

BB1 ACQUISITION CORP.

(TO BE RENAMED CERRADO GOLD INC.)

FILING STATEMENT

QUALIFYING TRANSACTION OF BB1 ACQUISITION CORP.

WITH

CERRADO GOLD INC.

NOVEMBER 29, 2020

Neither the TSX Venture Exchange Inc. (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this filing statement.

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GLOSSARY

“**Affiliate**” means a Company that is affiliated with another Company as described below.

A Company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A Company is “controlled” by a Person if:

- (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“**Associate**” when used to indicate a relationship with a person or company, means

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the person or company,
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity,
- (d) in the case of a person, a relative of that person, including
 - (i) that person’s spouse or child, or
 - (ii) any relative of the person or of his spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

“**Audit Committee**” has the meaning ascribed to that term under “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters – Committees of the Board of Directors*”.

“**BB1**” means BB1 Acquisition Corp., a corporation incorporated under the laws of the province of Ontario.

“**BB1 Board**” means the board of directors of BB1.

“**BB1 Circular**” means the management information circular dated October 23, 2020 prepared in connection with the BB1 Meeting.

“**BB1 Meeting**” means the special meeting of shareholders of BB1, held on November 23, 2020, where shareholders of BB1 approved the Shareholder Approval Matters.

“**BB1 Option Plan**” means the stock option plan of BB1 dated July 12, 2018.

“**BB1 Options**” means 600,000 options to purchase BB1 Shares.

“**BB1 Shares**” means the common shares of BB1 as constituted on the date of this Filing Statement.

“**BB1 Subco**” means 2787753 Ontario Inc., a direct, wholly-owned subsidiary of BB1 incorporated on October 28, 2020 for the purpose of effecting the Merger.

“**BB1 Subco Share**” means the outstanding common shares in the capital of BB1 Subco.

“**BB1 Warrants**” means warrants to purchase BB1 Shares.

“**Broker Warrants**” means the warrants issued in connection with the Subscription Receipt Financing, each exercisable to acquire one Resulting Issuer Share at \$2.00 until 24 months following the completion of the Subscription Receipt Financing.

“**Cerrado**” means Cerrado Gold Inc., a company incorporated under the federal laws of Canada.

“**Cerrado Board**” means the board of directors of Cerrado.

“**Cerrado Options**” means outstanding stock options of Cerrado.

“**Cerrado Properties**” means collectively, the Minera Don Nicolas Mine and Monte do Carmo Project, including, in each case, any extensions or renewals thereof and any and all surface, water, access and other non-mineral rights of and to any lands or other rights of any kind held by Cerrado or the Cerrado Subsidiary.

“**Cerrado RSUs**” means outstanding restricted share units of Cerrado.

“**Cerrado Share**” means a common share in the capital of Cerrado.

“**Cerrado Subsidiary**” means, collectively, Templewood Mineração e Participações Societárias Ltda., Serra Alta Mineração Ltda, Minera Don Nicolas S.A. and Serra Alta Participações Imobiliarias S.A.

“**Cerrado Warrants**” means warrants to purchase Cerrado Shares outstanding immediately prior to the Merger, including Financing Compensation Warrants issued by Cerrado in connection with the Financings.

“**Closing**” means the completion of the Merger pursuant to the Merger Agreement on the Closing Date.

“**Closing Date**” means no later than February 23, 2021 or such other date as may be mutually agreed to in writing between Cerrado and BB1.

“**Company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Compensation Committee**” has the meaning ascribed to that term under “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters – Committees of the Board of Directors*”.

“**Completion of the Qualifying Transaction**” means the date the Final Exchange Bulletin is issued by the Exchange.

“**Consolidated BB1 Shares**” means common shares in the capital of BB1, as constituted after giving effect to the Consolidation.

“**Consolidation**” means the consolidation of the BB1 Shares on the basis of one Consolidated BB1 Share for every 8.31 BB1 Shares.

“**Control Person**” means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

“**CPC**” means a corporation: (a) that has been incorporated or organized in a jurisdiction in Canada; (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and (c) in regard to which the completion of the Qualifying Transaction has not yet occurred.

“**CPC Escrow Agreement**” means the escrow agreement dated October 5, 2018, pursuant to which BB1 Shares held by certain seed investors are held in escrow by the Escrow Agent.

“**CPC Escrowed Shares**” means the BB1 Shares issued to non-arm’s length parties of BB1 that are held in escrow pursuant to the CPC Escrow Agreement.

“**CPC Policy**” means Policy 2.4 – *Capital Pool Companies* of the Exchange.

“**Escrow Agent**” means TSX Trust Company.

“**Escrow Release Conditions**” has the meaning ascribed to that term under “*Information Concerning the Merger and the Financings – The Subscription Receipt Financing*”.

“**Exchange**” means the TSX Venture Exchange Inc.

“**Exchange Ratio**” equals 1, being the ratio at which Consolidated BB1 Shares will be issued in exchange for Cerrado Shares pursuant to the Merger Agreement.

“**Filing Statement**” means this filing statement of BB1 dated November 29, 2020.

“**Final Exchange Bulletin**” means the Exchange Bulletin which is issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction.

“**Financings**” means collectively the Special Warrant Financing and the Subscription Receipt Financing.

“**Financing Compensation Warrants**” means the 628,740 warrants issued in connection with the Special Warrant Financing, each exercisable to acquire one Resulting Issuer Share at \$0.80 until 24 months following the completion of the Special Warrant Financing.

“**IFRS**” means International Financial Reporting Standards.

“**Insider**” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;

- (b) a director or senior officer of the Company that is an insider or subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

“**IPO Agent’s Options**” means, collectively, the 500,000 options to purchase BB1 Shares granted to Canaccord Genuity Corp., in connection with BB1’s initial public offering.

“**LC Acquisition**” means the proposed acquisition of New Dimension’s Argentine subsidiary Minera Mariana Argentina S.A. pursuant to a binding agreement dated October 21, 2020 entered into by Cerrado and New Dimension.

“**LC Project**” means the Las Calandrias and Los Cisnes projects, being the principal assets owned by Minera Mariana to be acquired by Cerrado pursuant to a binding agreement dated October 21, 2020.

“**MD&A**” means Management’s Discussion and Analysis.

“**Maximum Financing**” means the offering of Subscription Receipts under the Subscription Receipt Financing for maximum aggregate gross proceeds of C\$25,000,000;

“**MDC Author**” means B. Terrence Hennessey, P. Geo., a qualified person within the meaning of NI 43-101.

“**MDC Project**” means the property Monte do Carmo gold exploration project located in Tocantins State, Brazil.

“**MDC Technical Report**” means the report entitled “*Independent Technical Report – Preliminary Economic Assessment for Serra Alta Deposit, Monte do Carmo Project, Tocantins State, Brazil*” dated October 14, 2020 with an effective date of December 5, 2018, prepared in accordance with NI 43-101 by the MDC Author.

“**MDN Project**” means the property Minera Don Nicolas property located in Santa Cruz province, Argentina.

“**MDN Author**” means Dr. Gilles Arseneau, P. Geo., a qualified person within the meaning of NI 43-101.

“**MDN Technical Report**” means the report entitled “*Independent Technical Report for the Minera Don Nicolas Precious Metal Project, Santa Cruz, Argentina*” dated August 2020 prepared in accordance with NI 43-101 by the MDN Author.

“**Member**” has the meaning ascribed to that term in the TSXV Corporate Finance Manual.

“**Mergeco**” means Cerrado, which shall be the surviving entity of the Merger of BB1 Subco with and into Cerrado pursuant to the Merger to be named “Cerrado Gold Inc.”

“**Merger**” means the business combination of BB1 and Cerrado by way of three-cornered amalgamation, pursuant to which Cerrado will amalgamate with BB1 Subco.

“**Merger Agreement**” means the business combination agreement dated November 29, 2020 between Cerrado, BB1 and BB1 Subco, as the same may be amended, restated, supplemented or otherwise modified from time to time, providing for, among other things, the Merger.

“**Minera Mariana**” means Minera Mariana Argentina S.A., a wholly-owned subsidiary of New Dimension.

“**Minimum Financing**” means the offering of Subscription Receipts under the Subscription Receipt Financing for minimum aggregate gross proceeds of C\$10,000,000;

“**Name Change**” means the change in the name of BB1 to “Cerrado Gold Corp.” pursuant to the articles of amendment.

“**New Dimension**” means New Dimension Resources Ltd.

“**New Slate**” means the Resulting Issuer Board following Closing.

“**NI 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**Non-Arm’s Length Party**” means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person.

“**Non-Arm’s Length Qualifying Transaction**” means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

“**OBCA**” means the *Business Corporations Act* (Ontario), as amended.

“**Omnibus Incentive Plan**” means the omnibus incentive plan, to be adopted by the Resulting Issuer upon Closing.

“**Person**” means a Company or an individual.

“**Promoter**” means, if used in relation to an issuer, a person who (a) acting alone or in concert with one or more other persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, or (b) in connection with the founding, organization or substantial reorganization of the business of the issuer, directly or indirectly receives, in consideration of services or property or both, 10% or more of a class of the issuer’s own securities or 10% or more of the proceeds from the sale of a class of the issuer’s own securities of a particular issue, but does not include a person who (c) receives securities or proceeds referred to in paragraph (b) solely (i) as underwriting commissions, or (ii) in consideration for property, and (d) does not otherwise take part in founding, organizing or substantially reorganizing the business.

“**Qualifying Transaction**” means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another Company or by other means.

“**Related Party Transaction**” has the meaning ascribed to that term under Multilateral Instrument 61-101 – *Take-Over Bids and Special Transactions*.

“**Resulting Issuer**” means Cerrado Gold Inc. (formerly BB1) that exists upon issuance of the Final Exchange Bulletin.

“**Resulting Issuer Award**” means an option to purchase a Resulting Issuer Share or a restricted unit share issued by the Resulting Issuer.

“**Resulting Issuer Board**” means the board of directors of the Resulting Issuer.

“**Resulting Issuer Compensation Warrants**” means warrants exercisable to purchase Resulting Issuer Shares, to be issued in exchange for Financing Compensation Warrants and IPO Agent’s Options at the closing of the Merger.

“**Resulting Issuer Option**” means an option exercisable to purchase Resulting Issuer Shares.

“**Resulting Issuer RSU**” means a restricted Resulting Issuer Share.

“**Resulting Issuer Share**” means a common share in the capital of the Resulting Issuer.

“**Resulting Issuer Warrant**” means a warrant exercisable to purchase Resulting Issuer Shares.

“**Seed Escrowed Shares**” has the meaning ascribed to that term under “*Information Concerning the Resulting Issuer – Escrowed Securities*”.

“**Shareholder Approval Matters**” means the following matters approved, among other things, by holders of BB1 Shares at the BB1 Meeting: (a) the election of the New Slate; (b) the appointment of KPMG LLP as auditors of the Resulting Issuer; (c); the Omnibus Incentive Plan (d) the Name Change; (e) and the Consolidation.

“**Significant Assets**” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by BB1, together with any other concurrent transactions, would result in BB1 meeting the initial listing requirements of the Exchange.

“**Special Warrant Financing**” means the brokered private placement by Cerrado of 8,845,750 Special Warrants at a price of \$0.80 per Special Warrant for aggregate gross proceeds of \$7,076,600.

“**Special Warrants**” means the 8,845,750 special warrants of Cerrado issued pursuant to the Special Warrant Financing, each convertible into one Cerrado Share immediately prior to the Closing.

“**Special Warrant Indentures**” means the special warrant indentures dated August 27, 2020 and September 10, 2020, each among Cerrado and the Escrow Agent.

“**Sponsor**” has the meaning ascribed to that term in the Sponsorship Policy.

“**Sponsorship Policy**” means Policy 2.2 – *Sponsorship and Sponsorship Requirements of the Exchange*.

“**SR Agent**” has the meaning ascribed to that term under “*Information Concerning the Merger and the Financings – The Subscription Receipt Financing*”.

“**SR Engagement Letter**” means the engagement letter entered into on October 28, 2020, among Cerrado and the SR Agents in respect of the Subscription Receipt Financing.

“**Subscription Receipts**” means the subscription receipts of Cerrado to be issued pursuant to the Subscription Receipt Financing, each convertible into one Cerrado Share immediately prior to the Closing..

“**Subscription Receipt Financing**” means the brokered private placement by Cerrado of a minimum of 5,000,000 Subscription Receipts up to a maximum of 12,500,000 Subscription Receipts at a price of \$2.00 per Subscription Receipt for aggregate gross proceeds of a minimum of C\$10,000,000 and a maximum of \$25,000,000.

“**SW Agency Agreement**” means the agency agreement dated August 27, 2020, among Cerrado and the SW Agent in respect of the Special Warrant Financing, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**SW Agent**” has the meaning ascribed to that term under “*Information Concerning the Merger and the Financings – The Special Warrant Financing*”.

“**TSX**” means the Toronto Stock Exchange.

“**TSXV**” means the TSX Venture Exchange Inc.

“**TSXV Corporate Finance Manual**” means the corporate finance manual of the Exchange.

“**Undertakings**” means has the meaning ascribed to that term under “*Information Concerning the Merger and the Financings – The Special Warrant Financing*”.

“**United States**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

“**Value Security Escrow Agreement**” has the meaning ascribed to that term under “*Information Concerning the Resulting Issuer – Escrowed Securities*”.

“**Value Security Escrowed Shares**” has the meaning ascribed to that term under “*Information Concerning the Resulting Issuer – Escrowed Securities*”.

All dollar amounts in this Filing Statement are expressed in United States dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This Filing Statement contains certain information that may constitute forward-looking information and forward-looking statements (collectively, “**Forward-Looking Statements**”) which are based upon the current internal expectations, estimates, projections, assumptions and beliefs of BB1 and Cerrado. Such statements can be identified by the use of forward-looking terminology such as “expect,” “likely,” “may,” “will,” “should,” “intend,” “anticipate,” “potential,” “proposed,” “estimate” and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions “may” or “will” happen, or by discussions of strategy. Forward-Looking Statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Forward-Looking Statements in this Filing Statement include, but are not limited to, statements with respect to:

- future financial position;
- estimates of the future prices of or demand for gold or other minerals;
- market conditions, business strategy, corporate plans, objectives and goals;
- estimates of the timing, cost, nature and results of exploration activities;
- projected development of the MDN Project and the MDC Project, exploration expenditures and other expenses for specific exploration and development;
- exploration, mining and development risks;
- the completion, timing and expected effects of the Qualifying Transaction and the benefits anticipated to be received by BB1, Cerrado, and/or the Resulting Issuer from such transactions;
- the value of the currencies in which BB1, Cerrado, and/or the Resulting Issuer incur or will or plan to incur expenditures including the United States dollar and the Canadian dollar;
- the impact of competition for mineral projects;
- the use of capital, the availability of additional capital, requirements for additional capital, and the timing of such requirements; and
- the impact of the recent novel coronavirus (“**COVID-19**”) pandemic on operations.

In connection with the Forward-Looking Statements contained in this Filing Statement, BB1 and Cerrado have made certain assumptions about the Resulting Issuer's business, the economy and the mineral exploration industry in general and have also assumed that contracted parties provide goods and services on agreed timeframes, plant and equipment work as anticipated, required regulatory approvals, including of the Exchange, are received, all required permits or licenses are obtained and/or renewed, no unusual geological or technical problems occur, no material adverse change in the price of gold or other minerals occurs and no significant events occur outside of the normal course of business for BB1, Cerrado or the Resulting Issuer.

Readers are cautioned that the above list of cautionary statements is not exhaustive. Known and unknown risks, many of which are beyond the control of Cerrado, BB1, and the Resulting Issuer, could cause actual results to differ materially from the Forward-Looking Statements in this Filing Statement. Such risks include, without limitation, those discussed under the heading "Risk Factors" in this Filing Statement. The purpose of Forward-Looking Statements is to provide the reader with a description of management's expectations, and such Forward-Looking Statements may not be appropriate for any other purpose. You should not place undue reliance on Forward-Looking Statements. Although management of BB1 and Cerrado believe that the expectations reflected in such Forward-Looking Statements are reasonable, it can give no assurance that such expectations will prove to be correct.

Forward-Looking Statements contained herein are made as of the date of this Filing Statement and are based on the beliefs, estimates, expectations and opinions of management on such date. BB1 and Cerrado undertake no obligation to update or revise any Forward-Looking Statements, whether as a result of new information, estimates or opinions, future events or results or otherwise, or to explain any material difference between subsequent actual events and such Forward-Looking Statements, except as required by applicable law. The Forward-Looking Statements contained in this Filing Statement are expressly qualified in their entirety by this cautionary statement.

CAUTIONARY NOTE REGARDING USE OF MARKET INFORMATION

This Filing Statement contains information concerning the mining industry, estimates and forecasts that are based on estimates prepared by Cerrado using publicly available governmental sources as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry which Cerrado believes to be reasonable. Although Cerrado believes that these third-party sources are reliable, neither Cerrado nor BB1 has independently verified the information provided by these third parties. While Cerrado is not aware of any misstatements regarding any third-party information presented in this Filing Statement, their estimates, in particular, estimates that constitute Forward-Looking Statements, involve numerous assumptions, are subject to risks and uncertainties, and are subject to change based on various factors, including those discussed under "Risk Factors."

INFORMATION PERTAINING TO CERRADO

The information contained or referred to in this Filing Statement relating to Cerrado has been furnished by Cerrado. In preparing this Filing Statement, BB1 has relied upon Cerrado to ensure that the Filing Statement contains full, true and plain disclosure of all material facts relating to Cerrado. Although BB1 has no knowledge that would indicate that any statement contained herein concerning Cerrado is untrue or incomplete, neither BB1 nor any of its respective directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure by Cerrado to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to BB1, Cerrado and the Resulting Issuer (assuming completion of the Merger), and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement. Capitalized terms used but not defined in this summary have the meanings given to them in the Glossary.

BB1

BB1 is a corporation incorporated and existing under the OBCA and formed as a CPC. The principal business of BB1 is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses for the completion of a Qualifying Transaction and, once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder approval, where required, and acceptance for filing by the Exchange.

The BB1 Shares are listed for trading on the Exchange under the symbol “BBA.P”. Trading of the BB1 Shares was halted on August 4, 2020, in connection with the announcement of the proposed Merger. On July 31, 2020, the last trading day prior to the trading halt, the closing price of the BB1 Shares was \$0.05. Trading of the BB1 Shares will not resume prior to Closing. BB1 has applied to list the Resulting Issuer Shares issuable in connection with the Merger on the TSX.

See “*Information Concerning BBI*” for further information.

Cerrado

Cerrado is a corporation continued and existing under the OBCA. Cerrado is a private gold mining and exploration company based in Toronto, Ontario, with assets in Argentina and Brazil. In Argentina, Cerrado owns Minera Don Nicolas, a well-established in-production gold mine. The mine commenced operations in 2017 and targeted to produce 50,000 oz per year via a 1,000 tpd CIL plant and related facilities. Any historical production estimates mentioned are strictly historical in nature and are non-compliant to National Instrument 43-101 and should therefore not be relied upon. In Brazil, Cerrado is exploring at its Monte do Carmo gold project in Tocantins state. The project currently has a mineral resource prepared in accordance with NI 43-101 dated December 5, 2018, which has outlined an initial inferred mineral resource of 13.7 million tonnes grading 1.85 g/t, for contained gold of 813,000 oz. The resource estimate for the Monte do Carmo gold project has been reasonably prepared and conforms to the current 2014, CIM standards and definitions for estimating mineral resources. Mineral resources which are not mineral reserves have not demonstrated economic viability. The board and management of Cerrado have a long history of success having developed numerous projects from early stage exploration through development and production.

See “*Information Concerning Cerrado*” for further information.

Special Warrant Financing

In connection with the proposed Qualifying Transaction, BB1, Cerrado, and the SW Agent entered into the SW Agency Agreement on August 27, 2020, and pursuant thereto Cerrado completed a brokered private placement of an aggregate of 8,845,750 Special Warrants at an issue price of \$0.80 per Special Warrant for aggregate gross proceeds of \$7,076,600. The Special Warrant Financing closed in two tranches, the first on August 27, 2020 and the second on September 10, 2020.

Each Special Warrant will be exercisable by the holder thereof at any time after the respective dates of closing of the two tranches of the Special Warrant Financing, without payment of any additional consideration therefor, for one common share in the capital of Cerrado (a “**Cerrado Share**”), subject to customary adjustments. Each unexercised Special Warrant shall be deemed to be exercised for one Cerrado Share in connection with the completion of the Qualifying Transaction. Upon closing of the Qualifying Transaction, each Cerrado Share shall be exchanged for a common share in the capital of the Resulting Issuer. In the event that the Qualifying Transaction has not occurred prior to 4:00 p.m. (Toronto time) on February 23, 2021 (the “**Qualification Deadline**”), each unexercised Special Warrant will be deemed exercised and will automatically be exchanged for 1.1 Cerrado Shares without further payment or action by the holder thereof.

The Special Warrants and the Cerrado Shares, BB1 Shares, and Resulting Issuer Shares, each underlying such Special Warrants, as applicable, may not be traded before the date that is four months and one day after the Closing Date.

It was intended that the net proceeds from the Special Warrant Financing would be used by the Resulting Issuer to commence a 17,000 meter drill program to substantially increase resources at the MDC Project, to complete the MDC Technical Report based on existing resources prepared in accordance with NI 43-101, and for general working capital purposes. The MDC Technical Report has been completed. See *“Information Concerning the Resulting Issuer – Available Funds and Principal Purposes”*.

In connection with the Special Warrant Financing, Cerrado paid to the SW Agent a cash commission together with a corporate finance fee of an aggregate of \$405,000. Cerrado issued to the SW Agent and another eligible finder non-transferable Financing Compensation Warrants to purchase an aggregate of 628,740 Cerrado Shares, which warrants will become Resulting Issuer Compensation Warrants pursuant to the terms of the Merger, exercisable for a period of 24 months following completion of the Special Warrant Financing at an exercise price of \$0.80 per Cerrado Share or Resulting Issuer Share, as applicable. Should the Qualifying Transaction not close prior to the Qualification Deadline, the number of Cerrado Shares issuable pursuant to the SW Agent’s Options shall be multiplied by 1.1.

See *“Information Concerning the Merger and the Financings – The Special Warrant Financing”* for further information.

Subscription Receipt Financing

In connection with the proposed Qualifying Transaction, Cerrado has entered the SR Engagement Letter with the SR Agents for the completion of the Subscription Receipt Financing. Pursuant to the Subscription Receipt Financing, Cerrado intends to complete a brokered private placement of a minimum of 5,000,000 Subscription Receipts for gross proceeds of C\$10,000,000 (the **“Minimum Financing”**) up to a maximum of 12,500,000 Subscription Receipts for gross proceeds of up to C\$25,000,000 (the **“Maximum Financing”**), at an issue price of C\$2.00 per Subscription Receipt. Any increase in the size of the Subscription Receipt Financing would be subject to prior Exchange approval.

Each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for one Cerrado Share. The net proceeds of the Subscription Receipt Financing will be released to the Resulting Issuer upon the satisfaction of the Escrow Release Conditions. The Subscription Receipts, and the Cerrado Shares, each underlying such Subscription Receipts, as applicable, may not be traded before the date that is four months and one day after the closing of the Subscription Receipt Financing.

It is intended that the net proceeds from the Subscription Receipt Financing will be used by the Resulting Issuer to fund exploration and development at the Cerrado Properties in Argentina and Brazil and for general corporate working capital. See *“Information Concerning the Resulting Issuer – Available Funds and Principal Purposes”*.

The gross proceeds of the Subscription Receipt Financing will be deposited in escrow pursuant to a subscription receipt agreement, to be entered into by Cerrado and an escrow agent (the **“Escrow Agent”**), on behalf of the holders of Subscription Receipts. If the Escrow Release Conditions are not satisfied on or before 5:00 p.m. (Toronto time) on February 23, 2021, the Escrow Agent will return the proceeds from the Subscription Receipt Financing plus accrued interest to the holders of the Subscription Receipts and the Subscription Receipts will be cancelled without any further action.

In connection with the Subscription Receipt Financing, Cerrado may pay the SR Agents both a cash fee and certain Broker Warrants. In the event the Financing is terminated BB1 will not be obligated to pay any fee to the SR Agents.

See *“Information Concerning the Merger and the Financings – The Subscription Receipt Financing”* for further information.

BB1 Meeting

On October 30, 2020, BB1 mailed to its shareholders the BB1 Circular in connection with the BB1 Meeting. At the BB1 Meeting held on November 23, 2020, holders of BB1 Shares approved the Shareholder Approval Matters.

Qualifying Transaction

Merger Overview

BB1, BB1 Subco and Cerrado have entered into the Merger Agreement, the terms of which were established as a result of arms' length negotiation between the management of BB1 and Cerrado and agreed to by the BB1 Board and the Cerrado Board. Pursuant to the terms of the Merger Agreement, at the Closing Time, Cerrado and BB1 Subco will amalgamate and continue as Mergeco. Each Cerrado Share outstanding immediately prior to the Closing Time will be cancelled, and BB1 will issue to Persons who are holders of Cerrado Shares immediately prior to the Closing Time, an aggregate total of 46,884,021 BB1 Shares at a deemed issue price of C\$2.00 per share.

