at these dates due to a black-out in effect.

Stock-based compensation relating to RSUs totalled \$109,545 in the nine months ended September 30, 2022 (nine months ended September 30, 2021: \$113,707).

#### 11. EXPLORATION AND DEVELOPMENT

	9 months ended 30 Sept. 2022	9 months ended 30 Sept. 2021
Drilling	\$ 2,347,445	\$ 1,901,224
Field costs	1,813,024	1,465,799
Payroll	1,500,183	1,220,229
Consulting, third parties	565,835	68,811
Freight and travel	496,767	530,804
Assay	376,332	207,089
	7,099,586	5,393,956
Other	12,191	11,960
Logistical support	150,626	155,090
	<b>\$ 7,262,403</b>	<b>\$ 5,561,006</b>

## Cabral Gold Inc.

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	3 months ended		3 months ended	
	30 Sept. 2022		30 Sept. 2021	
Consulting, third parties	\$	354,392	\$	24,034
Payroll		350,671		507,663
Field costs		270,601		654,074
Drilling		105,877		1,007,236
Assay		98,446		110,883
Freight and travel		38,137		198,772
		1,218,124		2,502,662
Other		4,484		3,444
Logistical support		44,650		69,152
	\$	<b>1,267,258</b>	\$	<b>2,575,258</b>

#### 12. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the nine months ended September 30, 2022 amounted to \$1,900,027 (nine months ended September 30, 2021: \$1,627,741).

#### 13. SEGMENTED INFORMATION

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

	Canada	Brazil	Total
<b>Non-current assets:</b>			
September 30, 2022	\$ 1,442	\$ 4,832,275	\$ 4,833,717
December 31, 2021	2,297	4,306,001	4,308,298
<b>Net loss:</b>			
9 months ended September 30, 2022	1,342,721	8,046,017	9,388,738
9 months ended September 30, 2021	\$ 1,431,943	\$ 6,277,750	\$ 7,709,693

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### 14. RELATED PARTY TRANSACTIONS

##### (a) Related party transactions and liabilities

	9 months ended Sept. 30, 2022	9 months ended Sept. 30, 2021
Management:		
Employment remuneration	\$ 134,250	\$ 134,250
Consulting fees	182,337	177,000
Payroll related costs	17,635	16,340
Stock-based compensation, stock options	188,206	225,093
Stock-based compensation, RSUs	35,480	38,159
	<u>557,908</u>	<u>590,842</u>
Directors (excluding management):		
Stock-based compensation, stock options	125,264	233,365
Stock-based compensation, RSUs	41,655	55,741
	<u>166,919</u>	<u>289,106</u>
	<u>\$ 724,827</u>	<u>\$ 879,948</u>

Management comprises the Executive Chairman, the President CEO and the CFO. Employment remuneration is paid to the President and CEO and the CFO. Consulting fees are paid to Geofin Consulting (“**Geofin**”) and Hornby Capital Corp. (“**HCC**”), companies controlled by the Executive Chairman and the CFO, respectively.

During the nine months ended September 30, 2022, the Company has paid \$105,937 (nine months ended September 30, 2021: \$101,700) to Geofin for consulting services.

During the nine months ended September 30, 2022, the Company has paid \$76,400 (nine months ended September 30, 2021: \$91,350) to HCC for consulting services.

In the nine months ended September 30, 2022, \$46,375 was paid or accrued to officers of the Company as company expense reimbursements, including but not limited to marketing, travel, office and regulatory costs (nine months ended September 30, 2021: \$48,286). As at September 30, 2022, the Company owed officers of the Company \$11,428 (September 30, 2021: \$14,289) for various expenses, including but not limited to marketing, travel, office and regulatory costs. As at September 30, 2022, the Company also owed officers of the Company \$51,407 (September 30, 2021: nil) for unpaid remuneration. The amounts owing were included in accounts payable and accrued liabilities and are non-interest bearing, unsecured and have no set terms of repayment.

##### (b) Term loan

In May 2022, the Company entered into a loan agreement pursuant to which the Company’s President and CEO would provide short-term financing to the Company by way of an unsecured term loan of up to \$1,500,000 (the “**Term Loan**”).

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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The Term Loan will be advanced to the Company as required and will bear interest at a rate of 10% per annum. 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 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 loan agreement provides for the funds to be advanced to the Company in either \$ or US\$. The repayment of advanced funds to the lender is to be made in the currency that was originally advanced. The lender elected to advance the funds in US\$.