Consolidation and Name Change

Immediately prior to the Closing Time, it is expected that BB1 will file articles of amendment to consolidate the BB1 Shares on the basis of one Consolidated BB1 Share for every 8.31 BB1 Shares, and change its name to "Cerrado Gold Corp." initially. Following the completion of the Qualifying Transaction, the Resulting Issuer will complete a vertical short-form amalgamation to amalgamate itself with its wholly-owned subsidiary Cerrado Gold Inc. The Resulting Issuer will carry on the business theretofore carried on by Cerrado under the corporate name "Cerrado Gold Inc."

Effects of the Merger

In connection with the completion of the Merger, is expected that:

- (a) each Cerrado Share issued and outstanding immediately prior to the Closing will be exchanged for one Resulting Issuer Share in accordance with the Exchange Ratio, and each such Cerrado Share be cancelled upon exchange;
- (b) there will be approximately 70,034,825 Resulting Issuer Shares (assuming completion of the Maximum Financing) and 62,534,825 Resulting Issuer Shares (assuming completion of the Minimum Financing) issued and outstanding, on an undiluted basis, excluding any shares to be issued in the event the LC Acquisition closes prior to the Closing of the Merger, of which:
 - (i) former Cerrado Shareholders, excluding investors in the Financings, will hold 46,884,021 Resulting Issuer Shares, representing approximately 66.94% (assuming completion of the Maximum Financing) or 74.96% (assuming completion of the Minimum Financing) of the outstanding Resulting Issuer Shares, investors in the Special Warrant Financing will hold 8,845,750 Resulting Issuer Shares, representing approximately 12.63% (assuming completion of the Maximum Financing) or 14.15% (assuming completion of the Minimum Financing) of the outstanding Resulting Issuer Shares, and investors in the Subscription Receipt Financing will hold 12,500,000 Resulting Issuer Shares, representing approximately 17.85% of the outstanding Resulting Issuer Shares (assuming completion of the Maximum Financing) or 5,000,000 Resulting Issuer Shares, representing approximately 8.00% of the outstanding Resulting Issuer Shares (assuming completion of the Minimum Financing); and
 - (ii) former BB1 Shareholders will hold 1,805,054 Resulting Issuer Shares, representing approximately 2.58% (assuming completion of the Maximum Financing) or 2.89%

(assuming completion of the Minimum Financing) of the outstanding Resulting Issuer Shares;

- (c) each convertible security of Cerrado outstanding immediately prior to the Closing, including the Financing Compensation Warrants, will be exchanged for a comparable convertible security of the Resulting Issuer, having regard for the Exchange Ratio, and each such convertible security of Cerrado shall be cancelled upon exchange;
- (d) all of the directors and officers of BB1 other than Stephen Shefsky and Mark Brennan will have resigned and been replaced by the New Slate and by those officers appointed by the directors of the Resulting Issuer;
- (e) each BB1 Subco Share issued and outstanding immediately before Closing shall be exchanged for one share of Mergeco;
- (f) Mergeco shall be a wholly-owned subsidiary of the Resulting Issuer, and the Resulting Issuer will carry on the business theretofore carried on by Cerrado;
- (g) the Resulting Issuer will complete a short-form amalgamation with Mergeco; and
- (h) the corporate name of the Resulting Issuer will be “Cerrado Gold Inc.”

Completion of the Merger is subject to the satisfaction of certain closing conditions set out in the Merger Agreement, including implementation of the Consolidation, completion of the Special Warrant Financing, and receipt of all applicable shareholder and regulatory approvals, including Exchange approval.

See “*Information Concerning the Merger and the Financings – The Merger*” for further information.

Arm’s Length Qualifying Transaction

The proposed Merger is not a Non-Arm’s Length Qualifying Transaction.

Available Funds and Principal Purposes

Funds Available

The following table sets forth the Resulting Issuer’s expected sources of funds following completion of the Merger. The amounts shown in the table are estimates only, and are based on information available to BB1 and Cerrado as at the date of this Filing Statement:

Source of Funds	Amount (Minimum Financing)	Amount (Maximum Financing)
Estimated BB1 working capital as at June 30, 2020	\$518,976	\$518,976
Estimated Cerrado working capital as at June 30, 2020	\$(1,658,000)	\$(1,658,000)
Gross proceeds of the Special Warrant Financing	\$7,076,600	\$7,076,600
Estimated gross proceeds of the Subscription Receipt Financing ⁽¹⁾	\$7,337,834	\$18,344,585
Prepayment Facility ⁽²⁾	\$2,500,000	\$2,500,000
Total	\$15,775,410	\$26,782,161

(1) The USD equivalent has been calculated using the exchange rate of 1.3628 (as of June 30, 2020).

(2) Pursuant to an advance sales transaction entered into by Cerrado effective March 12, 2020, Cerrado receives advanced consideration of an additional \$2,500,000 in exchange for future quarterly physical deliveries of gold and silver from the MDN Project to the counterparty (the “**Prepayment Facility**”). The Prepayment Facility may be immediately renewable upon settlement of the monthly delivery of gold and silver concentrate.

Principal Purposes of Funds

The following table sets out information regarding the Resulting Issuer's intended principal uses of funds following the Closing. The intended uses of funds may vary based upon a number of factors, and variances may be material. The amounts shown in the table are estimates only and are based upon the information available to BB1 and Cerrado as of the date of this Filing Statement:

The net funds available to the Resulting Issuer are expected to be used, principally, as follows:

Principal Use of Funds	Amount (Minimum Financing)	Amount (Maximum Financing)
Recommended exploration program for MDN Project ⁽¹⁾	-	\$700,000
Recommended exploration program for MDC Project – Phase 1 ⁽²⁾	\$3,376,158	\$3,376,158
Recommended exploration program for MDC Project – Phase 2 ⁽²⁾	-	\$3,310,945
Transaction expenses ⁽³⁾	\$546,790	\$546,790
Agent's fees ⁽⁴⁾	\$944,170	\$1,604,575
Financing and Acquisition Costs ⁽⁵⁾	\$8,032,083	\$8,032,083
General, administrative expenses and working capital	\$2,649,870	\$2,649,870
Unallocated working capital	\$226,339	\$6,561,740
Total	\$15,775,410	\$26,782,161

Notes:

- (1) Recommended exploration program of \$700,000 as described in the MDN Technical Report will be funded via operating cash flow.
- (2) Based on a recommended exploration program of \$3,376,158 for Phase 1 and \$2,210,945 for Phase 2 as described in the MDC Technical Report.
- (3) Estimated transaction expenses include legal, accounting, advisory, listing fees, transfer agent fees, printing and other miscellaneous costs associated with the Special Warrant Financing, Subscription Receipt Financing and Merger.
- (4) Includes fees paid pursuant to the Special Warrant Financing and the Subscription Receipt Financing. As additional compensation under the Subscription Receipt Financing, Cerrado may in its discretion issue the SR Agents Broker Warrants of up to 3% of the aggregate number of Subscription Receipts issued pursuant to the Subscription Receipt Financing.
- (5) Includes costs associated with the LP Acquisition, Prepayment Facility and the Sinking Fund.

For further details, please see the discussion under the heading “*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*”.

Selected Pro Forma Consolidated Financial Information

The following table sets out certain financial information for each of BB1 and Cerrado as at the dates indicated below, and selected *pro forma* financial information for the Resulting Issuer after giving effect to the Special Warrant Financing, the Subscription Receipt Financing and the Merger. The following information should be read in conjunction with the *pro forma* balance sheet of the Resulting Issuer, which may be found at Exhibit “M”. The *pro forma* financial information is provided for informational purposes only and does not purport to be indicative of results of operations of the Resulting Issuer following Closing as of any future date or for any future period.

	BB1 June 30, 2020 (\$)	Cerrado June 30, 2020 (\$)	Pro Forma Adjustments	Pro Forma Consolidated (1)
Current assets	520,000	16,748,000	15,591,000	32,859,000
Noncurrent assets	-	43,918,000	1,701,000	45,619,000
Total assets	520,000	60,666,000	17,292,000	78,478,000
Current liabilities	7,000	19,190,000	2,500,000	21,697,000
Noncurrent liabilities	-	37,389,000	-	37,389,000
Total liabilities	7,000	56,579,000	-	56,586,000
Total shareholders' equity	513,0000	4,087,000	14,792,000	19,392,000

Total liabilities and shareholders' equity	520,000	60,666,000	17,292,000	78,478,000
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Note:

- (1) Based on the unaudited *pro forma* balance sheet of the Resulting Issuer. See Exhibit "M".

Conflicts of Interest

There are no known existing or potential conflicts of interest between the Resulting Issuer or a subsidiary of the Resulting Issuer and a proposed director, officer or Promoter of the Resulting Issuer or a subsidiary of the Resulting Issuer except as set out below. No Insider, Promoter or Control Person of BB1 and their respective Associates and Affiliates (before giving effect to the Qualifying Transaction) have any interest in Cerrado, except as set out below under the heading "*Interests of Insiders, Promoters or Control Persons*".

Certain proposed directors of the Resulting Issuer are, or may in the future be, directors, officers or shareholders of other companies that are, or may in the future be, engaged in the business of, or enter into transactions with, the Resulting Issuer. Such associations and transactions may give rise to conflicts of interest from time to time. See "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters – Conflicts of Interest*". See "*Information Concerning Cerrado – Non-Arm's Length Party Transactions*".

Interest of Insiders, Promoter or Control Persons

Following completion of the Merger and assuming completion of the Financings (and assuming completion of the Maximum Financing) as described above and after giving effect to the Consolidation:

- (a) the original BB1 Board other than Stephen Shefsky and Mark Brennan, namely Eric Szustak, Solomon (Sam) Pillersdorf, and Wayne Egan, will have resigned;
- (b) the Resulting Issuer Board will consist of Mark Brennan, Stephen Shefsky, Elmer Prata Salomao, Kurt Menchen, Robert Anderson Campbell, Jad Salamao Neto, Oscar Neto de Gouveia, Jonathan Gilligan and David Ball;
- (c) the original officers of BB1, namely Stephen Shefsky and Jennifer Ta, will have resigned their current positions; and
- (d) the executive officers of the Resulting Issuer will consist of Mark Brennan, Chief Executive Officer and Co-Chairman, Stephen Shefsky, Co-Chairman, Cliff Hale-Sanders, President, Kurt Menchen, Chief Operating Officer, Robert Anderson Campbell, Vice President of Exploration, Rohan Hazelton, Chief Financial Officer and Maria Virginia Anzola, General Counsel and Corporate Secretary.

The shareholdings of each current Insider, Promoter, and Control Person of BB1 and each proposed Insider, Promoter, and Control Person of the Resulting Issuer, and their respective Associates and Affiliates before and after giving effect to the Merger, calculated on a non-diluted basis, are set out below:

Insider, Promoter or Control Person of BB1 or the Resulting Issuer	BB1 Shares Held Prior to the Merger ⁽¹⁾		Resulting Issuer Shares Held After Giving Effect to the Merger and Minimum Financing ⁽²⁾		Resulting Issuer Shares Held After Giving Effect to the Merger and Maximum Financing ⁽³⁾	
	Number	Percentage	Number	Percentage	Number	Percentage

Stephen Shefsky ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ <i>Director and Chief Executive Officer of BBI and proposed Chief Executive, Co-Chairman and Director of the Resulting Issuer</i>	1,600,000	10.67%	2,800,872	4.48%	2,800,872	4.00%
Jennifer Ta ⁽⁴⁾⁽⁵⁾⁽⁸⁾ <i>Chief Financial Officer and Corporate Secretary of BBI</i>	200,000	1.33%	90,733	0.15%	90,733	0.13%
Mark Brennan ⁽⁴⁾⁽⁵⁾⁽⁹⁾ <i>Director of BBI and proposed Co-Chairman and Director of the Resulting Issuer</i>	1,500,000	10.00%	3,393,005	5.43%	3,393,005	4.84%
Eric Szustak ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ <i>Director of BBI</i>	500,000	3.33%	116,834	0.19%	116,834	0.17%
Solomon (Sam) Pillersdorf ⁽⁴⁾⁽⁵⁾⁽¹¹⁾ <i>Director of BBI</i>	1,600,000	10.67%	1,662,539	2.66%	1,662,539	2.37%
Wayne Egan ⁽⁴⁾⁽⁵⁾⁽¹²⁾ <i>Director of BBI</i>	500,000	3.33%	142,668	0.23%	142,668	0.20%
Cliff Hale-Sanders ⁽¹³⁾ <i>Proposed President of the Resulting Issuer</i>	-	-	739,583	1.18%	739,583	1.06%
Kurt Menchen ⁽¹⁴⁾ <i>Proposed Director and Chief Operating Officer of the Resulting Issuer</i>	-	-	1,171,666	1.87%	1,171,666	1.67%
Robert Anderson Campbell ⁽¹⁵⁾ <i>Proposed Director and Vice President of Exploration of the Resulting Issuer</i>	-	-	650,000	1.04%	650,000	0.93%
Elmer Prata Salomão ⁽¹⁶⁾ <i>Proposed Director of the Resulting Issuer</i>	-	-	183,333	0.29%	183,333	0.26%
Jad Salomão Neto ⁽¹⁷⁾ <i>Proposed Director of the Resulting Issuer</i>	-	-	50,000	0.08%	50,000	0.07%
Oscar Neto de Gouveia ⁽¹⁸⁾ <i>Proposed Director of the Resulting Issuer</i>	-	-	50,000	0.08%	50,000	0.07%

Rohan Hazelton ⁽¹⁹⁾ <i>Proposed Chief Financial Officer of the Resulting Issuer</i>	-	-	212,500	0.34%	212,500	0.30%
Maria Virginia Anzola ⁽²⁰⁾ <i>Proposed General Counsel and Corporate Secretary of the Resulting Issuer</i>	-	-	250,000	0.40%	250,000	0.36%
Jonathan Gilligan ⁽²¹⁾ <i>Proposed Director of the Resulting Issuer</i>	-	-	50,000	0.08%	50,000	0.07%
David Ball ⁽²²⁾ <i>Proposed Director of the Resulting Issuer</i>	-	-	50,000	0.08%	50,000	0.07%
Monte Sinai Mineracao Ltda ⁽²³⁾ <i>Insider of the Resulting Issuer</i>	-	-	13,000,000	20.79%	13,000,000	18.56%
Total	5,900,000	39.33%	24,613,733	39.14%	24,613,733	35.14%

Notes:

- (1) Presented on a non-diluted basis and based on a total number of 15,000,000 BB1 Shares outstanding prior to completion of to the Consolidation, the Financings, and the Merger.
- (2) Presented on a non-diluted basis and based on a total number of 62,534,825 Resulting Issuer Shares outstanding after the Consolidation, the Financings (assuming the completion of a Minimum Financing), and the Merger. In the event the LC Acquisition closes prior to the closing of the Merger, an additional 1,125,000 Resulting Issuer Shares will be issued in exchange for the Cerrado Shares issued pursuant to the LC Acquisition.
- (3) Presented on a non-diluted basis and based on a total number of 70,034,825 Resulting Issuer Shares outstanding after the Consolidation, the Financings (assuming the completion of a Maximum Financing), and the Merger. In the event the LC Acquisition closes prior to the closing of the Merger, an additional 1,125,000 Resulting Issuer Shares will be issued in exchange for the Cerrado Shares issued pursuant to the LC Acquisition.
- (4) These individuals are Principals of BB1. They hold an aggregate of 5,900,000 BB1 Shares, representing approximately 39.33% of the issued and outstanding BB1 Shares prior to completion of the Consolidation, the Special Warrant Financing, and the Merger and approximately 11.72% of the Resulting Issuer Shares after completion of the Consolidation, the Financings, and the Merger (including Resulting Issuer Shares issued in exchange for such persons' Cerrado Shares). Their BB1 Shares are held in escrow pursuant to the CPC Escrow Agreement. Upon issuance of the Final Exchange Bulletin, if the Resulting Issuer is a Tier 1 issuer, 25% of the CPC Escrowed Shares will be immediately released, and the remaining CPC Escrowed Shares will be released in three equal tranches of 25% every six months following the issuance of the Final Exchange Bulletin. If the Resulting Issuer is a Tier 2 issuer, 10% of the CPC Escrowed Shares will be immediately released following the issuance of the Final Exchange Bulletin and the remaining CPC Escrowed Shares will be released in six equal tranches of 15% every six months following the issuance of the Final Exchange Bulletin.
- (5) These individuals hold BB1 Options granted under the BB1 Option Plan to purchase up to 600,000 BB1 Shares at a price of \$0.10 per BB1 Share (subject to adjustment in connection with the Consolidation).
- (6) Mr. Shefsky currently holds an aggregate of 2,583,333 Cerrado Shares. Mr. Shefsky has purchased an aggregate of 25,000 Special Warrants in the Special Warrant Financing.
- (7) Stephen Shefsky is considered to be the Promoter of BB1 in that he took the initiative in founding and organizing BB1.
- (8) Ms. Ta currently holds an aggregate of 66,666 Cerrado Shares.
- (9) Mr. Brennan currently holds an aggregate of 3,150,000 Cerrado Shares directly and indirectly through Linear Capital Group Inc. and LCI Newcos Inc., privately held companies wholly owned by Mr. Brennan. Mr. Brennan has purchased an aggregate of 62,500 Special Warrants in the Special Warrant Financing.
- (10) Mr. Szustak currently holds an aggregate of 56,666 Cerrado Shares.
- (11) Mr. Pillersdorf currently holds an aggregate of 1,470,000 Cerrado Shares directly and indirectly through La Prima Investments Limited, a privately held company wholly owned by Mr. Pillersdorf.

- (12) Mr. Egan currently holds an aggregate of 57,500 Cerrado Shares indirectly through Wayne Egan Professional Corporation (No. 2), a privately held company wholly owned by Mr. Egan. Through this privately held company, Mr. Egan has purchased an aggregate of 25,000 Special Warrants in the Special Warrant Financing.
- (13) Mr. Hale-Sanders currently holds an aggregate of 708,333 Cerrado Shares. Mr. Hale-Sanders has purchased an aggregate of 31,250 Special Warrants in the Special Warrant Financing.
- (14) Mr. Menchen currently holds an aggregate of 1,171,666 Cerrado Shares.
- (15) Mr. Campbell currently holds an aggregate of 650,000 Cerrado Shares.
- (16) Mr. Prata Salomão currently holds an aggregate of 183,333 Cerrado Shares.
- (17) Mr. Salomão currently holds an aggregate of 50,000 Cerrado Shares.
- (18) Mr. Neto de Gouveia currently holds an aggregate of 50,000 Cerrado Shares.
- (19) Mr. Hazelton currently holds an aggregate of 200,000 Cerrado Shares. Mr. Hazelton has purchased an aggregate of 12,500 Special Warrants in the Special Warrant Financing.
- (20) Ms. Anzola currently holds an aggregate of 250,000 Cerrado Shares.
- (21) Mr. Gilligan currently holds an aggregate of 50,000 Cerrado Shares.
- (22) Mr. Ball currently holds an aggregate of 50,000 Cerrado Shares.
- (23) Monte Sinai Mineracao Ltda currently holds an aggregate of 13,000,000 Cerrado Shares.

See “*The Merger*”, “*Information Concerning the Merger and the Financings – The Special Warrant Financings*”, “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*”, “*– Escrowed Securities*”, and “*– Pro-Forma Consolidated Capitalization*”.

Sponsorship and Agent

Sponsorship for the Qualifying Transaction is required by the CPC Policy unless an exemption from the sponsorship requirement is granted to BB1 by the Exchange. BB1 has applied for an exemption from the requirement to engage a Sponsor (as defined in TSXV Policy 1.1) pursuant to the Sponsorship Policy.

See “*General Matters - Sponsorship and Agent*” for further information.

Interest of Experts

No Person, whose profession or business gives authority to a statement made by the Person and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement, holds any beneficial interest, directly or indirectly, in any property of BB1, Cerrado or the Resulting Issuer or of an Associate or Affiliate of BB1, Cerrado or the Resulting Issuer, other than as described below.

MNP LLP, the current auditors of BB1, audited the annual financial statements of BB1 for the period from incorporation (March 2, 2018) to December 31, 2019, and delivered the auditors’ reports thereon, copies of which are attached as exhibits to this Filing Statement. MNP LLP has confirmed that it is independent of BB1 in accordance with the rules of professional conduct of the Chartered Professional Accountants of Ontario.

KPMG LLP audited the financial statements of Cerrado for the period from January 1, 2017 to December 31, 2019, and delivered the auditors’ reports thereon, copies of which are attached as exhibits to this Filing Statement. KPMG LLP has confirmed that it is independent of Cerrado in accordance with the rules of professional conduct of the Chartered Professional Accountants of Ontario.

Auditor, Transfer Agent and Registrar

The auditor of the Resulting Issuer is expected to be KPMG LLP at their principal offices in Toronto, Ontario, located at 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5.

TSX Trust Company, at its Toronto office located at 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1, will be appointed as the registrar and transfer agent of the Resulting Issuer Shares.

Conditional Approval

The Exchange has conditionally accepted the Merger subject to BB1 fulfilling all of the requirements of the Exchange on or before [February 27, 2021]. There is no guarantee that BB1 and/or the Resulting Issuer will be able to satisfy the requirements of the Exchange such that the Exchange will issue the Final Exchange Bulletin. See “Risk Factors”.

Risk Factors

An investment in the securities of the Resulting Issuer involves a high degree of risk, should be considered highly speculative and should only be made by investors who can afford to lose their entire investment. Material risk factors associated with the Merger and the business of the Resulting Issuer include, without limitation:

- the Merger may not be completed
- resource exploration and development are highly speculative
- the lack of resources, lack of infrastructure, title risks, and related risks inherent to mining
- volatile market prices for the Resulting Issuer Shares
- the limited operating history of the Resulting Issuer and history of losses
- the requirement for additional financing
- the Resulting Issuer’s status as a holding company
- the operations of the Resulting Issuer are subject to environmental regulations, permits and licences from various governmental authorities
- reliance on key management and conflicts of interest
- limited market for securities and liquidity risk
- currency risk associated with the United States dollar, Argentinean peso and Brazilian real
- certain risks are uninsurable
- the mining industry is intensely competitive

For further details, please see the discussion under the heading “Risk Factors”.

INFORMATION CONCERNING THE MERGER AND THE FINANCINGS

The Merger

Description of the Merger

BB1 has entered into the Merger Agreement with Cerrado, which provides for the acquisition by BB1 of all of the issued and outstanding shares of Cerrado by way of a three-cornered amalgamation under the OBCA. Pursuant to the Merger, BB1 Subco, a wholly owned subsidiary of BB1, will amalgamate with Cerrado, and the resulting entity, Mergeco, will become a wholly-owned subsidiary of BB1. In connection with the Merger, BB1 will complete the Consolidation and change its name to "Cerrado Gold Corp." Following the completion of the Merger, the Cerrado Gold Corp. (formerly BB1) will complete a vertical short-form amalgamation to amalgamate itself with its wholly-owned subsidiary Cerrado Gold Inc. and carry on under the corporate name "Cerrado Gold Inc." All references herein to "**Resulting Issuer**" refer to BB1 after completion of the Merger and the short-form amalgamation.

In connection with the Merger:

- (a) each Special Warrant will be deemed converted into a Cerrado Share immediately before Closing;
- (b) each Subscription Receipt issued pursuant to the Subscription Receipt Financing will be deemed converted into a Cerrado Share immediately before Closing;
- (c) each Cerrado Share issued and outstanding immediately before Closing shall be exchanged by each holder thereof, for one fully paid and non-assessable Resulting Issuer Share in accordance with the Exchange Ratio and each such Cerrado Share shall be cancelled upon exchange; each Cerrado Warrant outstanding immediately before Closing shall be exchanged for one Resulting Issuer Warrant in accordance with the Exchange Ratio. Each such Resulting Issuer Warrant shall have substantially the same terms as the Cerrado Warrants being exchanged, and all such Cerrado Warrants shall be cancelled upon exchange. The exercise price for each Resulting Issuer Share underlying the Resulting Issuer Warrants will be equal to the exercise price per Cerrado Share under the Cerrado Warrants in effect immediately prior to Closing;
- (d) each BB1 Subco Share issued and outstanding immediately before Closing shall be exchanged for one common share of Mergeco;
- (e) there will be approximately 70,034,825 Resulting Issuer Shares (assuming completion of the Maximum Financing) and 62,534,825 Resulting Issuer Shares (assuming completion of the Minimum Financing) issued and outstanding, on an undiluted basis, excluding any shares to be issued in the event the LC Acquisition closes prior to the Closing of the Merger, of which:
 - (i) former Cerrado Shareholders, excluding investors in the Financings, will hold 46,884,021 Resulting Issuer Shares, representing approximately 66.94% (assuming completion of the Maximum Financing) or 74.96% (assuming completion of the Minimum Financing) of the outstanding Resulting Issuer Shares, investors in the Special Warrant Financing will hold 8,845,750 Resulting Issuer Shares, representing approximately 12.63% (assuming completion of the Maximum Financing) or 14.15% (assuming completion of the Minimum Financing) of the outstanding Resulting Issuer Shares, and investors in the Subscription Receipt Financing will hold 12,500,000 Resulting Issuer Shares, representing approximately 17.85% of the outstanding Resulting Issuer Shares (assuming completion of the Maximum Financing) or 5,000,000 Resulting Issuer Shares, representing approximately 8.00% of the outstanding Resulting Issuer Shares (assuming completion of the Minimum Financing); and

- (ii) former BB1 Shareholders will hold 1,805,054 Resulting Issuer Shares, representing approximately 2.58% (assuming completion of the Maximum Financing) or 2.89% (assuming completion of the Minimum Financing) of the outstanding Resulting Issuer Shares;
- (f) subject to shareholder approval, all of the directors and officers of BB1 who are not continuing with the Resulting Issuer will have resigned and been replaced by the New Slate and by those officers appointed by the New Slate, respectively.

Effect of the Merger

In accordance with the Merger Agreement and the OBCA, on the Closing Date, Cerrado and BB1 Subco will amalgamate and will continue as one corporation. The property of each of Cerrado and BB1 Subco will continue to be the property of Mergeco, and Mergeco will continue to be liable for the obligations of each of Cerrado and BB1 Subco. Any existing cause of action, claim or liability to prosecute Cerrado or BB1 Subco will be unaffected, and any civil, criminal or administrative action or proceeding pending by or against either Cerrado or BB1 Subco may be continued to be prosecuted by or against Mergeco. Further, a conviction against, or ruling, order or judgment in favour of or against, either of Cerrado or BB1 Subco may be enforced by or against Mergeco.

Mergeco will be a corporation governed by the OBCA and by Mergeco's constating documents. The articles of amalgamation of Mergeco will be deemed to be the articles of incorporation of Mergeco and the certificate of amalgamation will be deemed to be the certificate of incorporation of Mergeco. Mergeco shall be a wholly-owned subsidiary of the Resulting Issuer initially however following the completion of the Qualifying Transaction, the Resulting Issuer will complete a vertical short-form amalgamation to amalgamate itself with its wholly-owned subsidiary Cerrado Gold Inc. The Resulting Issuer will carry on the business theretofore carried on by Cerrado under the corporate name "Cerrado Gold Inc."

Terms of the Merger Agreement

The following is a summary of the material terms of the Merger Agreement. This summary does not purport to be a complete summary of the Merger Agreement and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is available for review under BB1's SEDAR profile at www.sedar.com.

Representations and Warranties

Pursuant to the Merger Agreement, Cerrado made customary representations and warranties to BB1. The Merger Agreement also contains customary representations and warranties made by BB1 to Cerrado. These representations and warranties include, among other things, representations and warranties made by Cerrado on the one hand and BB1 on the other hand as to: (i) corporate organization and valid existence, power to conduct business, qualification and good standing of the respective entities and their subsidiaries; (ii) ownership of subsidiaries and other investments; (iii) the requisite corporate power and capacity of the respective entities to enter into and perform their obligations under the Merger Agreement, and the valid authorization, execution and delivery thereof; (iv) that other than as disclosed in the Merger Agreement, no consents, authorizations or approvals are required in connection with the execution and delivery of the Merger Agreement and that such execution and delivery will not violate applicable laws, constating documents, contracts and court orders; (v) compliance with disclosure obligations of the Exchange, Canadian securities regulators and any other applicable securities laws, as the case may be, and the applicable rules and regulations promulgated thereunder; (vi) compliance with other applicable laws and regulations and with the charter documents of each of the respective entities; (vii) financial statements; (viii) tax matters; (ix) matters affecting the voting, control or sale of the securities of the respective entities and their subsidiaries; (x) litigation and government proceedings; (xi) material contracts; (xii) capitalization; (xiii) indebtedness; (xiv) employment matters; (xv) Related Party Transactions; (xvi) corporate records; and (xvii) brokers' fees.

Furthermore, Cerrado made additional representations and warranties to BB1 as to matters including the following: (i) the Cerrado Properties; (ii) environmental matters; (iii) insurance; and (iv) premises.

Conditions Precedent to BB1's and BB1 Subco's Obligations

The obligations of BB1 and BB1 Subco to complete the Merger are subject to the fulfillment prior to or at Closing of each of the following conditions: (a) receipt of a certificate of an officer of Cerrado as to the truth of the representations and warranties in the Merger Agreement and the performance of its obligations thereunder; (b) all required approvals, consents and authorizations of third parties have been obtained, including all necessary shareholder and unitholder approval and the approval of the TSXV; (c) there shall not have been a material adverse change in the business, results of operations, assets, liabilities, financial condition or affairs of Cerrado since December 31, 2019; (d) certain closing deliveries have been made; (e) all proceedings to be taken in connection with the Merger shall be satisfactory in form and substance to BB1, acting reasonably and (f) there shall be no action or proceeding, pending or threatened, or any applicable laws proposed, enacted or applied to enjoin, restrict or prohibit any of the transactions contemplated by the Merger Agreement or which could reasonably be expected to result in a material adverse effect.

Conditions Precedent to Cerrado's Obligations

The obligations of Cerrado to complete the Merger are subject to the fulfillment prior to or at Closing of each of the following conditions: (a) receipt of a certificate of an officer of BB1 as to the truth of the representations and warranties in the Merger Agreement and the performance of its obligations thereunder; (b) all required approvals, consents and authorizations of third parties have been obtained, including all necessary shareholder approvals and the approval of the Exchange and that BB1 shall have implemented the Name Change and the Consolidation; (c) there shall not have been a material adverse change in the business, operations or results of operations, assets, liabilities, financial condition or affairs of BB1 since December 31, 2019, other than a reduction in its cash position to pay professional fees and expenses in connection with the Merger; (d) certain closing deliveries have been made; (e) all proceedings to be taken in connection with the Merger shall be satisfactory in form and substance to Cerrado, acting reasonably; (f) the Special Warrant Financing and the Subscription Receipt Financing shall have been completed; (g) the Resulting Issuer Shares to be issued as consideration for Cerrado at the time of the Merger shall be freely tradeable, subject to usual restrictions and unless subject to escrow or trading restriction under Exchange policies; and (h) there shall be no action or proceeding, pending or threatened, or any applicable laws proposed, enacted or applied to enjoin, restrict or prohibit any of the transactions contemplated by the Merger Agreement or which could reasonably be expected to result in a material adverse effect on BB1.

Termination

The Merger Agreement may, prior to the Closing Date, be terminated by mutual written agreement of BB1 and Cerrado if the Closing has not occurred on or before 5:00 pm on March 31, 2021. Either BB1 or Cerrado may terminate the Merger Agreement if any applicable regulatory or governmental authority has notified Cerrado or BB1 of its determination to not permit the Merger to proceed, in whole or in part, and the parties have used commercially reasonable efforts to appeal or reverse such determination or modify the Merger on a basis that is not prejudicial to either party hereto in order to address such determination.

In the event the Merger Agreement is terminated, the terminating party will be released from all obligations under the Merger Agreement, save and except for obligations that survive by their terms and obligations, if any, relating to the covenants of the parties regarding confidentiality and the requirement that each party will be responsible for its own legal and audit fees and other charges and expenses incurred in connection with the Merger.

The Special Warrant Financing

Cerrado and Haywood Securities Inc. (the "SW Agent") entered into the SW Agency Agreement in connection with the Special Warrant Financing. The SW Agency Agreement contains customary representations, warranties and covenants from each of the parties, as well as termination rights, indemnities and other standard provisions. The Special Warrant Financing was effected by Cerrado under exemptions from the prospectus and registration requirements of applicable securities law pursuant to subscription agreements between each participant in the Special Warrant Financing and Cerrado.

The net proceeds from the Special Warrant Financing are being used to update the NI 43-101 mineral resource report for Cerrado's Minera Don Nicolas mine (the "**MDN Project**"), to complete the MDC Technical Report prepared in accordance with NI 43-101 based upon the current defined resources at Cerrado's Monte do Carmo Gold Project (the "**MDC Project**"), to undertake a new exploration drill program and associated metallurgical test work aimed at expanding the current resource, and for general working capital purposes. See "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*".

Special Warrants

In connection with the proposed Qualifying Transaction, BB1, Cerrado, and the SW Agent entered into the SW Agency Agreement on August 27, 2020, and pursuant thereto Cerrado completed a brokered private placement of an aggregate of 8,845,750 Special Warrants at an issue price of \$0.80 per Special Warrant for aggregate gross proceeds of \$7,076,600. The Special Warrant Financing closed in two tranches, the first on August 27, 2020 (the "**First Tranche**") and the second on September 10, 2020 (the "**Second Tranche**").

Under the First Tranche, Cerrado issued an aggregate of 6,690,000 Special Warrants at a price of \$0.80 per Special Warrant for gross proceeds of approximately \$5,352,000. Under the Second Tranche, Cerrado issued an aggregate of 2,155,000 Special Warrants at a price of \$0.80 per Special Warrant for gross proceeds of approximately \$1,724,000.

Each Special Warrant will be exercisable by the holder thereof at any time after the date of closing of the First Tranche and Second Tranche, as applicable, without payment of any additional consideration therefor, for one common share in the capital of Cerrado (a "**Cerrado Share**"), subject to customary adjustments. Each unexercised Special Warrant shall be deemed to be exercised for one Cerrado Share in connection with the completion of the Qualifying Transaction. Upon closing of the Qualifying Transaction, each Cerrado Share shall be exchanged for a common share in the capital of the Resulting Issuer.

In the event that the Qualifying Transaction has not occurred prior to 4:00 p.m. (Toronto time) on February 23, 2021, the date which is 180 days following the date of closing of the First Tranche of the Special Warrant Financing (the "**Qualification Deadline**"), each unexercised Special Warrant will be deemed exercised and will automatically be exchanged for 1.1 Cerrado Shares without further payment or action by the holder thereof.

The Special Warrants and the Cerrado Shares and Resulting Issuer Shares, each underlying such Special Warrants, as applicable, may not be traded before the date that is four months and one day after the closing date of the Special Warrant Financing.

SW Agents' Fees and Financing Compensation Warrants

As set out in the SW Agency Agreement, in connection with the Special Warrant Financing, Cerrado paid to the SW Agent a cash commission together with a corporate finance fee of an aggregate of \$405,000. Cerrado issued to the SW Agent and another eligible finder non-transferable Financing Compensation Warrants to purchase an aggregate of 628,740 Cerrado Shares, which warrants will become Resulting Issuer Compensation Warrants pursuant to the terms of the Merger, exercisable for a period of 24 months following completion of the Special Warrant Financing at an exercise price of \$0.80 per Cerrado Share or Resulting Issuer Share, as applicable.

Each Financing Compensation Warrant may be exercised by the SW Agent or eligible finder, without payment of any additional consideration therefor and subject to adjustment, at any time after the closing of the Special Warrant Financing and the earlier of (i) the completion of the Qualifying Transaction; and (ii) the Qualification Deadline for one compensation option (a "**Compensation Option**") entitling the SW Agent to purchase one Cerrado Share or Resulting Issuer Share, as the case may be, with an exercise price of \$0.80 per share. The Compensation Options shall have a term of 24 months from the date of the closing of the Special Financing. Each unexercised Compensation Warrant shall be automatically exchanged for one Compensation Option upon the occurrence of the Qualifying Transaction, entitling the SW Agent and/or eligible finder to purchase an aggregate of 628,740 Resulting Issuer Shares. Notwithstanding the foregoing, in the event that the Qualifying Transaction has not occurred prior to the Qualification Deadline, each Financing Compensation Warrant will

be deemed exercised, without payment of any additional consideration therefor and subject to adjustment, and will automatically be exchanged for 1.1 Compensation Options on the date which is three business days following the Qualification Deadline.

Pursuant to the SW Agency Agreement, each director and officer of the Resulting Issuer executed an undertaking in favour of the SW Agent to not, directly or indirectly, offer, sell, contract to sell, grant any option to purchase, make any short sale, assign, pledge, or otherwise dispose of, or transfer, or announce any intention to do so any Resulting Issuer Shares or other securities of the Resulting Issuer, or securities convertible into, exchangeable for, or otherwise exercisable to acquire any securities of the Resulting Issuer (the “**Undertakings**”) subject to certain exceptions, including: (i) in connection with transfers to affiliated entities of the undersigned, any family members of the undersigned, or any company, trust or other entity owned by or maintained for the benefit of the undersigned; (ii) in connection with transfers occurring by operation of law or in connection with transactions arising as a result of the death or incapacitation of the undersigned; and (iii) in connection with the exercise of stock options, restricted share units or similar securities under the Corporation’s existing share-based compensation arrangements. The Undertakings will expire on the date that is 180 days following the closing date of the Special Warrant Financing.

The Subscription Receipt Financing

On October 28, 2020, Cerrado entered into an engagement letter (the “**SR Engagement Letter**”) with a syndicate of agents co-led by Stifel GMP, Cormark Securities Inc. and Haywood Securities Inc. (collectively the “**Lead Agents**”), and including Canaccord Genuity Corp, Red Cloud Securities Inc. and H.C. Wainwright & Co., LLC (together with the Lead Agents, the “**SR Agents**”) in connection with the Subscription Receipt Financing

It is intended that the net proceeds from the Subscription Receipt Financing will be used by the Resulting Issuer to fund exploration and development at the Cerrado Properties in Argentina and Brazil and for general corporate working capital. See “*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*”.

Subscription Receipts

Pursuant to the terms of the SR Engagement Letter, the SR Agents will undertake a brokered private placement of subscription receipts (each, a “**Subscription Receipt**”) of Cerrado, on a best efforts basis, at a price of C\$2.00 or a price to be determined in the context of the market (the “**Offering Price**”) (the “**Subscription Receipt Financing**”). Gross proceeds of the Subscription Receipt Financing will be between \$10,000,000 and \$25,000,000. Each Subscription Receipt will entitle the holder thereof to receive, without any further action and without payment of additional consideration by the holder, and subject to adjustment in certain circumstances, one Resulting Issuer Share (each, a “**Subscription Receipt Share**”) upon the satisfaction or waiver of certain Escrow Release Conditions (as defined below) prior to February 23, 2021 (the “**Termination Date**”). The Subscription Receipts will be issued pursuant to the terms of a subscription receipt indenture (the “**Subscription Receipt Indenture**”) to be entered into among Cerrado, a subscription receipt agent to be determined (the “**Subscription Receipt Agent**”) and the Lead Agents, for and on behalf of the SR Agents.

Cerrado intends to complete the Subscription Receipt Financing under exemptions from the prospectus and registration requirements of applicable securities law pursuant to subscription agreements between each participant in the Subscription Receipt Financing and Cerrado. The Subscription Receipt Financing is being completed in connection with the Merger and is expected to close on or around December 3, 2020, immediately before the closing of the Merger. The gross proceeds of the Subscription Receipt Financing, less 50% of the SR Agents’ fee and certain expenses, will be held in escrow and, upon the satisfaction or waiver of certain conditions (the “**Escrow Release Conditions**”), including, without limitation, the satisfaction or waiver of all conditions to the closing of the Merger, the net proceeds will be released to the Resulting Issuer and the remaining SR Agents’ fee will be released to the SR Agents. In the event that the Escrow Release Conditions are not satisfied by the Termination Date, the proceeds of the Subscription Receipt Financing will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be cancelled.

SR Agents’ Fees and Broker Warrants

As contemplated under the SR Engagement Letter, Cerrado will pay to the SR Agents a cash fee of equal to 6% of the aggregate gross proceeds of the Subscription Receipt Financing. As additional compensation, one or more of the SR Agents will be entitled, at Cerrado's discretion (acting reasonably and based on the SR Agents' performance vis-à-vis the Subscription Receipt Financing), to broker warrants (the "**Broker Warrants**"), exercisable to acquire such number of common shares of the Resulting Issuer (on a post-Consolidation basis) as is equal to up to 3% of the aggregate number of Subscription Receipts issued pursuant to the Subscription Receipt Financing. Each Broker Warrant shall be exercisable at the Offering Price pursuant to the Subscription Receipt Financing for a period of 24 months from the date of issuance of the Broker Warrants. In the event the Subscription Receipt Financing is terminated BB1 will not be obligated to pay any fee to the SR Agents.

RISK FACTORS

The operations of Cerrado are speculative due to the high-risk nature of its business, which is the identification, acquisition and exploration of mineral properties. The risks below are not the only ones facing the Resulting Issuer. Additional risks not currently known to Cerrado, or that Cerrado currently deems immaterial may also impair the Resulting Issuer's operations. The order in which the following risk factors appear does not necessarily reflect management's opinion of their order or priority.

Termination of the Merger Agreement

The Merger Agreement is conditional upon the satisfaction of a number of conditions. Each of the parties has the right, in certain circumstances, in addition to termination rights relating to the failure to satisfy the conditions of closing, to terminate the Merger Agreement. Accordingly, there can be no certainty that the Merger Agreement will not be terminated, and that the Merger will be completed. Please see "*Information Concerning the Merger and the Financings – The Merger*" for further information.

Approval of the Exchange

Completion of the Merger is subject to a number of conditions including the approval of the Exchange and the shareholders of Cerrado. Certain of such conditions are outside the control of either or both of BB1 or Cerrado, and there can be no assurance that these conditions will be satisfied.

Resource exploration and development are highly speculative

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by Cerrado may be affected by numerous factors that are beyond the control of Cerrado and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in Cerrado not receiving an adequate return of investment capital. All of the claims to which Cerrado has a right to acquire an interest or the claims which Cerrado has an interest in are in the exploration stage only and are without a known body of commercial ore. Development of the subject mineral properties would follow only if favorable exploration results are obtained.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that Cerrado's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of Cerrado's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be

discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

COVID-19 pandemic

In December 2019, COVID-19 emerged in Wuhan, China. Since then, it has spread to most other countries and infections have been reported around the world. Canada confirmed its first case of COVID-19 on January 25, 2020 and its first death related to COVID-19 on March 9, 2020. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, nonessential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions.

The COVID-19 pandemic has impacted Cerrado's business to some extent. Specifically, at the outset, Cerrado dealt with a complete mine shutdown for approximately 3 weeks and since has implemented strong personnel and quarantine controls which has led to lower productivity, specifically during the months of April and May 2020. Further, restrictions on international travel have impeded Cerrado's ability to bring in specialized staff and consultants to contribute to mine transformation. Remote work has been implemented as much as possible. Further, all domestic travel with regards to personnel rotation by land instead of air has led to certain inefficiencies. However, the supply chains have not been disrupted.

What further impact, if any, the COVID-19 pandemic may have on the Resulting Issuer is unpredictable. The continued spread of COVID-19 nationally and globally could also lead to a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on our business, operations or financial results; however, the impact could be material.

Lack of Availability of Resources

Mining exploration requires ready access to mining equipment such as drills, and crews to operate that equipment. There can be no assurance that such resources will be available to Cerrado on a timely basis or at a reasonable cost. Failure to obtain these resources when needed may result in delays in Cerrado's exploration programs.

Potential Lack of Adequate Infrastructure

Mineral exploration and development activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important requirements, which affect capital and operating costs. Cerrado's properties are presently accessible by a network of roads and footpaths. Unusual or infrequent weather phenomena or other interference in the maintenance or provision of such infrastructure could adversely affect Cerrado's operations, financial condition and results of operations. The present infrastructure may not be adequate for Cerrado's planned exploration and development activities. If Cerrado is required to improve or develop the current infrastructure, its planned operations may be delayed and its capital and operating costs will be affected.

Title Risks

Although Cerrado has exercised the usual due diligence with respect to determining title to the Cerrado Properties, there is no guarantee that Cerrado's title to the Cerrado Properties will not be challenged or impugned; that licenses will be renewed upon their expiry; and that Cerrado will be able to explore the Cerrado Properties as permitted or to enforce its rights with respect to the Cerrado Properties.

Cerrado does not yet own title to certain of its properties. Titles to some of the licenses are in the names of the respective vendors and transfer of title to Cerrado or its subsidiaries is conditional upon Cerrado fulfilling its

obligations under a number of agreements with current title holders. Until titles to the licenses are transferred to Cerrado, there is no guarantee that Cerrado's interest in the licenses will not be challenged by the present title holders.

Although Cerrado holds the surface rights to those concessions, it requires work permits and local community approvals to realize further exploration work such as surveying, geophysical, geochemical, geological and sample surveys and drilling. There can be no assurance that the appropriate permits and approvals will be obtainable on reasonable terms or on a timely basis.

Cerrado's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Until competing interests in the mineral lands have been determined, Cerrado can give no assurance as to the validity of title of Cerrado to those lands or the size of such mineral lands. Accordingly, the Cerrado Properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects.

Mineral Exploration and Mining Carry Inherent Risks

Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimize risk, there is a possibility of a material adverse impact on Cerrado's operations and its financial results.

Volatile Market Price for Resulting Issuer Shares

The market price for Resulting Issuer Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Resulting Issuer's control, including the following:

- actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Resulting Issuer operates;
- addition or departure of the Resulting Issuer's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Resulting Issuer Shares;
- sales or perceived sales of additional Resulting Issuer Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Resulting Issuer's industry generally and its business and operations;
- announcements of developments and other material events by the Resulting Issuer or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and precious metals' price volatility;

- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

There can be no assurance that metal prices will be such that the Cerrado Properties can be mined at a profit. Factors beyond the control of Cerrado may affect the marketability of any minerals discovered. Metal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of, and demand for, Cerrado's principal products and exploration targets, gold, copper and silver, is affected by various factors, including political events, economic conditions and production costs.

Limited Operating History

Cerrado acquired the MDN Project in March 2020 and consequently has completed limited exploration and engineering work on the MDN Project. Cerrado acquired the MDC Project from Monte Sinai Mineracao Ltda ("Monte Sinai") in 2017 and since then has undertaken various drilling and other exploration activities on site over the past couple of years. The Resulting Issuer will therefore be subject to many of the risks common to entering a new area of investment, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and a lack of revenue. There is no assurance that the Resulting Issuer will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

Cerrado acquired the MDN Project as an operating mining asset in March 2020. Cerrado has not based its ongoing production decisions at the MDN Project based on its own NI 43-101 compliant minerals resource or reserve estimates, preliminary economic assessments, feasibility studies, or historical projects although without such reports Cerrado would have increased uncertainty and risk of economic viability. Cerrado's decision to continue the operations at levels determined by management as with other production-related decisions (related to mining and processing operations) is largely based upon Cerrado's own internal non-public company data, as well from technical reports by previous owners and operators and based on continuing exploration and mining work conducted by Cerrado and by geologists and engineers engaged by Cerrado. The results of this technical work are evident in the discovery and development of the MDN Project by previous owners and by Cerrado's ongoing work, and in the financial returns benefiting Cerrado since acquiring the MDN Project earlier this year.

History of Losses

Cerrado has incurred operating losses in prior periods. The Resulting Issuer may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Resulting Issuer expects to continue to increase its operating expenses as it implements initiatives to continue to grow its business. If the Resulting Issuer's revenues do not increase to offset its expected increases in costs and operating expenses, the Resulting Issuer will not be profitable.

Requirement for Additional Financing

The further development and exploration of the Cerrado Properties depends upon the Resulting Issuer's ability to obtain financing through equity financing, joint ventures, debt financing, or other means. There is no assurance that the Resulting Issuer will be successful in obtaining required financing as and when needed. Volatile markets for precious and base metals may make it difficult or impossible for the Resulting Issuer to

obtain equity financing or debt financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause the Resulting Issuer to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.

Holding Company Status

The Resulting Issuer will be a holding company and the majority of its operating assets are the capital stock of its subsidiaries. Substantially all of the business of the Resulting Issuer and Cerrado is conducted through subsidiaries, and investors are therefore subject to the risks attributable to its subsidiaries. The Resulting Issuer's cash flow and its ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Resulting Issuer. The ability of the Resulting Issuer's subsidiaries to pay dividends and other distributions will depend on each subsidiary's operating results, applicable laws and regulations regarding the payment of dividends and distributions, and any contractual restrictions on distributions in debt instruments, among other things. In the event of a bankruptcy, liquidation or reorganization of any of the Resulting Issuer's subsidiaries, debtholders and trade creditors will generally be entitled to the payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Resulting Issuer.

Environmental Regulations, Permits and Licenses

The Resulting Issuer's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees.

The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Resulting Issuer intends to comply fully with all environmental regulations. The current or future operations of Cerrado and the Resulting Issuer, including development activities and commencement of production on its properties, require permits from various federal, provincial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require Cerrado to obtain permits from various governmental agencies. There can be no assurance, however, that all permits that Cerrado may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which Cerrado may undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed.

Reliance on Management

The success of the Resulting Issuer is dependent upon the ability, expertise, judgment, discretion and good faith of senior management and key employees. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Resulting Issuer's business, operating results or financial condition.

Conflicts of Interest

Certain directors and officers of the Resulting Issuer are also directors and officers of other entities, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of the Resulting Issuer. Consequently, there is a risk that such officers or directors will be in a position of conflict. Conflicts, if any, will be subject to the procedures and remedies available under the OBCA.

Limited Market for Securities

There can be no assurance that an active and liquid market for Resulting Issuer Shares will be maintained and an investor may find it difficult to resell any securities of the Resulting Issuer.