The outstanding balance of the Term Loan as at September 30, 2022 amounted to \$1,041,732 (US\$ 760,000) excluding accrued interest of \$34,605 (US\$ 25,247). No further funds were advanced by the lender subsequent to September 30, 2022.

The total amount of the \$1,500,000 Term Loan has not been advanced thus far. Interest has been accrued on the advanced balance at 10% per annum.

The proceeds of the Term Loan were used for the advancement of the Company's Cuiú Cuiú project and for working capital and general corporate purposes.

The parties intend that subject to TSX Venture Exchange approval, interest on the Term Loan be repayable in common shares.

#### (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.

Officers and directors of the Company subscribed for a total of 480,000 units in the June 2022 brokered private placement for gross proceeds of \$144,000 (see Note 10(a)).

#### 15. 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, 2022	9 months ended Sept. 30, 2021
Accounts payable relating to mineral properties (net change)	\$ 15,998	\$ -
Share issuance costs paid in warrants	41,855	272,046

## **Cabral Gold Inc.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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#### **16. 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.

The Company attempts to set the amount of capital in proportion to the risks. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

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

#### **17. FINANCIAL INSTRUMENTS**

##### **(a) Carrying value and fair value**

The Company's financial instruments comprise cash and cash equivalents, accounts receivable (excluding sales taxes) and accounts payable and accrued liabilities.

Financial instruments recognised at fair value on the consolidated statements of financial position are classified in fair value hierarchy levels as follows:

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

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

Accounts payable and accrued liabilities are classified as subsequently measured at amortised cost and are recorded in the financial statements at amortised cost. The fair value of accounts payable and accrued liabilities may be less than the carrying value as a result of the Company's credit and liquidity risk.

## Cabral Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### (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, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	118,177	84	4,656,142	20,353
Receivables and prepaid expenses	39,781	-	699,804	-
Loan from related party	-	(785,247)	-	-
Accounts payable and accrued liabilities	(5,864,462)	(48,000)	(3,816,499)	-
	(5,706,504)	(833,163)	1,539,447	20,353
Equivalent in Canadian dollars	(1,448,881)	(1,142,016)	350,224	25,804

Based on the monetary balances as at September 30, 2022, a 10% decrease in the \$ per R\$ and \$ per US\$ exchange rates (i.e. a reduction in the value of the \$ relative to both currencies) on this date would result in an increase in the net loss for the period then ended of approximately \$260,000.

##### *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 risk through the management of its capital structure, as outlined in Note 16. For the nine months ended September 30, 2022, the Company reported a net loss of \$9,388,738 (nine months ended September 30, 2021: net loss of \$7,709,693), and as at that date had a net working capital deficit of \$1,822,783 (December 31, 2021: net working capital balance of \$4,313,224). The continuation of the Company depends up on the support of equity investors, which cannot be assured. 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

## **Cabral Gold Inc.**

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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 believed collectable and no valuation allowance or provision was applied or required as at September 30, 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.

As at September 30, 2022, the Company had two interest bearing liabilities. In May 2022, the Company's President and CEO provided the Company with a short-term, unsecured term loan of up to \$1,500,000 bearing interest at a rate of 10% per annum which increases to 12.5% per annum under certain circumstances (see Note 14(b)). Also, the Company is incurring penalty interest of 3% per month on an overdue trade balance in Brazil of approximately R\$ 2,750,000 (\$700,000) as at September 30, 2022.

Otherwise, the Company did not have any interest-bearing liabilities outstanding as at September 30, 2022.

## **18. CONTINGENT LIABILITIES**

### **(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, 2022 and November 28, 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 November 28, 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 caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on

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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.

#### **19. SUBSEQUENT EVENT**

##### ***November 2022 non-brokered private placement***

On November 25, 2022, the Company closed the first tranche of a non-brokered private placement financing consisting of a total of 6,200,000 units at a price of \$0.20 per unit for gross proceeds of \$1,240,000.

Each unit is comprised of one common share of the Company and one common share purchase warrant having a term of two years. Each warrant entitles the holder to acquire one common share at an exercise price of at an exercise price of \$0.30 in the first year following closing, increasing to \$0.40 in the second year following closing.

Total finder's fees paid to third parties in connection with the first closing amounted to \$3,000. The Company also issued an aggregate of 15,000 finder warrants. Each finder warrant entitles the holder to purchase one common share at an exercise price of \$0.20 for a period of two years following closing.