Liquidity Risk

The Resulting Issuer's ability to remain liquid over the long term may depend on its ability to obtain additional financing. The Resulting Issuer has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. The Resulting Issuer's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Currency Risk

Cerrado uses the United States dollar as its functional currency. Fluctuations in the value of the United States dollar relative to the Canadian dollar could have a material impact on the Resulting Issuer's consolidated financial statements by creating gains or losses. The appreciation of the Argentinean peso and/or Brazilian real against the United States dollar would increase the cost of exploration and development of Cerrado's Properties located in Argentina and Brazil which could have a material adverse effect on the financial condition of the Resulting Issuer. No currency hedge policies are in place or are presently contemplated.

Uninsurable Risks

Cerrado's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Cerrado's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Cerrado maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance may not cover all the potential risks associated with a mining company's operations. Cerrado may also be unable to maintain insurance to cover these risks at economically feasible premiums.

Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Cerrado or to other companies in the mining industry on acceptable terms. Cerrado might also become subject to liability for pollution or other hazards which may not be insured against or which Cerrado may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Cerrado to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Competition

The mining industry is intensely competitive in all its phases, and Cerrado competes with other companies that have greater financial resources and technical facilities. Competition could adversely affect the Resulting Issuer's ability to acquire additional suitable properties or prospects in the future.

Foreign Operations

Substantially all of Cerrado's operations are located in Argentina and Brazil. Like many emerging markets, Argentina and Brazil are developing countries that at times may face challenges in terms of natural resource development governance, physical and institutional infrastructure, governmental and regulatory bureaucracy and delays associated therewith. Cerrado's operations may at various times be exposed to political, economic legal, regulatory and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to:

- renegotiation, nullification, termination or rescission of existing concessions, licenses, permits and contracts;
- expropriation and/or nationalization;
- repatriation restrictions;
- changing political conditions;
- currency exchange rate fluctuations;
- high rates of inflation;
- war and civil unrest;
- military repression;
- hostage-taking;
- taxation policies;
- labour unrest;
- changing government policies and legislation;
- import and export regulations;
- restrictions on foreign exchange;
- currency controls;
- environmental legislation;
- infrastructure development policy; and
- certain non-governmental organizations that oppose globalization and resource development.

Cerrado's operations and properties are subject to a variety of governmental regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters.

Cerrado's mineral exploration and mining activities in Argentina and Brazil may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to Cerrado's activities or the maintenance of the Cerrado Properties.

Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the Resulting Issuer's operations and financial condition. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The above risks are beyond the Resulting Issuer's control and the occurrence of any of the foregoing could have a material and adverse impact on the Resulting Issuer and its business, prospects, financial position, financial condition and/or results of operations.

Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities on the Cerrado Properties or in respect of any other projects in which the Resulting Issuer becomes involved. Any failure to comply with

applicable laws and regulations, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties, or other liabilities.

In addition, in the event of a dispute arising from foreign operations, the Resulting Issuer may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. It also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Resulting Issuer to accurately predict such developments or changes in law or policy or to what extent any such developments or changes may have a material adverse effect on its operations.

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INFORMATION CONCERNING BB1

Corporate Structure

Name and Incorporation

The full corporate name of BB1 is “BB1 Acquisition Corp.”. BB1 was incorporated pursuant to the OBCA on March 2, 2018. The registered and head office of BB1 is located at 110 Yonge Street, Suite 501, Toronto, Ontario, M5C 1T4, Canada.

General Development of the Business

History

BB1 was formed as a CPC under the CPC Policy. Since becoming a CPC, the principal business of BB1 has been and is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses for the completion of a Qualifying Transaction and, once identified and evaluated, to negotiate an acquisition or participation, subject to receipt of shareholder approval, where required, and acceptance by the Exchange.

On October 5, 2018, the BB1 Shares were listed for trading on the Exchange as a CPC, following completion of BB1’s initial public offering of 5,000,000 BB1 Shares at a price of \$0.10 per BB1 Share for gross proceeds of \$500,000, as qualified by its final prospectus dated October 5, 2018. BB1 issued 500,000 IPO Agent’s Options to Canaccord Genuity Corp., in connection with its initial public offering.

On January 24, 2019, BB1 entered into a binding letter of intent (“**LOI**”) with Plantext Ltd. (“**Plantext**”). The LOI set forth the general terms and conditions pursuant to which BB1 and Plantext agreed to complete a transaction (the “**PlantExt Transaction**”) that would result in a reverse take-over of BB1 by the shareholders of Plantext. It was intended that the PlantExt Transaction would constitute the “Qualifying Transaction” of BB1 as such term is defined in Policy 2.4 of the Corporate Finance Manual of the Exchange.

In connection with the PlantExt Transaction, BB1 and PlantExt entered into a share exchange agreement effective as of August 16, 2019 (the “**Share Exchange Agreement**”). On January 24, 2020, BB1 announced the termination of the PlantExt Transaction. The terms of the Share Exchange Agreement have now expired due to the inability of the parties to close the PlantExt Transaction before December 31, 2019 and the Share Exchange Agreement has automatically terminated.

In accordance with the Share Exchange Agreement, PlantExt reimbursed BB1 an aggregate of \$92,000 (C\$125,000) (the “**Incurred Expenses**”) for costs and expenses incurred by BB1 in connection with the terminated PlantExt Transaction. The Incurred Expenses were reimbursed by the issuance of 9,200,000 units of PlantExt. Each such unit is comprised of one (1) common share of PlantExt and one common share purchase warrant of PlantExt exercisable at \$0.01 for a period of 24 months following the date of issuance.

On August 4, 2020, BB1 entered into a letter of intent with Cerrado with respect to the Merger and entered into the Merger Agreement on November 29, 2020. The Merger will constitute BB1’s Qualifying Transaction.

On October 30, 2020, BB1 mailed to its shareholders the BB1 Circular in connection with the BB1 Meeting. At the BB1 Meeting, BB1 shareholders will be asked to approve, among other things, the Shareholder Approval Matters.

Financing

On August 27, 2020, Cerrado entered into the SW Agency Agreement, under which Cerrado completed the Special Warrant Financing in connection with the Merger. See “*Information Concerning the Merger and the Financings – The Special Warrant Financing*”.

On October 28, 2020, Cerrado entered into the SR Engagement letter, pursuant to which Cerrado intends to complete the Subscription Receipt Financing in connection with the Merger. See “*Information Concerning the Merger and the Financings – The Subscription Receipt Financing*”.

Selected Consolidated Financial Information and Management’s Discussion and Analysis

Information from Inception

The following table sets forth selected historical financial information for BB1 for the period from incorporation to June 30, 2020. Such information is derived from the financial statements of BB1, which are included as Exhibits “A” and “C” to this Filing Statement, and should be read in conjunction with such financial statements.

	Six months ended June 30, 2020 (\$)	Year ended Dec. 31, 2019 (\$)	Period ended Dec. 31, 2018⁽¹⁾ (\$)
Total Expenses	29,550	77,821	79,646
Amounts deferred in connection with the Merger	-	-	-

(1) From date of incorporation on March 2, 2018 to December 31, 2018.

Management’s Discussion and Analysis

BB1’s MD&A for the six months ended June 30, 2020 is included as Exhibit “B” to this Filing Statement and BB1’s MD&A for the year ended December 31, 2019 and from the date of incorporation on March 2, 2018 to December 31, 2018 are included as Exhibit “D” to this Filing Statement.

Description of the Securities

BB1 is authorized to issue an unlimited number of BB1 Shares without nominal or par value. As at the date hereof, there are 15,000,000 BB1 Shares issued and outstanding, and a further 600,000 BB1 Shares are reserved for issuance under options outstanding pursuant to the BB1 Option Plan. In addition, 500,000 BB1 Shares are reserved for issuance under the IPO Agent’s Options.

Each BB1 Share ranks equally with all other common shares with respect to distribution of assets upon dissolution, liquidation or winding-up of BB1 and payment of dividends. The holders of BB1 Shares are entitled to one vote per share on all matters to be voted on by such holders, and are entitled to receive pro rata such dividends as may be declared by the BB1 Board.

Pursuant to articles of amendment to be filed prior to the Merger, the BB1 Shares will be consolidated, on the basis of one Consolidated BB1 Share for every 8.31 BB1 Shares.

Stock Option Plan and BB1 Options

BB1 has adopted the BB1 Option Plan, which provides that the BB1 Board may from time to time, in its discretion and in accordance with Exchange requirements, grant to directors, officers and employees of BB1, non-transferable options to purchase BB1 Shares, provided that the number of BB1 Shares reserved for issuance will not exceed 10% of the total issued and outstanding BB1 Shares. Options may be exercisable for a maximum period of 10 years from the date of grant. The exercise price of any option granted pursuant to the BB1 Option Plan shall be determined by the BB1 Board when granted, but shall not be less than the Discounted Market Price (as such term is defined in Exchange policies).

The number of BB1 Shares reserved for issuance to any individual director, officer or employee may not exceed 5% of the issued and outstanding BB1 Shares, and the number of BB1 Shares reserved for issuance to all consultants may not exceed 2% of the issued and outstanding BB1 Shares at the date of grant. Options may be exercised the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee’s position with BB1, provided that if the cessation of office, directorship, or technical

consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. In the event an optionee is terminated for cause, any outstanding options granted to such optionee will be automatically terminated on the date of cessation of the optionee’s position with BB1. In the event an optionee retires, resigns or is terminated for other than cause, any outstanding options granted to such optionee may be exercised for a period of up to one year (or until the normal expiry date of the options, if earlier) following cessation of the optionee’s position with BB1. In the event an optionee becomes disabled and is unable to continue in their position with BB1, any outstanding options granted to such optionee may be exercised for a period of up to one year (or until the normal expiry date of the options, if earlier) following cessation of the optionee’s position with BB1 due to the disability. In the event of death of an optionee, any outstanding options granted to such optionee may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. In the event that the Optionee is engaged to provide Investor Relations Activities (as defined in the policies of the Exchange) and such Optionee ceases to be so engaged, other than by reason of death, the expiry date of the option will not exceed the 30th day following the termination date.

Any BB1 Shares acquired pursuant to the exercise of options prior to the Completion of a Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. See “*Information Concerning the Resulting Issuer – Escrowed Securities*”.

As of the date hereof, options to acquire 600,000 BB1 Shares pursuant to the BB1 Option Plan are outstanding, as follows:

<u>Name of Optionee</u>	<u>Number of BB1 Shares Reserved Under Option</u>	<u>Exercise Price (\$)</u>	<u>Expiry Date</u>
Stephen Shefsky	100,000	\$0.10	Nov. 30, 2023
Jennifer Ta	100,000	\$0.10	Nov. 30, 2023
Mark Brennan	100,000	\$0.10	Nov. 30, 2023
Solomon (Sam) Pillersdorf	100,000	\$0.10	Nov. 30, 2023
Eric Szustak	100,000	\$0.10	Nov. 30, 2023
Wayne Egan	100,000	\$0.10	Nov. 30, 2023
Total	600,000		

Note:

- (1) Assuming completion of the Merger, it is proposed that Jennifer Ta, Solomon (Sam) Pillersdorf, Eric Szustak and Wayne Egan will resign as directors and officers of the Resulting Issuer, and accordingly, BB1 Options held by such persons will expire in accordance with their terms on the date that is one (1) year after the Closing Date.
- (2) At the effective date of the Merger, the BB1 Options will be adjusted in accordance with the stock option agreements governing such options, to give effect to the Consolidation.

In connection with the Merger, and subject to approval from shareholders of BB1 and completion of the Merger, BB1 will adopt the Omnibus Incentive Plan. See “*Information Concerning the Resulting Issuer – Omnibus Incentive Plan*” for a description of the Omnibus Incentive Plan.

Prior Sales

Since the date of incorporation of BB1, 15,000,000 BB1 Shares have been issued as follows:

<u>Date</u>	<u>Number of BB1 Shares</u>	<u>Issue Price Per Share (\$)</u>	<u>Aggregate Issue price (\$)</u>	<u>Consideration Received</u>
July 12, 2018	2,800,000 ⁽¹⁾⁽²⁾	\$0.05	\$140,000	Cash
July 13, 2018	7,200,000 ⁽¹⁾⁽²⁾	\$0.05	\$360,000	Cash
Oct. 5, 2018	5,000,000 ⁽³⁾	\$0.10	\$500,000	Cash
Total	15,000,000		\$1,000,000	

Notes:

- (1) Issued to a Non-Arm’s Length Party.
- (2) Issued pursuant to a private placement.
- (3) Represents BB1 Shares issued pursuant to BB1’s initial public offering.

Stock Exchange Price

The BB1 Shares are listed and posted for trading on the Exchange under the symbol “BBA.P”. Trading of the BB1 Shares was halted on August 4, 2020, in connection with the announcement of the Merger. On July 31, 2020, the last trading day prior to the trading halt, the closing price was \$0.05. The following table sets forth the reported high and low and monthly trading volumes of the BB1 Shares on the Exchange for the periods indicated:

Period	High Trading Price (\$)	Low Trading Price (\$)	Total Volume for Period
November 30 to December 31, 2018 ⁽¹⁾	0.00	0.00	350
January 1 to January 30, 2019 ⁽²⁾	0.00	0.00	0
February 1 to February 28, 2019 ⁽²⁾	0.00	0.00	0
March 1 to March 31, 2019 ⁽²⁾	0.00	0.00	0
April 1 to April 30, 2019 ⁽²⁾	0.00	0.00	0
May 1 to May 31, 2019 ⁽²⁾	0.00	0.00	0
June 1 to June 30, 2019 ⁽²⁾	0.00	0.00	0
July 1 to July 31, 2019 ⁽²⁾	0.00	0.00	0
August 1 to August 31, 2019 ⁽²⁾	0.00	0.00	0
September 1 to September 30, 2019 ⁽²⁾	0.00	0.00	0
October 1 to October 31, 2019 ⁽²⁾	0.00	0.00	0
November 1 to November 30, 2019 ⁽²⁾	0.00	0.00	0
December 1 to December 31, 2019 ⁽²⁾	0.00	0.00	0
January 1 to January 30, 2020 ⁽²⁾	0.00	0.00	0
February 1 to February 29, 2020	0.10	0.05	20,500
March 1 to March 31, 2020	0.05	0.05	10,000
April 1 to April 30, 2020	0.00	0.00	0
May 1 to May 31, 2020	0.00	0.00	0
June 1 to June 30, 2020	0.00	0.00	0
July 1 to July 31, 2020	0.00	0.00	0
August 1 to August 31, 2020 ⁽³⁾	0.00	0.00	0
September 1 to September 30, 2020	0.00	0.00	0
October 1 to October 31, 2020	0.00	0.00	0
November 1 to November [●], 2020	[●]	[●]	[●]

Note:

- (1) BB1 commenced trading on the Exchange on November 30, 2018
- (2) In connection with the PlantExt Transaction, trading halt from January 24, 2019 to January 24, 2020, during which no shares were traded.
- (3) Trading halt from August 4, 2020 to the date of this Filing Statement during which no shares were traded.

Arm’s-Length Transactions

The proposed Merger is not a Non-Arm’s-Length Qualifying Transaction.

Interest of Insiders, Promoter or Control Persons in the Merger

Following completion of the Merger and assuming completion of the Financings, including the Minimum Financing, and after giving effect to the Consolidation:

- (a) the original BB1 Board other than Stephen Shefsky and Mark Brennan, namely Eric Szustak, Solomon (Sam) Pillersdorf, and Wayne Egan, will have resigned;
- (b) the Resulting Issuer Board will consist of Mark Brennan, Stephen Shefsky, Elmer Prata Salomao, Kurt Menchen, Robert Anderson Campbell, Jad Salomao Neto, Oscar Neto de Gouveia, Jonathan Gilligan and David Ball;

- (c) the original officers of BB1, namely Stephen Shefsky and Jennifer Ta, will have resigned their current positions; and
- (d) the executive officers of the Resulting Issuer will consist of Mark Brennan, Chief Executive Officer and Co-Chairman, Stephen Shefsky, Co-Chairman, Cliff Hale-Sanders, President, Kurt Menchen, Chief Operating Officer, Robert Anderson Campbell, Vice President of Exploration, Rohan Hazelton, Chief Financial Officer, and Maria Virginia Anzola, General Counsel and Corporate Secretary.

The shareholdings of each current Insider, Promoter, and Control Person of BB1 and their respective Associates and Affiliates before and after giving effect to the Merger, calculated on a non-diluted basis, are set out below:

Insider, Promoter or Control Person of BB1	BB1 Shares Held Prior to the Merger ⁽¹⁾		Resulting Issuer Shares Held After Giving Effect to the Merger and Minimum Financing ⁽²⁾		Resulting Issuer Shares Held After Giving Effect to the Merger and the Maximum Financing ⁽³⁾	
	Number	Percentage	Number	Percentage	Number	Percentage
Stephen Shefsky ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ <i>Director and Chief Executive Officer of BB1 and proposed Chief Executive, Co-Chairman and Director of the Resulting Issuer</i>	1,600,000	10.67%	2,800,872	4.48%	2,800,872	4.00%
Jennifer Ta ⁽⁴⁾⁽⁵⁾⁽⁸⁾ <i>Chief Financial Officer and Corporate Secretary of BB1</i>	200,000	1.33%	90,733	0.15%	90,733	0.13%
Mark Brennan ⁽⁴⁾⁽⁵⁾⁽⁹⁾ <i>Director of BB1 and proposed Co-Chairman and Director of the Resulting Issuer</i>	1,500,000	10.00%	3,393,005	5.43%	3,393,005	4.84%
Eric Szustak ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ <i>Director of BB1</i>	500,000	3.33%	116,834	0.19%	116,834	0.17%
Solomon (Sam) Pillersdorf ⁽⁴⁾⁽⁵⁾⁽¹¹⁾ <i>Director of BB1</i>	1,600,000	10.67%	1,662,539	2.66%	1,662,539	2.37%
Wayne Egan ⁽⁴⁾⁽⁵⁾⁽¹²⁾ <i>Director of BB1</i>	500,000	3.33%	142,668	0.23%	142,668	0.20%
Total	5,900,000	39.33%	8,206,651	13.12%	8,206,651	11.72%

Notes:

- (1) Presented on a non-diluted basis and based on a total number of 15,000,000 BB1 Shares outstanding prior to completion of the Consolidation, the Financings, and the Merger.
- (2) Presented on a non-diluted basis and based on a total number of 62,534,825 Resulting Issuer Shares outstanding after the Consolidation, the Financings (assuming the completion of a Minimum Financing), and the Merger. In the event the LC Acquisition closes prior to the closing of the Merger, an additional 1,125,000 Resulting Issuer Shares will be issued in exchange for the Cerrado Shares issued pursuant to the LC Acquisition.
- (3) Presented on a non-diluted basis and based on a total number of 70,034,825 Resulting Issuer Shares outstanding after the Consolidation, the Financings (assuming the completion of a Maximum Financing), and the Merger. In the event the LC Acquisition closes prior to the closing of the Merger, an additional 1,125,000 Resulting Issuer Shares will be issued in exchange for the Cerrado Shares issued pursuant to the LC Acquisition.

- (4) These individuals are Principals of BB1. They hold an aggregate of 5,900,000 BB1 Shares, representing approximately 39.33% of the issued and outstanding BB1 Shares prior to completion of the Consolidation, the Financings, and the Merger and approximately 11.72% of the Resulting Issuer Shares after completion of the Consolidation, the Financings, and the Merger (including Resulting Issuer Shares issued in exchange for such persons' Cerrado Shares). Their BB1 Shares are held in escrow pursuant to the CPC Escrow Agreement. Upon issuance of the Final Exchange Bulletin, if the Resulting Issuer is a Tier 1 issuer, 25% of the CPC Escrowed Shares will be immediately released, and the remaining CPC Escrowed Shares will be released in three equal tranches of 25% every six months following the issuance of the Final Exchange Bulletin. If the Resulting Issuer is a Tier 2 issuer, 10% of the CPC Escrowed Shares will be immediately released following the issuance of the Final Exchange Bulletin and the remaining CPC Escrowed Shares will be released in six equal tranches of 15% every six months following the issuance of the Final Exchange Bulletin.
- (5) These individuals hold BB1 Options granted under the BB1 Option Plan to purchase up to 600,000 BB1 Shares at a price of \$0.10 per BB1 Share (subject to adjustment in connection with the Consolidation).
- (6) Mr. Shefsky currently holds an aggregate of 2,583,333 Cerrado Shares. Mr. Shefsky has purchased an aggregate of 25,000 Special Warrants in the Special Warrant Financing.
- (7) Stephen Shefsky is considered to be the Promoter of BB1 in that he took the initiative in founding and organizing BB1.
- (8) Ms. Ta currently holds an aggregate of 66,666 Cerrado Shares.
- (9) Mr. Brennan currently holds an aggregate of 3,150,000 Cerrado Shares directly and indirectly through Linear Capital Group Inc. and LCI Newcos Inc., privately held companies wholly owned by Mr. Brennan. Mr. Shefsky has purchased an aggregate of 62,500 Special Warrants in the Special Warrant Financing.
- (10) Mr. Szustak currently holds an aggregate of 56,666 Cerrado Shares.
- (11) Mr. Pillersdorf currently holds an aggregate of 1,470,000 Cerrado Shares directly and indirectly through La Prima Investments Limited, a privately held company wholly owned by Mr. Pillersdorf.
- (12) Mr. Egan currently holds an aggregate of 57,500 Cerrado Shares indirectly through Wayne Egan Professional Corporation (No. 2), a privately held company wholly owned by Mr. Egan. Through this privately held company, Mr. Egan has purchased an aggregate of 25,000 Special Warrants in the Special Warrant Financing.

See "*The Merger*", "*Information Concerning the Merger and the Financings*", "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*", "*– Escrowed Securities*", and "*– Pro-Forma Consolidated Capitalization*".

Legal Proceedings

There are no material pending legal proceedings to which BB1 is a party or of which any of its property is the subject matter nor are any such proceedings known to BB1 to be contemplated.

Auditor, Transfer Agent and Registrar

The auditor of BB1 is MNP LLP, at its office at 50 Burnhamthorpe Road West, Suite 900, Mississauga, Ontario L5B 3C2.

TSX Trust Company, at its Toronto office located at 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1, is the transfer agent and registrar for the BB1 Shares.

Material Contracts

Since incorporation, other than in the ordinary course of business, BB1 has not entered into any contracts material to investors, other than the following:

- (a) the service agreement between BB1 and the Escrow Agent dated as of November 29, 2017;
- (b) the agency agreement dated as of October 5, 2018, between BB1 and Canaccord Genuity Corp. Limited in respect of BB1's initial public offering;
- (c) the CPC Escrow Agreement. See "*Information Concerning the Resulting Issuer – Escrowed Securities*";

- (d) the Share Exchange Agreement. See “*Information Concerning BBI – General Development of the Business – History*”; and
- (e) the Merger Agreement. See “*Information Concerning the Merger and the Financings – The Merger*”.

Copies of these agreements are available for inspection at the head office of BBI at no cost, at any time during ordinary business hours and until 30 days after the Closing.

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INFORMATION CONCERNING CERRADO

Corporate Structure

Name and Incorporation

The full corporate name of Cerrado is “Cerrado Gold Inc.” Cerrado was incorporated pursuant to the *Business Corporations Act* (Alberta) under the name “Templewood Capital Inc.” on October 7, 2005. Pursuant to articles of continuance, Templewood Capital Inc. continued under the OBCA under the current corporate name of “Cerrado Gold Inc.” The registered and head office of Cerrado is located 501, 110 Yonge Street, Toronto, Ontario, M5C 1T4, Canada.

Cerrado has three subsidiaries, each of which it owns a 100% interest: Templewood Mineração e Participações Societárias Ltda. constituted under the laws of Brazil on April 10, 2015, Serra Alta Mineração Ltda. constituted under the laws of Brazil on December 19, 2017 and Minera Don Nicolas S.A. constituted under the laws of Argentina on March 8, 2002. In accordance with local Brazilian law, all outstanding quotas of the Brazilian Cerrado Subsidiaries are held by Cerrado except for 1 each which is owned by a Brazilian resident.

General Development of the Business

History

Cerrado is a gold mining and exploration company with assets in Argentina and Brazil. Cerrado was continued under the laws of the Province of Ontario on October 3, 2017. In March 2020, Cerrado acquired the Minera Don Nicolas property in Argentina, a well-established in-production gold mine. The mine commenced operations in 2017 and targeted to produce 50,000 oz per year via a 1,000 tpd CIL plant and related facilities. Any historical production estimate mentioned are strictly historical in nature and are non-compliant to National Instrument 43-101 and should therefore not be relied upon. In Brazil the company is exploring at its Monte do Carmo gold project in Tocantins state. Cerrado acquired the MDC Project from Monte Sinai in 2017. The project currently has a mineral resource prepared in accordance with NI 43-101 dated December 5, 2018, which has outlined an initial inferred mineral resource of 13.7 million tonnes grading 1.85 g/t, for contained gold of 813,000 oz. The resource estimate for the Monte do Carmo gold project has been reasonably prepared and conforms to the current 2014, CIM standards and definitions for estimating mineral resources. Mineral resources which are not mineral reserves have not demonstrated economic viability. The Board and management of Cerrado have a long history of success having developed numerous projects from early stage exploration through development and production.

Cerrado acquired the MDN Project in March of 2020 for a purchase price of \$47 million, payable in staged payments. Cerrado paid an upfront payment of \$15 million on closing (March 16, 2020) with the remaining \$30 million payable over a 5-year period as follows: \$10 million payable 24 months following closing (March 16, 2022); \$2 million payable in 36 months (March 16, 2023); \$10 million payable 48 months following closing (March 16, 2024); and \$10 million payable 60 months following closing (March 16, 2025). The operation is located in the mineral rich and prolific Deseado Massif in the province of Santa Cruz, Argentina. The MDN Project consists of an open pit gold mine with an associated 1,000 tpd carbon in leach (CIL) gold recovery plant, targeting to produce 45-55koz/yr gold doré per annum. Any targeted production mentioned are strictly estimates, estimates that constitute forward-looking statements, involve numerous assumptions, are subject to risks and uncertainties, and are subject to change based on various factors that are not based on reserve estimates, preliminary economic assessments or feasibility studies. Current operations are focused on two mining areas, La Paloma and Martinetas, with material processed at a central plant facility. The project has significant exploration potential with a land package in excess of 273,000 ha's.

Construction of mine and related facilities was completed in 2017 and the operations have been ramping up to full capacity during 2018 and 2019. The project currently supports 325 employees and contractors on a fly-in

fly-out basis. Don Nicolas has strong local and regional backing having signed agreements with the two neighboring communities and has received strong support from the government of Santa Cruz.

The gold deposits at the MDN Project are classified as an epithermal gold vein style of deposit typical of the region which is host to numerous large-scale gold operations. Cerrado has commenced a new exploration program to confirm the current resource base and to focus on expanding the resources through further exploration on surface and at depth.

Further to a binding letter of intent entered in September 2017, Cerrado acquired the MDC Project from Monte Sinai in April 2018. The MDC Project is located in the state of Tocantins, Brazil, immediately east of the town of Monte do Carmo. Currently work has focused on the Serra Alta deposit, however, numerous analogs remain to be fully defined. The Monte do Carmo property consists of 11 exploration permits totaling 52,213 ha's. The property has access to excellent local infrastructural with limited garimpeiro activity on site and strong local support from the community. Regional investment in mineral exploration in the area of the MDC Project, by others, is reported to have amounted to \$4.7 million from 1985 through 1995, and over \$20.0 million from 1996 to 2018 by various operators.

Since acquiring its interest in the MDC Project from Monte Sinai, Cerrado has undertaken various drilling and other exploration activities on site over the past couple of years. To date a mineral resource report prepared in accordance with NI 43-101 dated December 5, 2018 has outlined an initial inferred mineral resource of 13.7 million tonnes grading 1.85 g/t, for contained gold of 813,000 oz. The resource estimate for the MDC gold project has been reasonably prepared and conforms to the current 2014, CIM standards and definitions. Mineral resources which are not mineral reserves have not demonstrated economic viability. The MDC Technical Report confirmed the conclusions of the initial mineral resource report. Continued exploration is planned at Serra Alta and the surrounding area with the objective to rapidly expand this mineral resource base to support a significant open pit mining operation. Cerrado, through Serra Alta, has the full and exclusive surface and mining rights, including receipt of all required permits, licenses and other applicable governmental and regulatory approvals, to carry out its business operations in relation to the assets set out in the work program disclosed in the MDC Technical Report, which shall continue to be valid after expiration of existing permits, since the renewal request for the applicable mining lease was submitted within the prescribed timeline, and is currently pending.

On October 21, 2020 Cerrado entered into a binding agreement to acquire Minera Mariana Argentina S.A. from New Dimension Resources Ltd. The principal assets owned by Minera Mariana Argentina S.A. include the Las Calandrias and Los Cisnes projects. These projects are located in the Santa Cruz province of Argentina and consist of approximately 60,400 ha with the land holdings immediately adjacent to Cerrado's MDN Project. Las Calandrias (Calandrias I claim block) is immediately to the north and Los Cisnes project immediately to the east. In connection with this acquisition, Cerrado will issue an additional C\$2,250,000 in Cerrado Shares at the Offering Price of the Subscription Receipt Financing. Being 1,125,000 Cerrado Shares to New Dimension Resources Ltd.

In 2018 New Dimension Resources Ltd. completed a NI 43-101 compliant resources on two deposits, Calandria Norte and Calandria Sur at the Calandrias project. The resources outlined totalled 379,000 ounces of gold and 6 million ounces of silver (indicated) and 42,000 ounces of gold and 401,000 ounces of silver (inferred) in the two deposits. Cerrado has not completed its own technical report on this project and therefore treats the resources as "historical" until Cerrado has done some work to support it. References may be made in this document to historic mineral resource estimates. None of these are NI 43-101 compliant as related to Cerrado, and a qualified person has not done sufficient work to classify these historic estimates as a current mineral resource. They should not be relied upon and Cerrado does not treat them as current mineral resources.

Significant Acquisitions and Dispositions

On March 16, 2020, Cerrado entered into an agreement (the "**Acquisition Agreement**") to acquire Minera Don Nicolas S.A. ("**MDN**") and its namesake operating mine, herein referred to as the MDN Project, and surrounding properties in Santa Cruz Province, Argentina. Under the terms of the Acquisition Agreement the Company paid the Compania Inversora En Minas ("**CIMINAS**") and Compania Inversora Argentina Para La

Exportacion S.A. (“**CIAPEXSA**”) (together the “**Sellers**”) an initial payment of \$15,000 at closing, with future payments of \$10,000 in 24 months, \$2,000 in 36 months, \$10,000 in 48 months and \$10,000 in 60 months from closing and will be payable from a sinking fund, to be set up by Cerrado (the “**Sinking Fund**”). The future consideration payable amount was initially recorded at fair value of \$21,425,000. The payable amount is discounted using a rate of 12%, which is Cerrado’s estimated weighted-average cost of capital. During the three and six months ended June 30, 2020, the discount was amortized by \$203,000 and \$825,000, respectively, which were included in finance costs.

In addition to the payment of \$47 million, the Sellers are entitled to the following “**Initial Bonus**” amounts, 48 months from closing date, provided the terms of the Acquisition Agreement as described are met:

- \$2.5 million if mineral reserves in accordance with the MDN Technical Report, exceed closing mineral reserves of 215,000 by between 250,000 and 499,999 ounces of gold; and
- \$5 million if mineral reserves in accordance with the MDN Technical Report, exceed closing mineral reserves of 215,000 by at least 500,000 ounces of gold.

In addition to the above, the Sellers are entitled to a “**Final Bonus**” of \$5 million, 30 months from the final payment date, if mineral reserves in accordance with the MDN Technical Report, exceed closing mineral reserves of 215,000 by at least 750,000 ounces of gold.

The Initial Bonus and Final Bonus payments will not be payable to the Seller if the average LBMA gold price per ounce is below \$1,250 in the six months preceding the payment date as described.

As described above the “Initial and Final Bonus” is contingent upon meeting several criteria, including the completion of the NI43-101 report. These contingent payments are valued at \$Nil and are not included in the purchase price calculation below.

In connection with the acquisition of MDN, financial statements for MDN have been included pursuant to the requirements under National Instrument 41-101 *General Prospectus Requirements*. See “*Exhibit “I” – interim financial statements of MDN for the period between January 1, 2020 to March 15, 2020*” and “*Exhibit “K” – audited consolidated financial statements of MDN for the years ended December 31, 2019, December 31, 2018 and December 31, 2017*”.

On March 13, 2020, Cerrado entered into a metals purchase and sale agreement with Sprott Private Resource Streaming and Royalty Corp. (“**Sprott**”) whereby Cerrado received an initial advance payment of \$15 million against delivery of 6.25% of payable gold and silver over the remainder of MDN’s life (the “**Metals Streaming Agreement**”).

In addition to the deposit payment, as gold and silver is delivered to Sprott, Cerrado receives cash payments of 20% of the daily gold and silver market price two days prior to the date of delivery.

The Metals Streaming Agreements includes a step-down option whereby the stream percentage will be reduced from 6.25% down to 2.5% upon certain production milestones being met. At any time within twelve months following the step-down, Cerrado has a one-time buy-down option to further reduce the stream percentage from 2.5% to 1.25%. In the event that the buy-down option is exercised, Cerrado has to pay Sprott \$2.5 million in immediately available funds.

Narrative Description of the Business

General

Cerrado is a privately held mineral exploration and development company focused primarily on the exploration and acquisition of gold projects. Cerrado owns the MDN Project and the MDC Project, located in Argentina

and Brazil, respectively. Cerrado is not a reporting issuer and the Cerrado Shares are not listed or posted for trading on any stock exchange.

Selected Consolidated Financial Information and Management's Discussion and Analysis

Financial Information

The following table sets forth selected historical financial information for Cerrado for the periods indicated. The information contained in this table should be read in conjunction with Cerrado's financial statements. See "Exhibit "E" – interim financial statements of Cerrado for the six months ended June 30, 2020" and "Exhibit "G" – audited consolidated financial statements of Cerrado for the years ended December 31, 2019, December 31, 2018 and December 31, 2017"

	Six months ended June 30, 2020	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Income Statement Data	(\$)	(\$)	(\$)	(\$)
Total revenues	9,364,000	0	0	0
Net loss from continuing operations	(5,487,000)	(2,894,822)	(1,577,598)	(332,548)
Net loss and comprehensive loss	(8,348,000)	(3,358,847)	(2,682,512)	(378,077)
Cash dividends declared	-	-	-	-
	Six months ended June 30, 2020	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Balance Sheet Data	(\$)	(\$)	(\$)	(\$)
Total assets	60,666,000	13,767,572	13,132,969	2,478,902
Total liabilities	56,579,000	4,662,922	3,357,237	273,632
Total equity	4,087,000	9,104,650	9,775,732	2,205,270

The following table sets forth selected historical financial information for MDN for the periods indicated. The information contained in this table should be read in conjunction with MDN's financial statements. See "Exhibit "I" – interim financial statements of MDN for the period between January 1, 2020 to March 15, 2020" and "Exhibit "K" – audited consolidated financial statements of MDN for the years ended December 31, 2019, December 31, 2018 and December 31, 2017".

	Period from January 1, 2020 to March 15, 2020	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Income Statement Data	(\$)	(\$)	(\$)	(\$)
Total revenues	8,970,586	37,315,330	31,207,709	-
Net gain (loss) from continuing operations	421,395	(82,157,596)	(79,789,900)	(17,203,595)
Total comprehensive loss	421,395	(82,157,596)	(79,789,900)	(32,555,611)
Cash dividends declared	-	-	-	-
	Period from January 1, 2020 to March 15, 2020	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Balance Sheet Data	(\$)	(\$)	(\$)	(\$)
Total assets	50,130,228	57,333,970	132,283,705	204,926,330
Total liabilities	11,875,189	19,500,326	87,933,535	118,160,339
Total equity	38,255,039	37,833,644	44,350,170	86,765,991

Management’s Discussion and Analysis

Cerrado’s MD&A for the six months ended June 30, 2020 is attached hereto as Exhibit “F” and Cerrado’s MD&A for the years ended December 31, 2019, 2018 and 2017 is attached hereto as Exhibit “H”. The MD&As should be read in conjunction with Cerrado’s audited and unaudited consolidated financial statements for each of the last three completed financial years, and the notes thereto, which have been prepared in accordance with IFRS.

MDN’s MD&A for the period between January 1, 2020 – March 15, 2020 is attached hereto as Exhibit “J” and MDN’s MD&A for the years ended December 31, 2019, 2018 and 2017 is attached hereto as Exhibit “L”, The MD&As should be read in conjunction with MDN’s audited and unaudited consolidated financial statements for each of the last three completed financial years, and the notes thereto, which have been prepared in accordance with IFRS.

Description of the Securities

Securities

There are no securities of Cerrado being distributed in connection with the Qualifying Transaction, except with respect to the Special Warrants and Financing Compensation Warrants issued in connection with the Financing. See “*Information Concerning the Merger and the Financings – The Financings*”.

The holders of the Cerrado Shares are entitled to receive notice of and to attend all meetings of the shareholders of Cerrado and shall have one vote for each Cerrado Share held at all meetings of the shareholders. The holders of Cerrado Shares are entitled to receive any dividends as and when declared by the Cerrado Board out of the assets of Cerrado properly applicable to the payment of dividends, in such amount and in such form as the Cerrado Board may from time to time determine, and receive the remaining property of Cerrado (after payment of all outstanding debts) in the event of any liquidation, dissolution or winding-up of Cerrado. Cerrado Shares cannot be transferred, except in accordance with the articles of Cerrado and applicable securities laws.

Consolidated Capitalization

The following table sets forth Cerrado’s capitalization as at the dates indicated. The table should be read in conjunction with the financial statements of Cerrado which are included as Exhibit “E” to this Filing Statement.

Designation	Authorized	As at June 30, 2020	As at the date of this Filing Statement prior to giving effect to the Merger and the Financings
Cerrado Shares ⁽¹⁾	Unlimited	46,608,030	46,884,021
Cerrado Options ⁽²⁾	4,000,000	4,000,000	4,000,000
Cerrado Warrants ⁽³⁾⁽⁴⁾	2,628,740	2,000,000	2,628,740
Cerrado RSUs ⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	7,130,003	6,820,006	7,130,003
Cerrado Special Warrants ⁽⁹⁾	8,845,750	0	8,845,750

Notes:

- (1) As at June 30, 2020, Cerrado’s balance sheet disclosed a deficit of \$5,991,000.
- (2) Issued on February 27, 2019, exercisable at any time prior to February 27, 2024 to acquire one Cerrado Share for the exercise price of \$0.45 per Cerrado Share.
- (3) Includes 2,000,000 warrants issued on October 3, 2017, exercisable at any time prior to October 3, 2021 to acquire one Cerrado Share for the exercise price of \$0.20 per Cerrado Share.
- (4) On August 27, 2020 and September 10, 2020, Cerrado issued an aggregate of 628,740 Financing Compensation Warrants, exercisable at \$0.80 for a period of 24 months following the date of issue into one Cerrado Share (or Resulting Issuer Share), were issued to the SW Agent and an eligible finder in connection with the Financing.
- (5) On February 27, 2019, Cerrado issued 2,260,000 RSUs, vesting 1/3 upon issuance, 1/3 one year after issuance, and 1/3 two years after issuance. As at the date of this Filing Statement, 2/3 of the issued RSUs have vested, with the balance 753,336 RSUs to vest on February 27, 2021.

- (6) On June 24, 2020, Cerrado issued 9,000,000 RSUs, vesting 1/3 upon issuance, 1/3 one year after issuance, and 1/3 two years after issuance. As at the date of this Filing Statement, 1/3 of the issued RSUs have vested, with the balance 6,000,000 RSUs to vest in equal parts on June 24, 2021 and June 24, 2022.
- (7) On September 14, 2020, Cerrado issued 350,000 RSUs, vesting 1/3 upon issuance, 1/3 one year after issuance, and 1/3 two years after issuance. As at the date of this Filing Statement, 1/3 of the issued RSUs vested, with the balance 233,334 RSUs to vest in equal parts on September 14, 2021 and September 14, 2022.
- (8) On November 13, 2020, Cerrado issued 315,000 RSUs vesting 1/3 upon issuance, 1/3 one year after issuance, and 1/3 two years after issuance. As at the date of this Filing Statement, 1/3 of the issued RSUs vested, with the balance 210,000 RSUs to vest in equal parts on September 14, 2021 and September 14, 2022.
- (8) On August 27, 2020 and September 10, 2020, Cerrado issued an aggregate of 8,845,750 Special Warrants at an issue price of \$0.80 in connection with the Financing, each deemed to be exercised for one Cerrado Share in connection with the completion of the Qualifying Transaction.

Prior Sales

The following tables set forth the number and price at which securities of Cerrado have been sold within the 12-month period prior to the date of this Filing Statement.

<u>Date</u>	<u>Type of Securities</u>	<u>Issue Price Per Security (\$)</u>	<u>Number of Securities</u>
Oct. 30, 2019	Cerrado Shares	0.50	400,000
Jan. 10, 2020	Cerrado Shares	0.50	900,000
Jan. 22, 2020	Cerrado Shares	0.50	200,000
Jan. 23, 2020	Cerrado Shares	0.50	800,000
Jan. 28, 2020	Cerrado Shares	0.50	100,000
Feb. 27, 2020	Cerrado Shares	0.45	753,327
Jun. 24, 2020	Cerrado Shares	0.50	2,999,998
Sep. 14, 2020	Cerrado Shares	0.45	116,666
Aug. 27, 2020	Cerrado Warrants ⁽¹⁾	-	477,890
Aug. 27, 2020	Cerrado Special Warrants ⁽²⁾	0.80	6,690,000
Sep. 10, 2020	Cerrado Warrants ⁽¹⁾	-	150,850
Sep. 10, 2020	Cerrado Special Warrants ⁽²⁾	0.80	2,155,000

Notes:

- (1) Financing Compensation Warrants, each of which is exercisable at \$0.80 for a period of 24 months following the date of issuance into one Cerrado Share or Resulting Issuer Share.
- (2) Issued pursuant to the Special Warrant Financing, each convertible into one Cerrado Share immediately prior to Closing.

Executive Compensation

As at December 31, 2019, the end of the most recently completed fiscal year of Cerrado, Cerrado had six named executive officers (the “NEOs”) as that term is defined in Form 51-102F6 – *Statement of Executive Compensation*. As a private company, Cerrado has not instituted any formal executive compensation policies or programs for its executive officers or directors. From the date of incorporation to December 31, 2019, directors and officers were paid on a consultancy or salary basis.

Cerrado does not have a compensation committee. All compensation matters are dealt with by the entire Cerrado Board. Cerrado has implemented a formal stock option plan (the “**Option Plan**”) and restructured share units plan (the “**RSU Plan**”) pursuant to which it has granted 4,000,000 options to purchase 4,000,000 Cerrado Shares and 7,130,003 restricted share units to its officers and directors.

The Cerrado Board has not considered the implications of the risks associated with Cerrado’s compensation practices.

Director and named executive officer compensation

The following table provides a summary of compensation earned by Cerrado’s executive officers and directors for the financial years ended December 31, 2019, 2018, and 2017 and the six months ended June 30, 2020.

Name and position	Period	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Cerrado Options/RSUs (\$)	Total compensation (\$)
Mark Brennan <i>Chief Executive Officer, Co-Chairman and Director</i>	Six months ended June 30, 2020	113,905	-	-	-	-	200,000	313,905
	2019	113,044	-	-	-	-	250,000	363,044
	2018	9,389	-	-	-	-	-	9,389
	2017	-	-	-	-	-	-	-
Stephen Shefsky <i>Co-Chairman and Director</i>	Six months ended June 30, 2020	23,900	-	-	-	-	116,667	140,566
	2019	45,218	-	-	-	-	250,000	295,218
	2018	3,756	-	-	-	-	-	3,756
	2017	-	-	-	-	-	-	-
Cliff Hale-Sanders <i>President</i>	Six months ended June 30, 2020	75,450	-	-	-	-	166,667	242,117
	2019	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-
Kurt Menchen <i>Chief Operating Officer</i>	Six months ended June 30, 2020	36,338	-	-	-	-	210,833	247,172
	2019	91,408	-	-	-	-	277,500	368,908
	2018	98,307	-	-	-	-	-	98,307
	2017	27,515	-	-	-	-	-	27,515
Rohan Hazelton <i>Chief Financial Officer</i>	Six months ended June 30, 2020	58,148	-	-	-	-	100,000	158,148
	2019	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-
Maria Virginia Anzola <i>General Counsel and Corporate Secretary</i>	Six months ended June 30, 2020	38,061	-	-	-	-	111,250	149,311
	2019	27,131	-	-	-	-	23,750	50,881
	2018	27,784	-	-	-	-	-	27,784
	2017	-	-	-	-	-	-	-

Management Contracts

Cerrado is not party to any management contracts under which management functions are performed by a person other than a director or officer of Cerrado.

Non-Arm's Length Party Transactions

Other than as described below and elsewhere in this Filing Statement, Cerrado has not entered into any Non-Arm's Length Party transaction within the five years before the date of this Filing Statement.

Directors and officers of Cerrado have extended loans to financing the working capital of Cerrado. The loans have no fixed terms of repayment, bear interest of 4.75% and are due on demand. As at June 30, 2020 amounts due to related parties in reference to these loans is \$144,000.

Legal Proceedings

There are no legal proceedings material to Cerrado to which it is a party or of which any of its property is the subject matter and no such proceedings known to Cerrado are contemplated.

Material Contracts

The following material contracts have been entered into by Cerrado within the preceding two years, other than in the ordinary course of business, copies of which, in accordance with Exchange policies, may be inspected at no charge until Closing and for a period of 30 days thereafter at the principal offices of Cerrado during regular business hours upon received written request one business day in advance:

- Merger Agreement. See “*Information Concerning the Merger and the Financings – The Merger*”.
- SW Agency Agreement. See “*Information Concerning the Merger and the Financings – The Special Warrant Financing*”.
- Special Warrant Indentures. See “*Information Concerning the Merger and the Financings – The Special Warrant Financing*”.
- SR Engagement Letter. See “*Information Concerning the Merger and the Financings – The Subscription Receipt Financing*”.
- Acquisition Agreement. See “*Information Concerning Cerrado – Significant Acquisitions and Dispositions*”.
- Metals Streaming Agreement. See “*Information Concerning Cerrado – Significant Acquisitions and Dispositions*”.

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INFORMATION CONCERNING MDN PROJECT

Source of Information and Data

The following is a summary of the MDN Technical Report for the MDN Project, located in Santa Cruz province, Argentina. This technical report documents a Mineral Resource Statement for the MDN Project prepared by SRK. It was prepared following the guidelines of the Canadian Securities Administrators' National Instrument 43-101 and Form 43-101F1. The Mineral Resource Statement reported herein was prepared in conformity with generally accepted CIM "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines."

The Mineral Resource Statement reported herein is a collaborative effort between Cerrado Gold Inc. and SRK Consulting (Canada) Inc. personnel. The exploration database was compiled and maintained by Cerrado and was audited and validated by SRK. The geological model and outlines for the gold mineralisation were constructed by Cerrado using Leapfrog® Geo and reviewed by SRK. The MDN Technical Report is available in its entirety on SEDAR at www.sedar.com and readers should review it in its entirety for a full description of the MDN Project.

Cautionary Statement

Cerrado acquired the MDN Project as an operating mining asset in March 2020. Cerrado has not based its ongoing production decisions at the MDN Project based on its own NI 43-101 compliant minerals resource or reserve estimates, preliminary economic assessments, feasibility studies, or historical projects although without such reports Cerrado would have increased uncertainty and risk of economic viability. Cerrado's decision to continue the operations at levels determined by management as with other production-related decisions (related to mining and processing operations) is largely based upon Cerrado's own internal non-public company data, as well from technical reports by previous owners and operators and based on continuing exploration and mining work conducted by Cerrado and by geologists and engineers engaged by Cerrado. The results of this technical work are evident in the discovery and development of the MDN Project by previous owners and by Cerrado's ongoing work, and in the financial returns benefiting Cerrado since acquiring the MDN Project earlier this year.

Property Description and Ownership

The Don Nicolás Gold (Au) and Silver (Ag) Mine (MDN) is located approximately 2,000 km (by road) south of Buenos Aires in the mining friendly Santa Cruz province of the Patagonia region of Southern Argentina. The Don Nicolás Operation consists of nine separate deposits and 12 high priority targets within one contiguous irregular shaped block surrounding two former tenements (La Paloma and Martinetas), approximately 40 km apart. The Mine is owned and operated by Cerrado Gold Inc. (Cerrado), a privately held company.

Geology and Mineralization

Gold and silver mineralization are hosted in low sulphidation, epithermal deposits where mineralization occurs within sub-vertically oriented quartz-breccia veins.

At La Paloma, the Sulfuro-Esperanza-Rocio vein system comprises narrow, arcuate, steeply dipping quartz-breccia veins. Drilling has defined four resource areas. The Sulfuro Vein is the main deposit and is represented by a single, well developed quartz vein typically 2-8 m in thickness and has a primarily northwest-south southeast orientation with a steep southwest dip. Associated sulphide minerals include pyrite and minor galena and sphalerite.

The La Paloma veins remain open-ended at depth. Geological interpretation of the results of recent geophysical studies strongly suggests that the main Sulfuro vein is additionally open ended towards the south.

At Martinetas, multiple mineralized structures occur as "vein swarms" with the development of minor intervening stockwork veins and veinlets. A number of resource areas have been delineated at Martinetas. The principal resource is obtained from the Coyote and Cerro Oro deposits which comprise a series of narrow, sub-

parallel, anastomosing quartz veins varying in width from tens of centimetres to several metres, and typically averaging one metre or less in thickness.

Precious metal gold and silver mineralization is presented in quartz and quartz-breccia veins and structures, generally east-west trending and sub-vertical in orientation.

The host lithologies generally comprise a monotonous sequence of bi-modal shallow mafic intrusive, intermediate to felsic flows, tuffs and volcanoclastics of Jurassic age. The stratigraphy is interpreted to be flat lying throughout the deposit areas. Each of the Mine areas comprises of several mineralised zones.

Exploration Status

The MDN is an active gold-silver mining operation. The exploration program is focused on expanding the known mineralization either on-strike or down dip. On-going exploration programs have continued to generate numerous exciting precious metal targets within a relatively short distance of known deposits. Current exploration programs include surface mapping, trenching and reverse circulation drilling.

Historical Mineral Resource Estimates

Mineral resources were last estimated for the Project when the area was controlled by Minera IRL, prior to any production being done on the Project. In 2012, Coffey Mining (Pty) Ltd (Coffey) estimated that the MDN Project contained 1.46 million tonnes of Measured Plus Indicated mineral resources grading 5.9 grams per tonne (g/t) gold and 0.7 million tonnes of Inferred mineral resources grading 4.0 g/t gold at a 1.6 g/t cut-off (Tetra Tech, 2012).

The historical estimate was prepared by ordinary kriging inside geological wireframes representing the mineralised intervals. The estimate is no longer relevant because it was prepared before any production was achieved from the Project. SRK has not done the work necessary to verify the historical estimate but believes it to be reliable in that it was prepared by independent Qualified Persons following the general guidelines and mineral resource categories as outlined in NI 43-101. The Company is not treating the historical estimates as a current mineral resource estimate and it should not be relied upon as it is superseded by a technical report completed by Dr. Gilles Arseneau, P. Geo (APEGBC, 23474) an appropriate “independent Qualified Person” as this term is defined in NI 43-101. The effective date of the resource statement is August 31, 2020. The estimates presented in Sections 14 of this new technical report.

Historical Mineral Reserves and Production

In 2012, Tetra Tech defined mineral reserves for the Don Nicolas Project as outlined in Table.

Table: Historical Mineral Reserves for Don Nicolas Project Tetra Tech (2012).

Deposit	Class	Tonnes	Au (g/t)	Ag (g/t)
LA Paloma	Proven	137,624	10.74	33.55
	Probable	257,406	4.96	14.84
	Total	395,030	6.97	21.36
Martinetas	Proven			
	Probable	680,803	4.30	5.07
	Total	680,803	4.30	5.07
Armadillo	Proven			
	Probable	128,275	3.34	4.60

Deposit	Class	Tonnes	Au (g/t)	Ag (g/t)
	Total	128,275	3.34	4.60
Total	Proven	137,624	10.74	33.55
	Probable	1,066,484	4.34	7.37
	Total	1,204,108	5.08	10.36

The mineral reserves were based on US\$1,100 gold price per ounce and US\$25 per ounce for silver. The historical mineral reserves were derived from the historical mineral resources and were associated with an average ore to waste strip ratio of 11.9 to 1. Included in the waste was 2.1 million tonnes of low-grade mineralisation grading between 0.3 and 1.5 g/t gold.

The historical mineral reserves are no longer relevant because they were prepared before any production was achieved from the Project. SRK has not done the work necessary to verify the historical reserves but believes the estimates to be reliable in that it was prepared by independent Qualified Persons following the general guidelines and mineral resource categories as outlined in NI 43-101. The Company is not treating the historical reserves as current mineral reserves estimates and they should not be relied upon.

There are no current mineral reserves for the MDN Project.

Development

The MDN operation is currently a producing gold mine. The mine was constructed after Tetra Tech completed a NI 43-101 Feasibility Study (Technical Report) for previous owner MIRLP in February 2012 (Tetra Tech, 2012).

In July 2014, MIRLP sold the Project to Compañía Inversora en Mina S.A. (CIMINAS), a company owned by the Argentine investors. They follow the recommendations of the 2012 Feasibility Study and commenced development and construction shortly after. Final construction was completed December 2017 for the 1,000 tpd operation. Minera Don Nicolás consists of two fully permitted mining areas, each containing a clustered, shallow pits. They are the Martinetas areas adjacent to the process plant, and the La Paloma area approximately 60 km by road to the north. At Martinetas, close to the plant are camp & offices as well as maintenance shops.

Mining Operation

Commissioning of the operation began in December 2017. MDN began operations of a series of conventional open pit mines with a carbon-in-leach facility. Ramp up continued until late 2019. Currently the operation is mining from three active pits (Coyote, Cerro Oro and Sulfuro) at a rate of +1,000 tpd and the mill is able to handle the throughput. As of the effective date of the technical report, further optimisation is being done to both the mining and milling operation.

MDN consists of two fully permitted mining areas, each containing a clustered, shallow pits. They are the Martinetas areas adjacent to the process plant, and the La Paloma area approximately 60 km by road to the north. At Martinetas, close to the plant are camp & offices as well as maintenance shops (Figure 17.1).



Figure 17.1: Aerial View of MDN Plant and Tailings Area at Martinetas

The MDN Project has 365 people consisting of 301 employees and 64 contractors. Contractors comprise predominately security & catering but also run ore haulage from Paloma, bus drivers and various other miscellaneous services. All employees are Argentinian nationals, most having moved from nearby mines for better salary and rotation conditions. Employees live off-site in various parts of the country and are flown and then driven into the mine in small buses every two weeks on a rolling rotational calendar.

There are 139 people working in the mining department, 96 in the plant and 54 in general and administration. The crew is separated into four shifts, each working a 14 day on & 14 day off cycle of 12-hour shifts. All personnel are transported home at the Company's cost. Absenteeism is at 7% which is high.

The mine has been run "remotely" by a management based in Buenos Aires 1,800 km away, with site visits reportedly once per month. Senior site management consists of the finance & admin manager, the mine manager and the plant manager, who all work two-week rotations with a one hour overlap (as does the entire workforce).

The mine was "designed" for 1,000 tpd and it has reached 1,200 tpd on occasion. The mine is unionised, and no issues have been reported between the union and management.

The site offices and accommodations are basic but relatively comfortable, prefabricated buildings. Dormitories are shared except for senior management who have their own. A catering company manages food around the clock for the site. Minor modifications would be required to accommodate anticipated expat management staff, focusing on improving living conditions and entertainment areas (Figure 17.2).



Figure 17.2: Camp Facilities at Martinetas

Production began with the same team in 2015 with removal of waste for the construction of the tailings storage facility. Marginal grade was stockpiled at the same time and now a long-term, low-grade stockpile has grown to over 500 kt. It continues to grow as all marginal material is stored here.

The mine is currently operating with the following fleet:

- 3 x Pantera blasthole drills
- 3 x Cat 980 front end loaders – main loading equipment
- 1 x Cat 352 excavator – high wall dressing & cleanup
- 6 x Cat 772 (60 t) dump trucks
- 1 x Komatsu 730 (40 t) dump truck
- 2 x Cat D8 dozers
- 1 x Cat 374 tyre dozer
- 2 x Cat 14H graders
- 1 x water cart

In addition, the mine uses a fleet of five contractor trucks for ore haulage from La Paloma to the mill and approximately 35 rental pickups for all departments.

Mining is currently split 70% – 30% between the Martinetas pits and the La Paloma pits 60 km away, largely due to the high stripping ratio at La Paloma.

The three Pantera drills typically drill out blast patterns on a double bench height of 10 m and a 5 m bench when mining mineralised material. Blast holes are typically 3.5” to 4” in diameter. Waste drilling and pre-splitting against the final pit wall is done using 5.5” hole diameters. MDN uses ammonium nitrate/fuel oil (ANFO) explosives with conventional primers and a shock tube ignition system for blasting. The ANFO is charged up by hand. Fragmentation in the muck piles is good and the powder index is 0.5 kg/t.

The grade control is the biggest challenge and is accomplished doing the following in order to increase the head grade to the mill:

- A dedicated grade control RC rig drills 45° angled holes to a depth of 15 m (three benches on current design) on a 10 m x 10 m spacing. Samples are taken each metre. Results go into a short-term grade control block model adjusted for local structural interpretation/vein orientations.
- Sampling of grade control trench continues on a smaller scale. Sampling results go into the short-term grade control model and updated on a regular basis for assistance in interpreting the subsequent benches.
- In-pit mapping of benches for visual geological contacts and structural interpretation/vein orientations is carried out by MDN personnel.
- The bench height of 5 m is used in all waste areas, but in mineralisation bench height is adjusted to 2.5 m.

Process Plant

The process plant is operated and maintained by the MDN team consisting of 106 employees.

Power for the plant and other services is provided by five 1 MVA gas fired generators of which two are on standby. A diesel back-up generator is also available to supply critical needs.

The MDN processing facility was designed to process a nominal 350,000 tonnes per annum (tpa), or 972 tpd, of gold-silver bearing material from an open pit operation. The concentrator was designed to produce a gold-silver doré product.

The processes selected were based on the results of metallurgical testing performed at AMMTEC, Australia, along with project-related parameters provided by MIRLP.

The process flowsheet follows conventional crushing and ball mill grinding and cyclone classification. The gravity concentration circuit in the grinding circuit includes the recovery of coarse and liberated gold using a centrifugal concentrator followed by the tabling of the gravity-gold product to up-grade the concentrate prior to smelting.

The ball mill cyclone overflow is treated in an 8-stage CIL circuit to recover gold from the feed material using activated carbon. Loaded carbon is transferred from the head CIL tank to the elution circuit on a daily basis, while regenerated and/or fresh carbon is brought from the carbon plant for adding to the CIL circuit.

The loaded carbon is initially acid-washed to remove calcium and other impurities, followed by the elution, or stripping, process. The gold is recovered by electrowinning. The eluted carbon is regenerated in a kiln prior to screening for the removal of carbon fines. The regenerated carbon is then returned to the adsorption circuit. The CIL tailings is discharged to the tailings thickener.

Tailings thickener underflow is pumped to the cyanide detoxification tank where cyanide levels are chemically reduced to acceptable environmental levels prior to disposal to the tailings storage pond. This thickening stage allows for greater control of water management and enable some of the cyanide present in the water to be re-circulated for re-use in the plant.

Process water is recycled from the tailings thickener overflow, and supplemented with process water recovered from the tailings dam. Fresh water is used for gland service, reagent preparation and gravity circuit fluidisation, as well as for water make-up purposes, as required.

The MDN processing facility includes the following unit operations:

- Two-stage Crushing and Screening.
- Fine Ore Bin Storage and Reclaim for Grinding.
- Ball Mill Grinding and Classification.
- Gravity Recovery Circuit.
- CIL Leaching.
- Carbon Handling and Treatment.
- Electrowinning and Smelting (gold refining).
- Tailings Thickening.
- Cyanide Detoxification.
- Thickened Tailings Deposition.
- Process Water Reclamation.

MDN Production Record January 2020 to June 2020

Table 17.1 summarises MDN’s production in the first half of 2020. For this period MDN mined 131.5 kt of mineralised material at a strip ratio of 15.10. In this period a total of 2,116.7 kt of rocks were mined.

The amount of mineralised material milled in this period is 157.4 kt at 2.58 g/t Au and 6.67 g/t Ag. The average milling rate is 875 tpd. Part of the mill feed (25.9 kt) came from stockpiles.

The average recovery for gold and silver in this period is 90% and 60% respectively. For this period a total of 11,764 ounces of gold was produced.

Table **Error! No text of specified style in document..1**: MDN Production Record January 2020 to June 2020

Production Records	Units	H1 2020
Mineralised Material Mined	tonnes	131,509
Waste Moved	tonnes	1,985,220
Strip Ratio	waste:ore	15.10
Mineralised Material Milled	tonnes	157,445
Gold Grade	g/t	2.58
Silver Grade	g/t	6.67
Gold Recovery	%	90%
Silver Recovery	%	60%
Gold Production	Ozs	11,764
Silver Production	Ozs	20,207

Mining operations began at MDN in 2017 with the first gold production being achieved in the third quarter of 2017. The mine, so far, has produced 54,600 ounces of gold and 95,700 ounces of silver that is shown in Table 17.2. The mine is currently operating at a rate of 1,000 tpd.

Table Error! No text of specified style in document..2: Past Production Records for MDN Project

Production Records	Unit	2017	2018	2019
Ore Mined	tonnes	152,476	156,651	242,232
Waste Moved	tonnes	2,407,108	3,470,372	5,387,105
Strip Ratio	waste:ore	15.8	22.2	22.2
Ore Milled	tonnes	109,692	286,457	277,029
Gold Grade	g/t	1.97	2.98	3.33
Silver Grade	g/t	7.25	8.11	6.80
Gold Recovery	%	45%	91%	92%
Silver Recovery	%	37%	68%	59%
Gold Production	Ozs	3,154	24,882	26,572
Silver Production	Ozs	9,364	50,596	35,757

Mineral Resource Estimates

The MDN database contains 911 diamond drill holes and 3,440 RC holes representing 124,923 m of drilling. Also included in the database are 1,352 trenches totalling 60,471 m. The mineral resource model prepared by SRK considers 750 core holes, 3,138 RC holes drilled by the owners of the MDN Property during the period of 1994 to 2020. The resource also includes data from 986 trenches. The resource estimation work was completed by Dr. Gilles Arseneau, P. Geo (APEGBC, 23474) an appropriate “independent qualified person” as this term is defined in National Instrument 43-101. The effective date of the resource statement is August 31, 2020.

The database used to estimate the MDN mineral resources was reviewed and audited by SRK. SRK is of the opinion that the current drilling information is sufficiently reliable to interpret with confidence the boundaries for the epithermal precious metal mineralization and that the assay data are sufficiently reliable to support mineral resource estimation.

Mineral resources were estimated by ordinary kriging or inverse distance cubed (ID³) in Leapfrog Edge by Cid Bonfim, P. Geo of Cerrado and validated by SRK using Geovia Gems Version 6.8.3. Mineralization wireframes were constructed using Leapfrog Geo and validated using Gems 6.8.3. Geostatistical analysis and capping were evaluated using Sage2001 and GSLIB. Block models were constructed in Leapfrog and Gems 6.8.3.

Mineral resources as estimated by SRK are summarized in Table 1.1.

Table 1.3: Mineral Resource Statement*, Don Nicolas Mine, Santa Cruz, Argentina, SRK Consulting, August 31, 2020.

Category	Quantity	Grade		Metal	
		Au	Ag	Au	Ag
	tonne	gpt	gpt	oz	oz
Open Pit** Cut off 0.3 g/t gold					
Measured	249,400	4.32	5.50	34,668	44,100
Indicated	820,600	5.77	9.61	152,237	183,126
Measured and Indicated	1,070,000	5.43	8.39	186,905	227,226
Inferred	4,108,400	1.59	3.75	210,476	195,252

Underground** Cut-off 3.0 g/t gold					
Measured	0	0.00	0.00	0	0
Indicated	56,200	6.59	8.12	11,903	14,677
Measured and Indicated	56,200	6.59	8.12	11,903	14,677
Inferred	555,300	7.74	8.41	138,217	124,867
Combined Mining					
Measured	249,400	4.32	5.50	34,668	44,100
Indicated	876,800	5.82	9.48	164,140	197,803
Measured and Indicated	1,126,200	5.49	8.37	198,808	241,903
Inferred	4,663,700	2.33	4.78	348,693	320,118

* Mineral resources are reported in relation to a conceptual pit shell. Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. All composites have been capped where appropriate.

**Open pit mineral resources are reported at a cut-off grade of 0.3 g/t gold for the open pit portion and 3.0 g/t gold for the underground deposits. Cut-off grades are based on a price of US\$ 1,550 per ounce of gold and gold recoveries of 95 percent at Martinetas and 88 percent at La Paloma, without considering revenues from other metals.

Conclusion and Recommendations

The Minera Don Nicolás (MDN) operation is currently a producing gold mine. The mine began operations of a series of conventional open pit mines with a carbon-in-leach facility. Currently the operation is mining from three (3) active pits (Coyote, Cerro Oro and Sulfuro) at a rate of +1000 tpd and the mill is able to handle the throughput. Minera Don Nicolás consists of two fully permitted mining areas about 60 km apart by road, each containing a clustered, shallow pits. MDN has 365 people consisting of 301 employees and 64 contractors.

Drilling at Sulfuro and Cerro Oro has an adequate density to define measured, indicated and inferred mineral resources. Mineralization is still open at depth at Sulfuro and offers good exploration potential particularly south-eastwards along strike as well as in under-explored mineralized structures sub-parallelizing the Sulfuro structure.

Within the Martinetas region, additional drilling within Cerro Oro and Coyote has shown the controls on mineralization to be more complex than previously modelled. This area has not been closed off a depth and has a high probability on improving the known resource, especially between individual identified deposits (mainly between Cerro Oro and Coyote).

The property has some promising opportunities to expand resources and improve costs. In particular, heap leaching of lower grade gold resources. In addition, ongoing exploration, drilling, in surrounding areas such as Baritina-Chulengo (Paula Andrea Target) and Goleta (Cangrejo) could provide additional mineral resources with additional drilling.

SRK recommends that Cerro Oro proceed to the definition of mineral resources for the MDN Mine. The process of mineral resource definition will require additional geotechnical drilling and the preparation of a pre-feasibility document in compliance with NI43-101. SRK estimates that these tasks will cost approximately \$700,000.

Proposed Acquisition of Additional Mineral Claims – Minera Mariana S.A from subsidiary companies of New Dimension Resources Ltd.

On October 21, 2020, Cerrado entered into a binding agreement with New Dimension Resources Ltd. (“**New Dimension**”) to acquire 100% of its Argentine subsidiary Minera Mariana Argentina S.A. (“**Mineral Mariana**”) (the “**LC Acquisition**”). The LC Acquisition is expected to close on or around November 30, 2020. The principal assets owned by Minera Mariana include the Las Calandrias and Los Cisnes projects (together

referred to as the “**LC Project**”). The LC Project is located in the Santa Cruz province of Argentina and consist of approximately 60,400 ha with the land holdings immediately adjacent to Cerrado’s MDN Project. Las Calandrias (Calandrias I claim block) is immediately to the north and Los Cisnes project immediately to the east, though a significant distance from the mill and mining operations at the MDN Project. Cerrado does not consider the addition of the LC Project and the Mineral Resource Estimate (as defined below) material insofar as it relates to the MDN Project or the operations and assets of Cerrado as a whole.

The most advanced project at this time is the Las Calandrias gold and silver project, which borders the northern boundary of Cerrado’s MDN Project. The main focus of work to date on the LC Project has been on the Calandria Sur and Calandria Norte deposits. These deposits are characterized as low to intermediate sulphidation, epithermal-precious-metal quartz vein and vein-breccia types. In 2018, New Dimension completed an NI 43-101 compliant Technical Report and Mineral Resource Estimate by AGP Mining Consultants Inc. (AGP), titled “Las Calandrias Project Technical Report and Resource Estimate Santa Cruz Province, Argentina” (the “**Mineral Resource Estimate**”). The effective date for the Mineral Resource Estimate is September 14, 2018 and is presented below. To the best of Cerrado’s knowledge, information, and belief, there is no new material scientific or technical information that would make the disclosure of the mineral resources in the Mineral Resource Estimate inaccurate or misleading. However, Cerrado has not completed its own technical report on this project and therefore treats the Mineral Resource Estimate as “historical” until we have done sufficient work to support it. References may be made in this section to historic mineral resource estimates. None of these are NI 43-101 compliant as related to Cerrado and a qualified person has not done sufficient work to classify these historic estimates as a current mineral resource. They should not be relied upon and Cerrado does not treat them as current mineral resources.

Table 1-1: Mineral Resources for the Las Calandrias Sur Deposit within constraining shell (14 September 2018)

Classification	Cut-off Grade (gpt Au)	Tonnage ('000 t)	Metal Grades		Contained Metal	
			Au (gpt)	Ag (gpt)	Au (,000 oz.)	Ag (,000 oz.)
Indicated	0.3 (oxide)	7,424	1.33	24.65	318,000	5,884,000
	0.4 (transition)					
Inferred	0.8 (primary)	1,739	0.73	7.17	41,000	401,000
	0.3 (oxide)					
	0.4 (transition)					
	0.8 (primary)					

Notes:

Summation errors may occur due to rounding;

Mineral Resources are reported within an optimized constraining shell;

Block matrix is 6m x 6m x 5m (length x width x height);

Grades are estimated by ID3 interpolation;

Density was interpolated by ID2. Blocks not populated by ID2 were assigned the mean density 2.21;

Cut-off grade of varies by oxide zone (0.3 gpt Au oxide; 0.4 gpt Au transition; and 0.8 gpt Au primary zones);

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 1-2: Mineral Resources for the Las Calandrias Norte Deposit within the constraining shell, at a 0.8 gpt Au (14 September 2018)

Classification	Cut-off Grade (gpt Au)	Tonnage ('000 t)	Metal Grades		Contained Metal	
			Au (gpt)	Ag (gpt)	Au (,000 oz.)	Ag (,000 oz.)
Indicated	0.8	604	3.12	8.20	61,000	159,000
Inferred	0.8	19	1.31	0.69	1,000	400

Notes:

Summation errors may occur due to rounding;

Mineral Resources are reported within an optimized constraining shell;

Block matrix is 5m x 3m x 5m (length x width x height);

Grades are estimated by ID3 interpolation;

Density was assigned the mean density 2.41;

Cut-off grade of used for reporting Mineral Resources is 0.8 gpt Au;

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 1-3: Mineral Resources for the Las Calandrias Norte Deposit below the constraining shell at a 1.5 gpt Au cut-off grade (14 September 2018)

Classification	Cut-off Grade (gpt Au)	Tonnage (‘000 t)	Metal Grades		Contained Metal	
			Au (gpt)	Ag (gpt)	Au (,000 oz.)	Ag (,000 oz.)
Indicated	1.5	131	2.82	6.30	12,000	27,000
Inferred	1.5	2	1.71	2.01	100	100

Notes:

Summation errors may occur due to rounding;

Mineral Resources are reported below the optimized constraining shell;

Block matrix is 5m x 3m x 5m (length x width x height);

Grades are estimated by ID3 interpolation;

Density was assigned the mean density 2.41;

Cut-off grade of used for reporting Mineral Resources is 1.5 gpt Au;

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

INFORMATION CONCERNING MDC PROJECT

Source of Information and Data

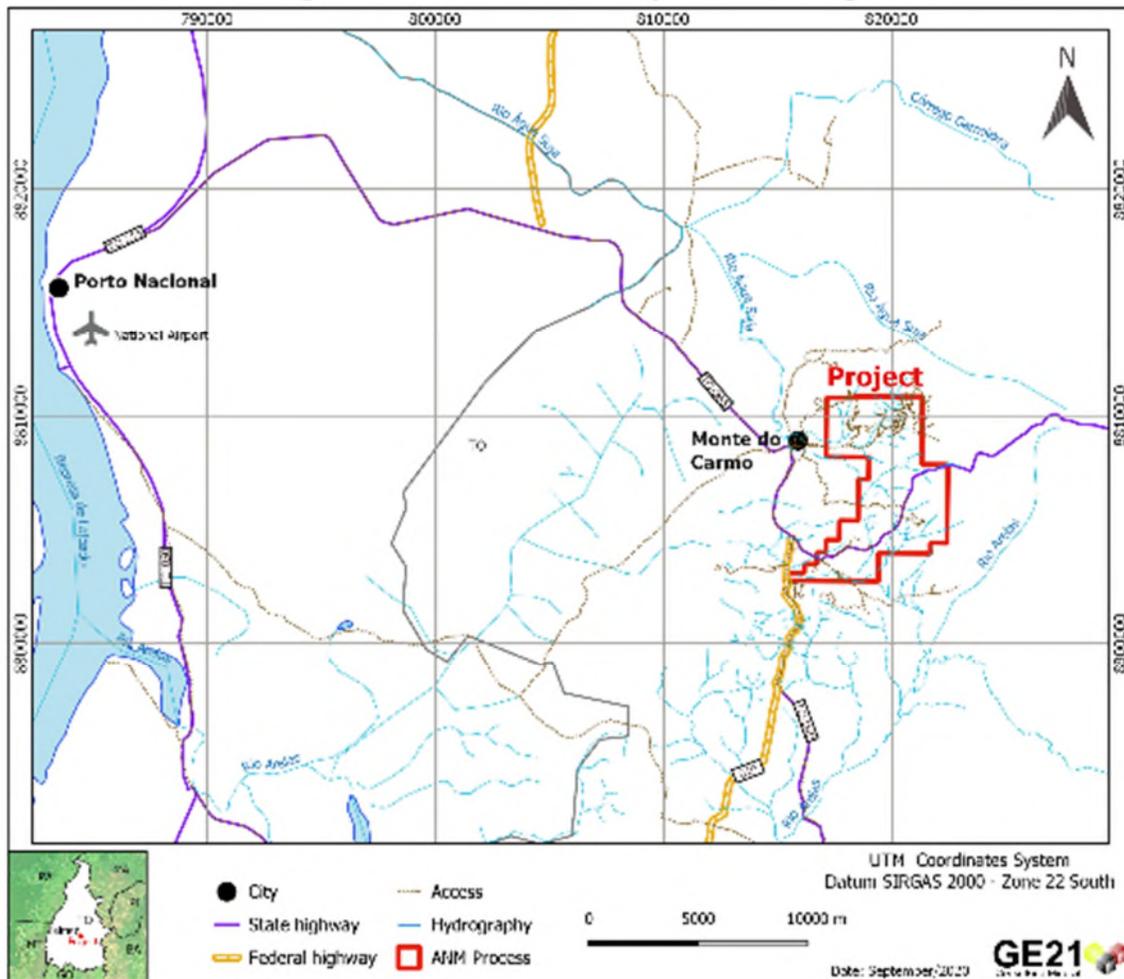
The following is a summary of the MDC Technical Report. The MDC Technical Report is available in its entirety on SEDAR at www.sedar.com and readers should review it in its entirety for a full description of the MDC Project.

Property Description and Location

Location

The Monte do Carmo Gold Project is in the State of Tocantins, Brazil, immediately east of the town of Monte do Carmo at 300 to 600 m elevation. The focus of this project is the Serra Alta Deposit which is located at 10° 45' 4" south latitude and 48° 4' 20." west longitude. Monte do Carmo (7,700 inhabitants) is located 39 km east of the city of Porto Nacional (55,000 inhabitants). Porto Nacional is 50 km (60 km by road) south of the state capital of Palmas (250,000 inhabitants) and 760 km north of Brasilia, the federal capital (Figure 1-1).

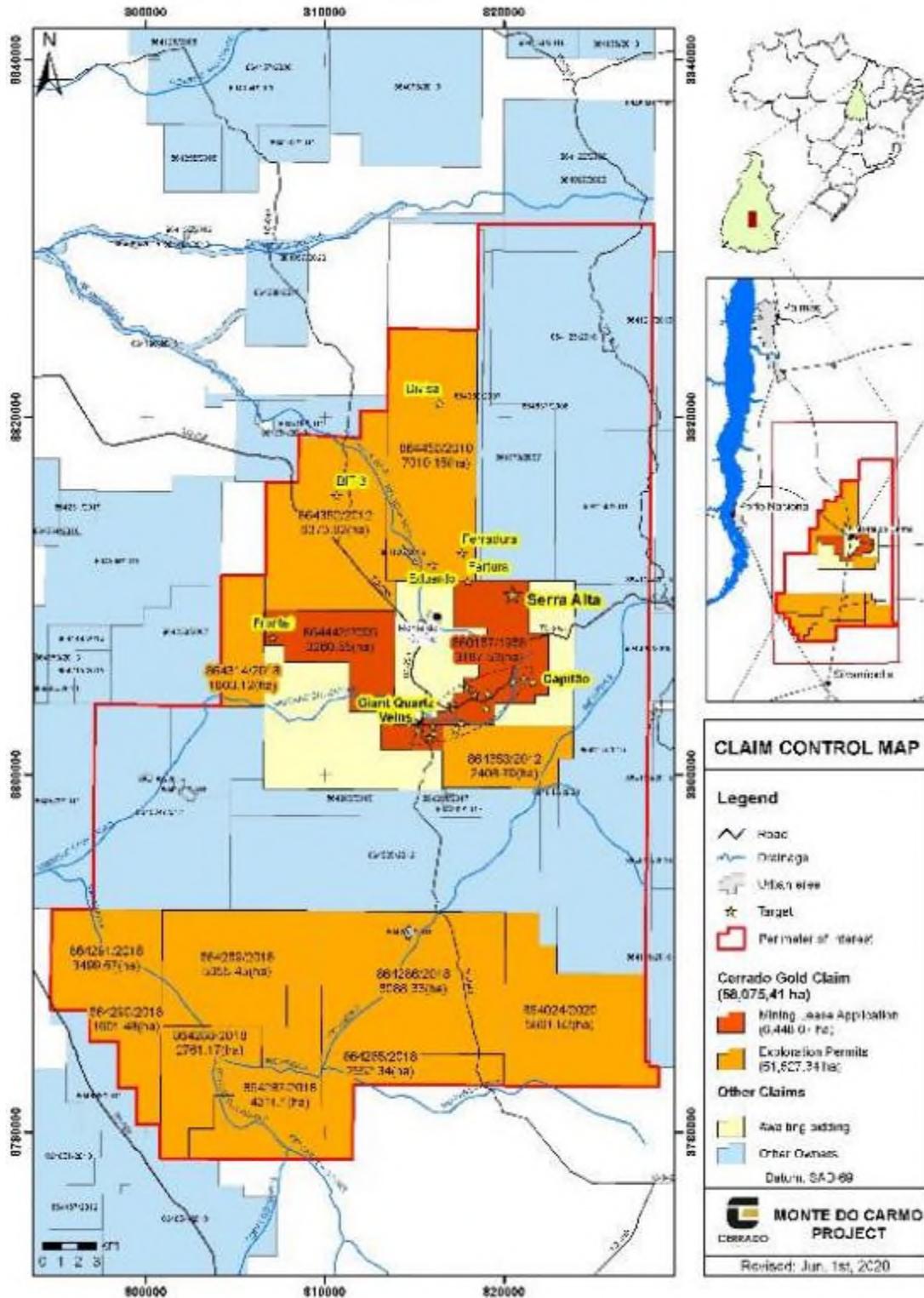
Figure 1-1: Monte do Carmo Project Location Map



Concessions

The Monte do Carmo Project consists of fourteen concessions as shown in 1-2. The concessions are currently held by Serra Alta Mineração Ltda wholly owned Brazilian subsidiary of Cerrado Gold Inc.

Figure 1-2: Concessions and Principal Exploration Targets



Source: Cerrado, 2020

Agreements

Pursuant to an Acquisition Agreement with MSM, the Monte do Carmo Project is owned by a Brazilian entity called SAML, a wholly owned subsidiary of Cerrado Gold Inc. (formerly Templewood Capital Inc.), which is a privately held Canadian corporation. Cerrado Gold has full legal authority under applicable laws to conduct its planned worked program under the MDC Technical Report.

Permits

Before acquisition of the property a small mining operation (Pilot Plant and Pit) had been licenced through a “Interim Mining Permit” by ANM (National Mining Agency) and a Licence of Operation (LO) by Naturatins (State of Tocantins Environmental Agency). The small mining operation was suspended by Cerrado Gold Inc. immediately after executing the LO although the “Interim Mining Permit” continued to be valid and has been recently extended to March 26th, 2021 due to the pandemic situation in Brazil and the LO is not applicable anymore. According to ANM exploration activities on the mineral titles referred to in this report are permitted. In addition, Cerrado Gold Inc. filed for an Environmental Authorization at Naturatins (State of Tocantins Environmental Agency) on April 13th ,2020 and expects to have it issued shortly. This filing is to assure that all angles of this matter have been covered.

History

Exploration History

It is understood that gold was originally discovered in the Monte do Carmo area during the 17th century. At this time early explorers and developers known as bandeirantes were opening up the interior regions of Brazil, often using river access on major waterways such as the Tocantins River. They used slave labour to recover gold, mostly from alluvial sediments and weathered saprolitic rocks. Bandeirante workings are found at Serra Alta.

During the 1980s the area experienced an influx of artisanal gold miners (garimpeiros) motivated by the recent rise in gold prices. MSM staff report that over 2,000 garimpeiros were working around Monte do Carmo at the time. Serra Alta was a major focus of garimpeiro activity. These informal miners were ultimately compensated and moved off of the concessions. No garimpeiro activity was occurring on the Serra Alta concession at the time of Micon’s site visits. Modest scale artisanal mining was still active on some of the “Giant Quartz Veins” and was viewed by the QP during the first site visit.

No reliable records exist for the total gold production by the bandeirantes and garimpeiros, however, the local historical workings (pits and tunnels) at Serra Alta are extensive. The white patches on Figure 1.3 show the location of mapped bandeirante and garimpeiro workings at Serra Alta.

Modern Exploration

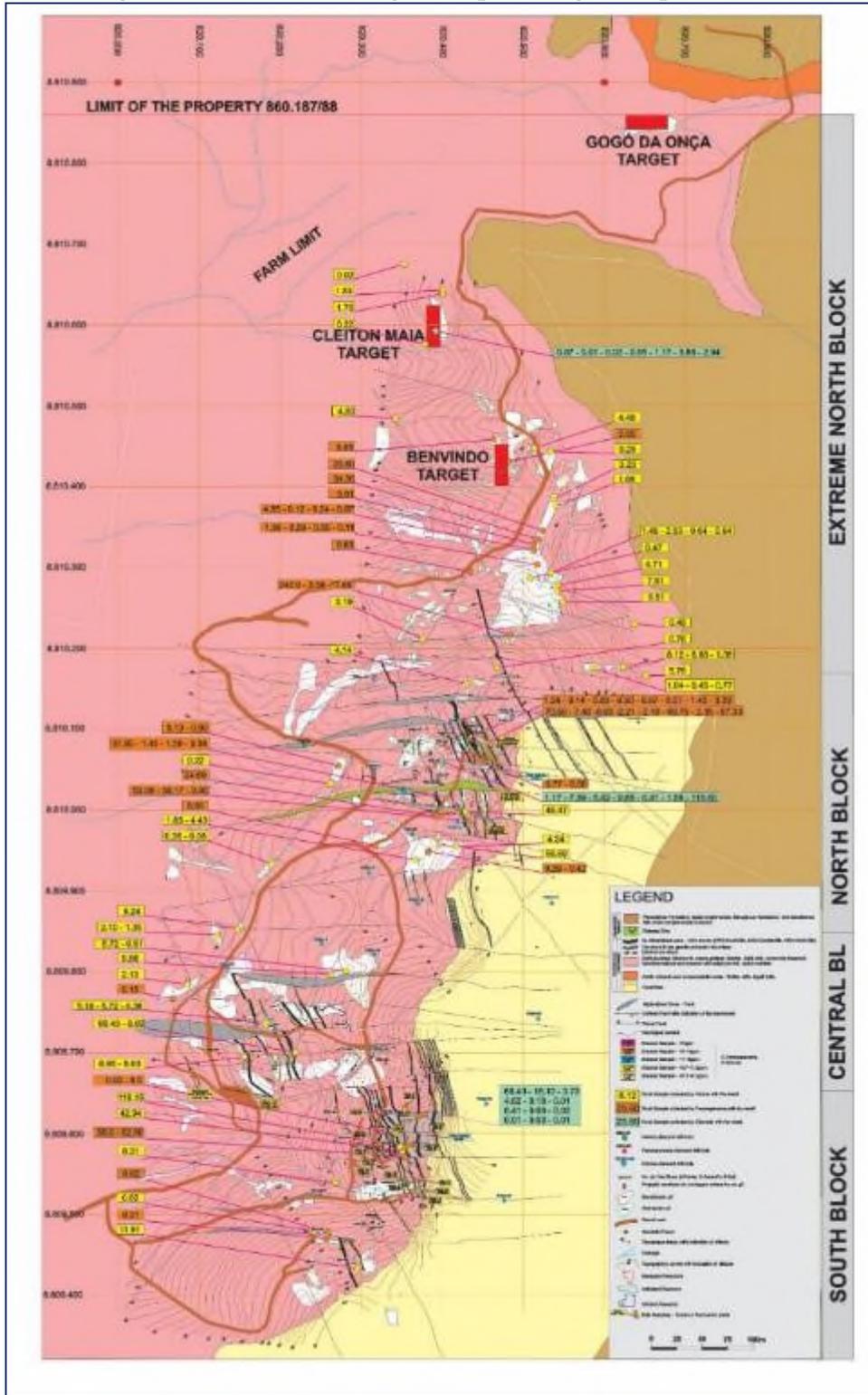
Modern exploration in the area commenced in 1985 with work by Verena Mineração Ltda. (VML) and related companies. VML was incorporated in 1986 by the current directors of MSM to explore for gold in Tocantins State, particularly in the region of Porto Nacional and Monte do Carmo.

Investments in mineral exploration in the area, by entities other than Cerrado, are reported to have amounted to US\$4.7 million from 1985 through 1995, and over US\$20.0 million from 1996 to date. Most of the investment was applied in the Monte do Carmo Project area with many known occurrences of gold.

Modern exploration work targeted many regional targets but concentrated on the Giant Quartz Veins, and, in particular, on the Serra Alta Deposit.

The total number of holes drilled and assayed, at and around the Monte do Carmo Project, as of the data-freeze date of this report (November 21, 2018) are set out in Table 1-1.

Figure 1-3: Serra Alta Geological Map Showing Garimpos in White



Source: MSM, 2012. Scale on map grid.

Table 1-4: Monte do Carmo Project, Historical Drilling Summary

Targets	Cerrado		Verena		Parapanema		Kinross		Rio Tinto		Total Metres	Total Holes
	Metres	No. Of Holes	Metres	No. Of Holes	Metres	No. Of Holes	Metres	No. Of Holes	Metres	No. Of Holes		
Serra Alta	13,467.54	88	449.90	5	2,713.57	31	3,083.30	17	0.00	0	19,714.31	141
Giant Qtz Veins	0.00	0.00	0.00	0	1,061.05	17	436.90	4	3,876.30	53	5,374.25	74
Capitão	0.00	0.00	0.00	0	0.00	0	1,085.95	9	0.00	0	1,085.95	9
Bit-3	493.66	4	1,924.00	14	0.00	0	0.00	0	0.00	0	2,417.66	18
Ferradura	1,286.65	8	0.00	0	0.00	0	0.00	0	0.00	0	1,286.65	8
Eduardo	286.64	4	0.00	0	0.00	0	0.00	0	0.00	0	286.64	4
Total	15,534.49	104	2,373.90	19	3,774.62	48	4,606.15	30	3,876.30	53	30,165.46	254

Source: Micon.

Drilling, and exposures from mining, at the Serra Alta Deposit have demonstrated a wide, hydrothermally altered and gold-mineralized series of zones about 300 m wide with approximately 1,500 m of strike length, as demonstrated by the bandeirante and garimpeiro workings shown as white patches in Figure 1.4. The zone series is a corridor which contains individual veined, mineralized shoots generally striking N10° E and dipping 60° W. The structures are like ladder veins in the individual mineralized zones.

At the time of the QP's first site visit, MSM and Cerrado geologists were discussing the possible interpretation of three distinct sub-corridors or trends of mineralization within this wider corridor. There are exposed bedrock sources of veining on the eastern side up against the cuesta wall. Extensions of the sheared granite cupola mineralization on the eastern side, under the quartzites, have been confirmed by drilling.

Historical Resource Estimates

There are no known mineral resource estimates for the Monte do Carmo Project which have been prepared prior to the acquisition of the project by the current concession holder, MSM. An in-house estimate of resources has been prepared by a consultant to MSM (Geoprocess, 2011). This estimate is not considered to be NI 43-101 compliant and has not been reviewed by the QP. As the project concessions are still owned by MSM, it is not disclosed here.

Production History

From 2012 to August, 2017, MSM, in partnership with the Paranaense Group from Parana State, invested approximately US\$4.5 million in infrastructure and a bulk sampling gravity plant at Serra Alta which processed about 60,000 tons of mineralized material and is reported to have produced 2,923 oz of gold. The QP has not verified any of the production claims made by MSM.

Geology

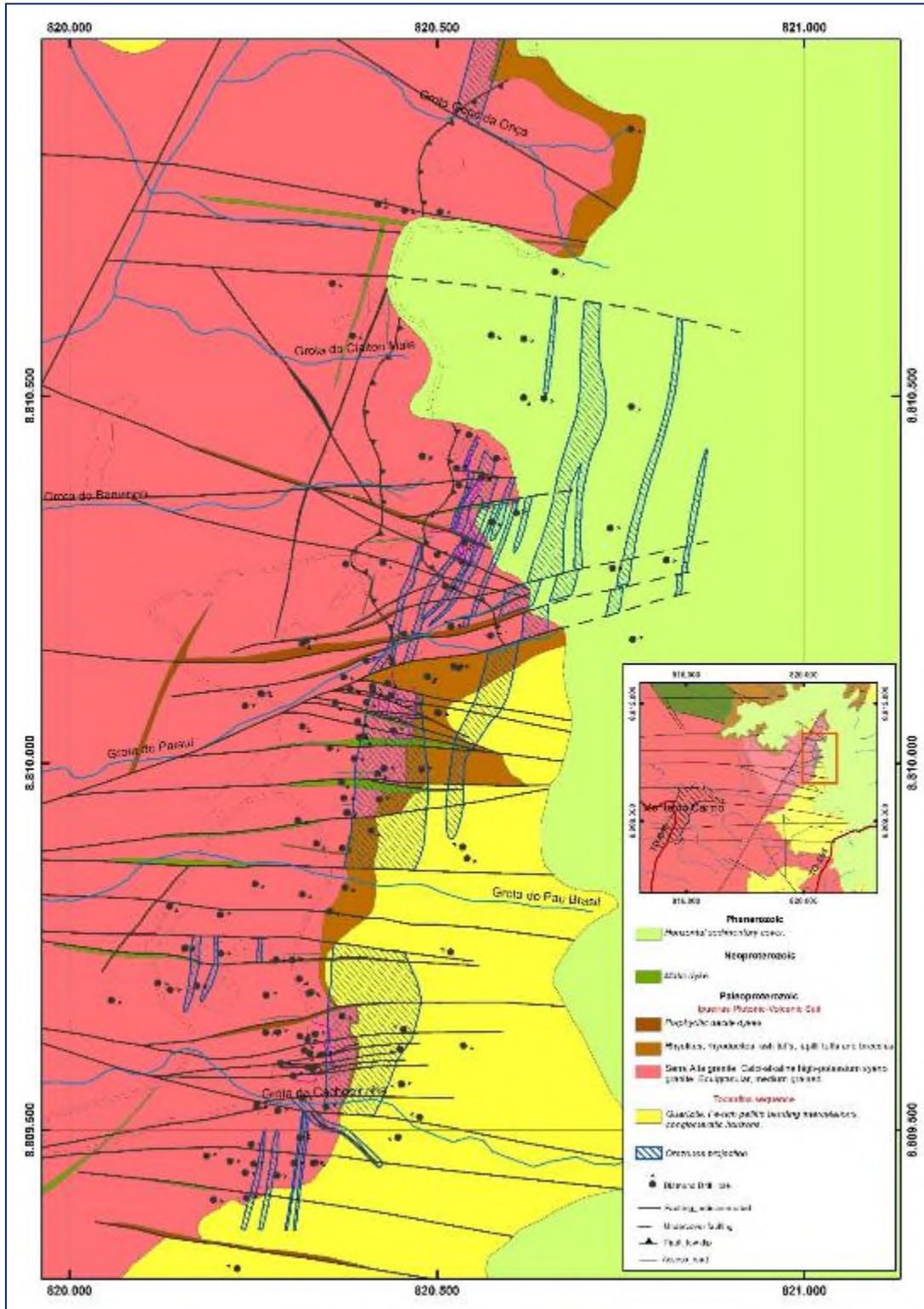
The regional geology of the Monte do Carmo area is characterized by a volcano-sedimentary sequence of Upper Proterozoic age, intruded by a large granite body of Lower Proterozoic age. The gold mineralization at Serra Alta is associated with a granite cupola. It is interpreted to fit into the Intrusion Related Gold System style of mineralization, very similar to the Fort Knox Deposit, Alaska, USA.

Serra Alta gold mineralization is associated with hydrothermally altered and sheared granitic rocks with quartz vein and veinlet swarms, moderately rich in sulphides (pyrite, galena, sphalerite and chalcopyrite). Other gold mineralization in the region is often hosted in single large quartz veins within fractures (the Giant Quartz Veins target).

The mineralized granite is overlain by a quartzite (yellow unit in Figure 1.3) which caps the cupola. A much younger sequence of flat lying red bed sediments (light brown unit in Figure 1.3) overlies the quartzite. The quartzite and red beds form cuestas (mesa-like features) several hundred metres high and will likely limit any push back of a pit wall to the east.

The Giant Quartz Veins are located about 5 km to the south of Serra Alta in the same granite body. Twenty-four of these veins have been mapped. Their width varies from just under a metre to several metres.

Figure 1-4: Serra Alta Geological Map



Source: Cerrado, 2019. Scale on map grid.

Mineral Resources Estimate

The Mineral Resources statement for the Serra Alta Deposit estimated by Micon is summarized in Table 1-3 below.

Table 1-5: Statement of Inferred Mineral Resources for Serra Alta
(Resource Effective Date: December 5, 2018)

Mining Method / Cut-Off	Domain	Tonnes (kt)	Grade (Au g/t)	Metal Content (Au oz, '000)
Open Pit @ 0.49 g/t Au Cut-off	N1	2,865	1.43	132
	N2	7,594	1.72	420
	S1	2,602	2.43	203
	S2	172	1.22	7
	Subtotal	13,234	1.79	762
Underground @ 1.5 g/t Au Cut-off	All	405	3.92	51
Pit and Underground	Total	13,639	1.85	813

Mineral Reserves Estimate

No Mineral Reserves were declared in this report.

Mining Methods

The Monte do Carmo Project will be an open pit operation with an average production rate of 2 Mtpa of ROM. Surface mining will use a contract mining fleet of hydraulic excavators, front-end loaders and 38-ton haul trucks, as well as correspondent ancillary equipment.

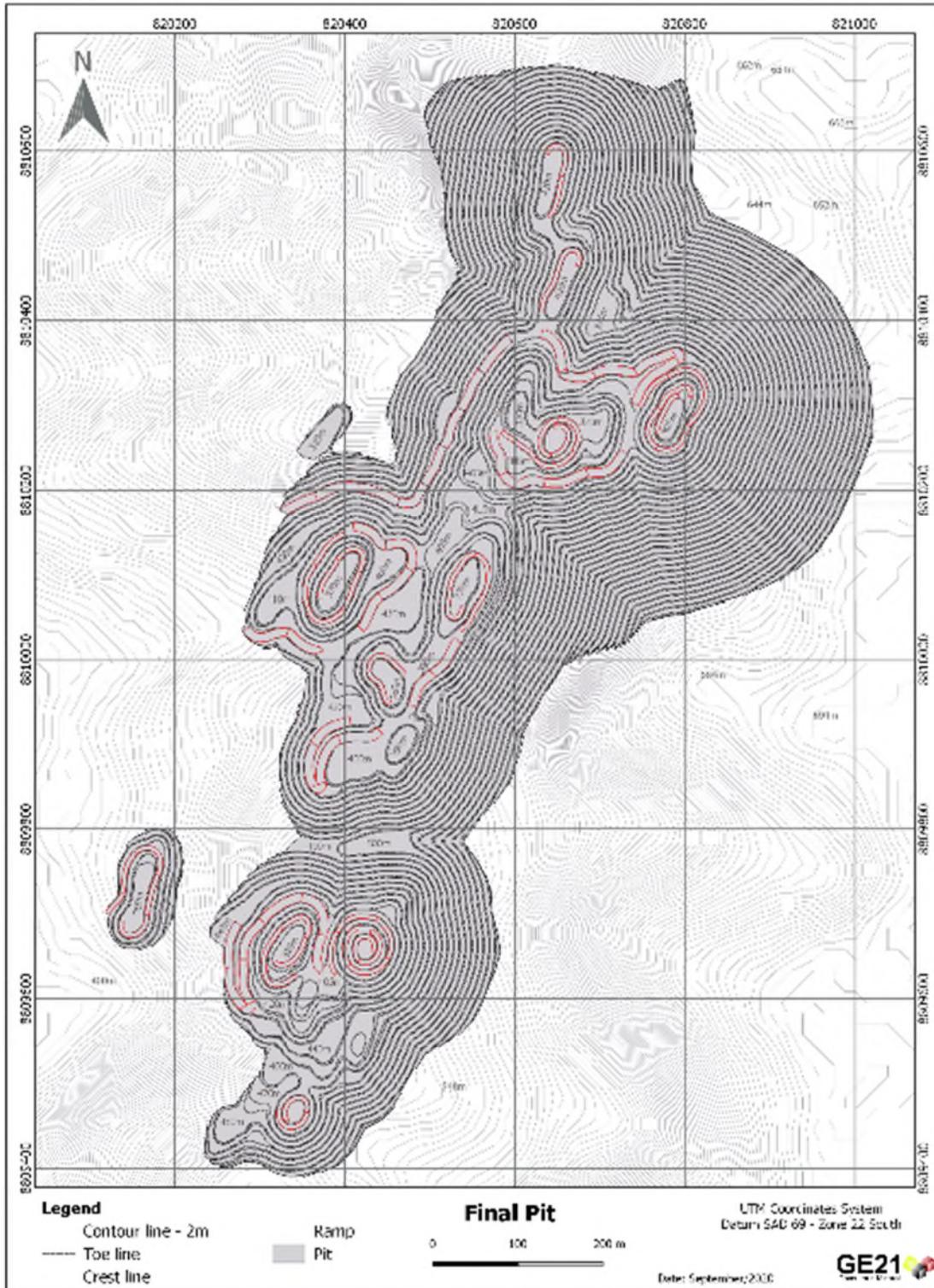
Pit Optimization was conducted followed by Pit Design. A Mining Schedule was also defined looking for better results in economic analysis along with Mining Fleet definitions. The ROM will feed a conventional processing plant for gold concentration.

The economic and geometric parameters were established through Cerrado Gold available data and GE21's projects databases of similar production scale and characteristics.

The methodology applied to the Pit Design consists of establishing an outline of the toes and crests of the benches, safety berms, work sites and mining site access ramps while adhering to the geometric and geotechnical parameters that were defined.

Figure 1-5 presents the final pit design.

Figure 1-5: Final Pit



The results of the PEA Final Pit Design are shown in Table 1 3.

Table 1-3: Final Pit Design Results

ROM (Mt)	Au (ppm)	Au (kOz troy)	Waste (Mt)	Total Mined (Mt)	Strip Ratio
13.2	1.84	784.0	104.4	117.6	7.9

Total product obtained by final pit exhaustion is 784 kOz of gold.

The results of the Mining Schedule are summarized in Table 1-4.

Table 1-4: Mining Schedule Results

Period	ROM (Mt)	Au (ppm)	Au (kOz troy)	Waste (Mt)	Total Mined (Mt)	Strip Ratio
1**	1.1	2.3	76.7	6.5	7.5	6.1
2**	2.0	2.1	135.5	11.6	13.7	5.8
3**	2.3	1.6	115.2	15.6	17.8	6.9
4	2.0	1.8	115.8	17.9	19.9	9.0
5	2.0	1.8	115.8	17.9	19.9	9.0
6	2.0	1.8	115.8	17.9	19.9	9.0
7**	1.9	1.8	109.4	16.9	18.8	9.0
Total	13.2	1.8	784.0	104.4	117.6	7.9

* In situ values;

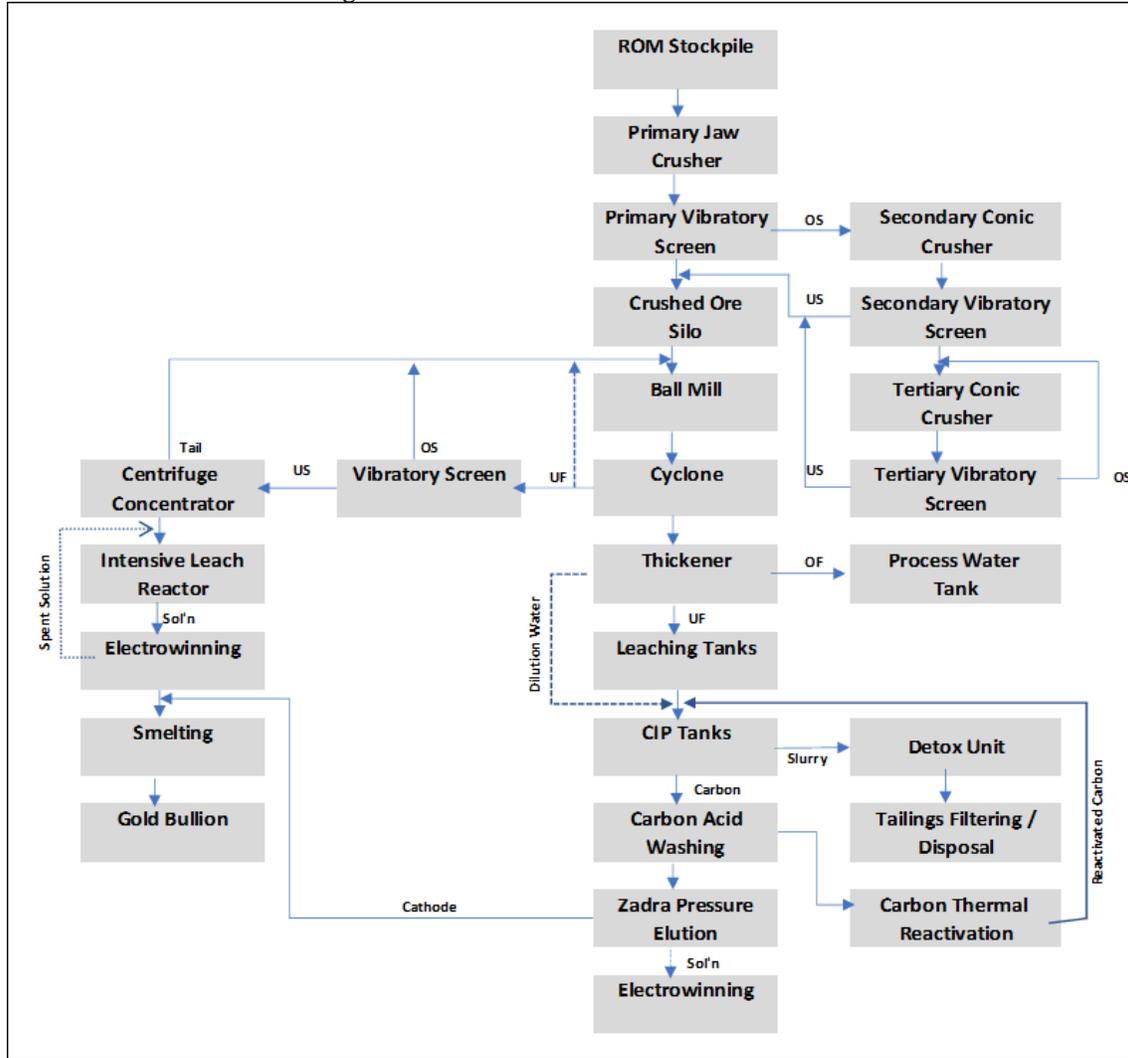
** Designed pits.

Recovery Methods

The mineralized material will be fed by a wheel loader to the crushing and classification unit. Metallurgical test-works indicate a gravity and whole leach route, although a flotation pre-concentration is not discharged. A whole leaching circuit with gravity recovery was selected. Based on the results, recovery of 97.4% at a P80 of 75 µm is assumed.

Figure 1-6 presents a proposed flowsheet for the process route of crushing-grinding-cyanidation-CIP-electrowinning.

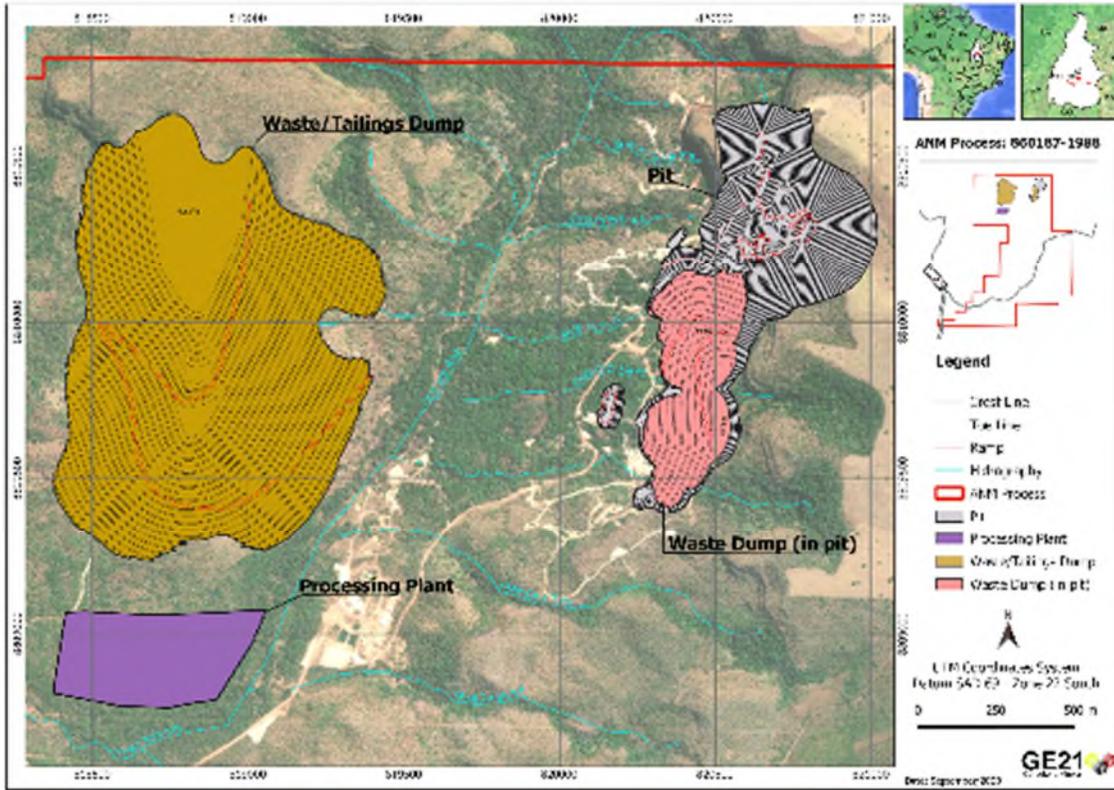
Figure 1-6: Cerrado Gold Process Flowsheet



Masterplan

Figure 1-7 shows the Master Plan elaborated for the Monte do Carmo Project, containing the location and main structures of the project.

Figure 1-7: Monte do Carmo Project Master Plan



Market Studies

The World Bank predicts the price of gold to increase to US\$/troy Oz 1,600 in 2020 from an average of US\$/troy Oz 1,392 in 2019. In the next ten years, the gold price is expected to decrease reaching US\$/troy Oz 1,400 in 2030, as presented in Table 1-5.

Table 1-5: Forecast of gold price

World Bank Commodities Price Forecast (nominal US dollars) Released: April 23, 2020

Commodity	Unit	Forecasts							
		2019	2020	2021	2022	2023	2024	2025	2030
Precious Metals									
Gold	\$/toz	1 392	1 600	1 590	1 568	1 546	1 524	1 503	1 400

Source: World Bank Forecast, April – 2020.

Environmental Studies

The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

Cerrado Gold already got the License of Operation (LO) for Serra Alta and it has been extended to December 2020. The LO is issued by Naturatins and applies to a small-scale mining operation, which have been suspended by Cerrado Gold Inc. The current LO also allows exploration activities such as drilling, trenching, opening

accesses and correlated activities. Cerrado Gold Inc. has filed an application for a new prospecting and exploration simplified licence which is expected to be issued shortly. Upon filing, this mining lease application provides Cerrado Gold with full authority to carry out its planned work program described under the MDC Technical Report.

Capital and Operating Costs

CAPEX

Project costs include the initial capital expenditures (CAPEX) and the operational expenditures (OPEX). All costs are expressed in US Dollars and the exchange rate used is USD1,00 = R\$5,25. The estimations were based on a 2 Mtpa ROM production rate.

Table 1-6 shows the estimated Mine CAPEX.

Table 1-6: Mine CAPEX

Item	Cost (M US\$)
Clearing and Grubbing	1.1
Underdrain - Waste Dump	2.1
Access Roads	0.1
General Infrastructure	2.0
Contingency (32%)	1.7
TOTAL	6.9

Table 1-7 shows the estimated Processing Plant CAPEX.

Table 1-7: Processing Plant CAPEX

Item	Cost (M US\$)
Earthworks	5.5
Civil	4.0
Structure Steel	2.9
Platwork	5.2
Mechanical Equipment	16.9
Mechanical Assembling and Materials	2.0
Piping	4.4
Electrical Equipment	11.8
Electrical Assembling and Materials	2.9
Architectural	1.8
Others	8.3
EPCM	4.7
Owner's Cost	2.9
Filters	4.6
Contingency (32%)	24.9
TOTAL	102.8

OPEX

The OPEX costs presented in Table 1-8 were estimated according to the values used in similar project operations, taking into account that the mine fleet will be contracted.

Table 1-8: Mine OPEX

Item	Cost (US\$/t ROM)
Labour	0.48
Contract Mining	9.40
Contract Drilling & Blasting	2.27
TOTAL	12.16

The estimated Processing Plant OPEX is presented in detail in Table 1-9.

Table 1-6: Processing Plant OPEX

Item	Cost (US\$/t ROM)
Labour	3.12
Power	3.07
Reagents	3.69
Miscellaneous	1.20
Maintenance	2.41
TOTAL	13.49

GE21 agreed with Cerrado Gold Inc. that the G&A OPEX cost would be US\$0.75 per ton of ROM.

Economic Analysis

The preliminary economic assessment is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

A simplified Discounted Cash Flow (DCF) base case scenario was developed to assess the project based on economic-financial parameters, on the results of the mine scheduling and on the Initial CAPEX and OPEX estimate.

Table 1-10 presents the results of the simplified Discounted Cash Flow (DCF) for the Monte do Carmo Project.

Table 1-10: Simplified DCF Results

CAPEX (M US\$)	109.7
NPV (M US\$) @ 8%	376.6
IRR	76.4%
Payback Time (years)	1.5

Table 1-11 shows the final discounted cash flow, including the selling prices and taxes that were used in this scenario.

Table 1-7: Simplified DCF Results

Simplified Discounted Cash Flow								
PERIOD	0	1	2	3	4	5	6	7
ROM (kt)	-	1 058	2 017	2 252	2 000	2 000	2 000	1 890
Waste (kt)	-	6 462	11 649	15 553	17 927	17 927	17 927	16 937
Tailings (kt)	-	1 058	2 017	2 252	2 000	2 000	2 000	1 890
Total Mined (kt)	-	7 520	13 666	17 805	19 927	19 927	19 927	18 827
Total Handled (kt)	-	8 579	15 683	20 057	21 927	21 927	21 927	20 716
Product (kOz troy)	-	71	125	107	107	107	107	101
OPEX (US\$ x 1000)	-	(28 732)	(48 428)	(55 615)	(54 650)	(54 650)	(54 650)	(52 160)
Mine (US\$ x 1000)	-	(13 660)	(19 703)	(23 548)	(26 170)	(26 170)	(26 170)	(25 253)
Plant (US\$ x1000)	-	(14 278)	(27 212)	(30 379)	(26 980)	(26 980)	(26 980)	(25 490)
G&A (US\$ x 1000)	-	(794)	(1 513)	(1 689)	(1 500)	(1 500)	(1 500)	(1 417)
Mine Closure (US\$ x 1000)	-	(1 100)	(1 943)	(1 652)	(1 660)	(1 660)	(1 660)	(1 568)
Gross Revenue (US\$ x 1000)	-	109 972	194 346	165 173	166 015	166 015	166 015	156 846
EBITDA (US\$ x 1000)	-	80 140	143 974	107 906	109 705	109 705	109 705	103 117
Depreciation & Amortization (US\$ x1000)	-	(21 940)	(21 940)	(21 940)	(21 940)	(21 940)	-	-
EBIT (US\$ x1000)	-	58 200	122 034	85 967	87 765	87 765	109 705	103 117
CFEM (over EBIT)	-	(582)	(1 220)	(860)	(878)	(878)	(1 097)	(1 031)
EBIT - CFEM (US\$ x1000)	-	57 618	120 814	85 107	86 887	86 887	108 608	102 086
CSLL (over EBIT - CFEM)	-	(5 186)	(10 873)	(7 660)	(7 820)	(7 820)	(9 775)	(9 188)
IRPJ (over EBIT - CFEM)	-	(8 643)	(18 122)	(12 766)	(13 033)	(13 033)	(16 291)	(15 313)
<i>Additional IRPJ (over what exceeds R\$ 0.24 mi/ year)</i>	-	(5 757)	(12 077)	(8 506)	(8 684)	(8 684)	(10 856)	(10 204)
IRPJ (over EBIT - CFEM)	-	(14 400)	(30 199)	(21 272)	(21 717)	(21 717)	(27 147)	(25 517)
SUDAM incentive (75% discount of IRPJ - up to 10 years)	-	10 800	22 649	15 954	16 288	16 288	20 361	19 138
Operating profit (US\$ x1000)	-	48 833	102 391	72 129	73 638	73 638	92 046	86 519
Depreciation & Amortization (US\$ x1000)	-	21 940	21 940	21 940	21 940	21 940	-	-
Free Operating Cash Flow (US\$ x1000)	-	70 772	124 331	94 069	95 578	95 578	92 046	86 519
CAPEX (US\$ x1000)	(109 698)	(700)	(300)	(150)	(150)	(150)	(150)	-
Mine	(6 884)	-	-	-	-	-	-	-
Processing Plant	(102 815)	-	-	-	-	-	-	-
Sustaining CAPEX	-	(700)	(300)	(150)	(150)	(150)	(150)	-
Working Capital	(7 183)	-	-	-	-	-	-	7 183
Cash flow (US\$ x1000) post tax	(116 881)	70 072	124 031	93 919	95 428	95 428	91 896	93 702

Sensitivity Analysis

A sensitivity analysis was undertaken to evaluate the impact of the resulting economic indicators for the following attributes, within the cash flow: WACC (Weighted Average Cost of Capital); gold price; Mine OPEX, Plant OPEX and exchange rate.

Table 1-12 presents the NPV variation according to different WACC rates.

Table 1-12: Sensitivity Analysis – WACC x NPV

WACC	NPV (M US\$)
5%	432
6%	412
7%	394
8%	377
9%	360
10%	344
11%	329

Figure 1-8 to Figure 1-10 show the sensitivity analysis developed by GE21.

Figure 1-8: Sensitivity Analysis Graph – NPV

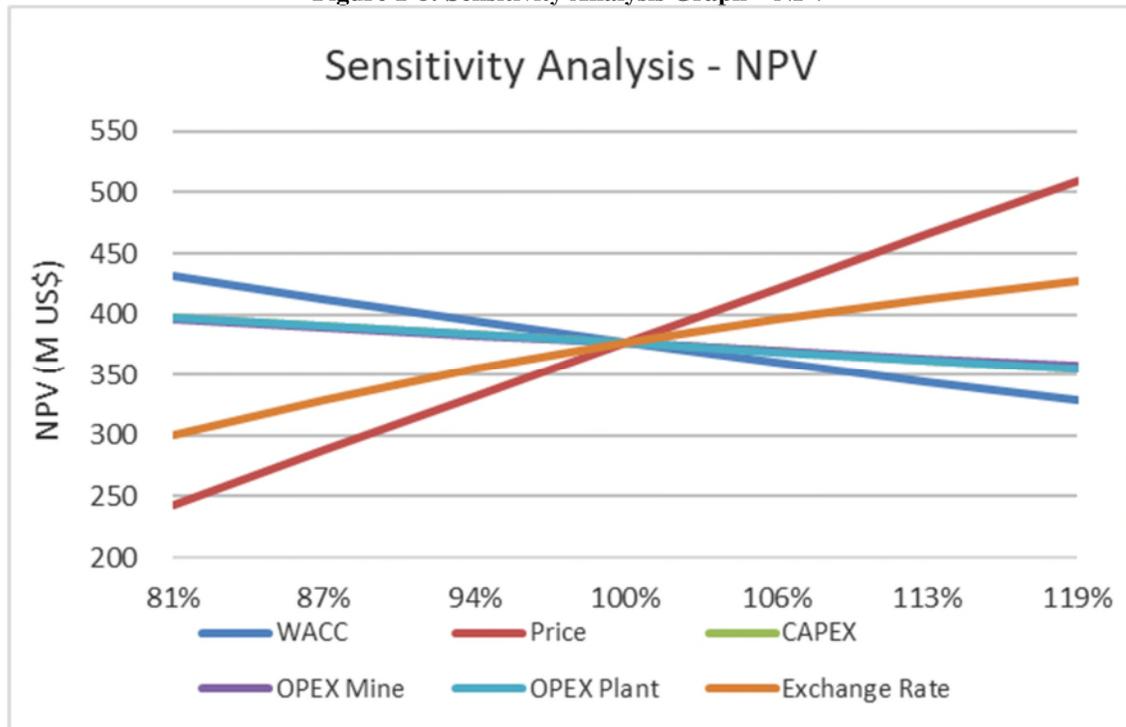


Figure 1-9: Sensitivity Analysis Graph – NPV / NPI

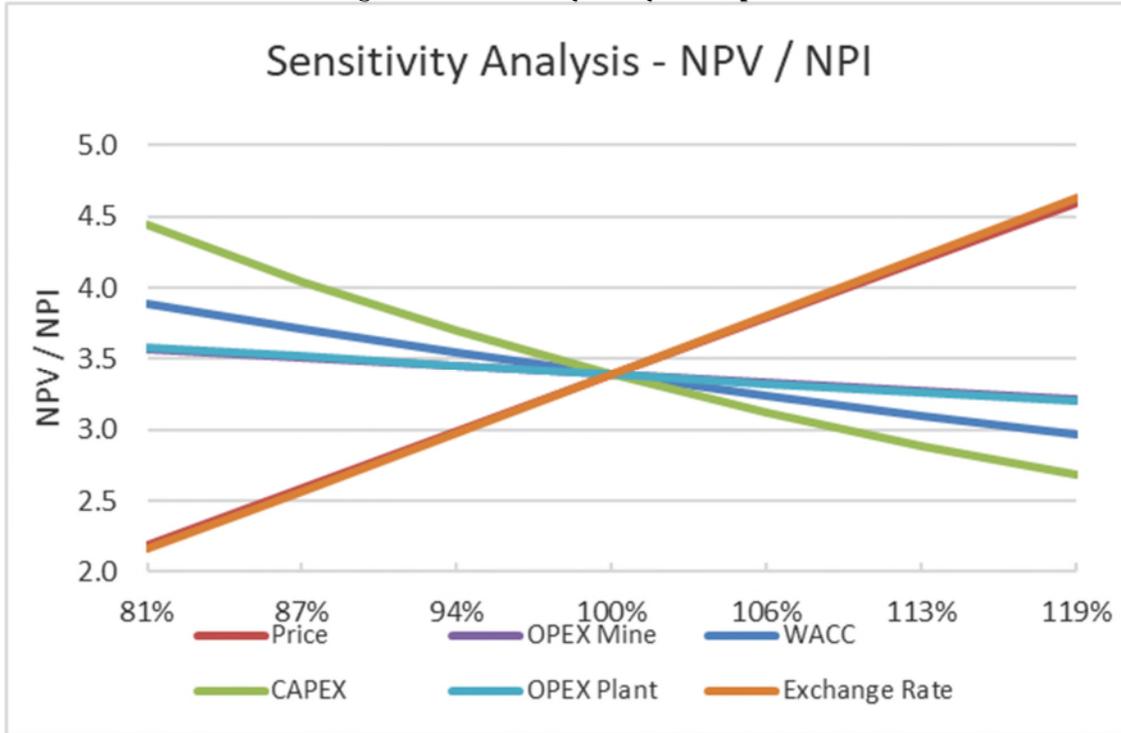
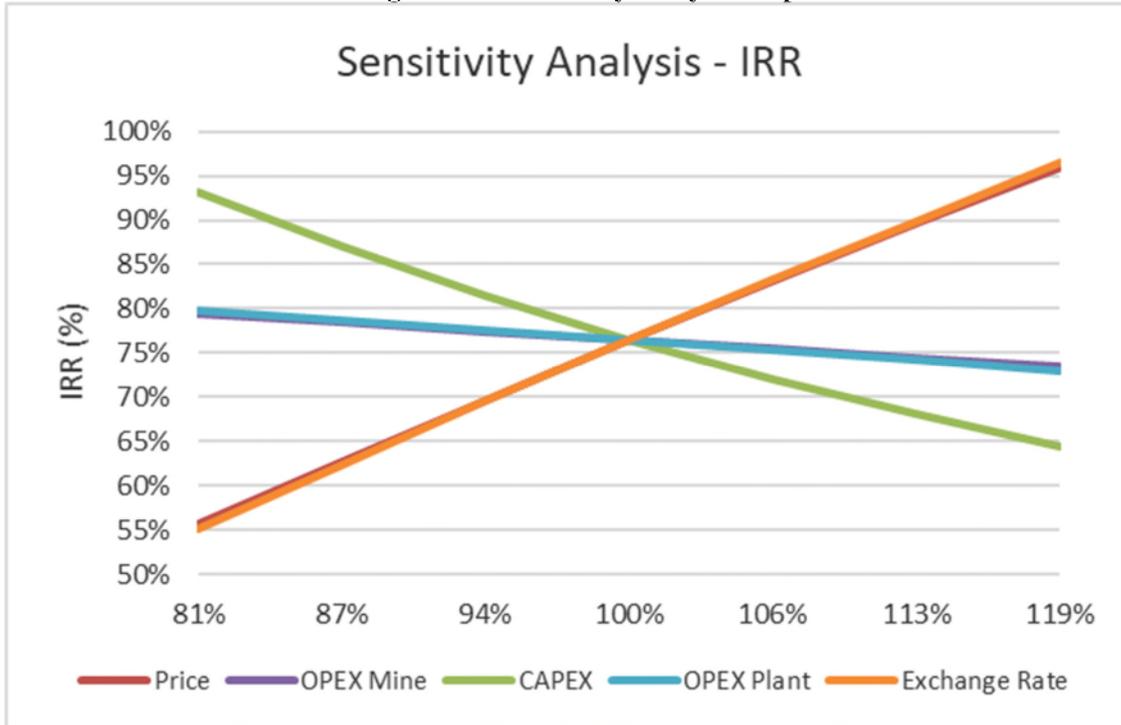


Figure 1-10: Sensitivity Analysis Graph – IRR



GE21 concluded based on the Sensitivity Analysis that project profitability is most affected by the gold price, CAPEX and exchange rate.

Conclusions and Recommendations

Since the Items 5 to 12, 14 and 24 were extracted from “A Mineral Resource Estimate for the Serra Alta Deposit at the Monte do Carmo Project, Tocantins State, Brazil” (Amended: September 28, 2020), GE21 kept the conclusions related to Micon’s Report and quote them below:

- “The QP has examined the logging procedures used and described above. In the opinion of the QP, Cerrado personnel have used industry standard best practices in the collection, handling and management of drill core and assay samples.”
- “The QP is not aware of any drilling, sampling, or recovery factors that could materially impact the accuracy and reliability of the results presented in this report.”
- “The QP has reviewed the analytical and QA/QC methods employed by Cerrado and Kinross at Serra Alta and finds them suitable for a modern gold exploration program. The QP is satisfied with the adequacy of the sample preparation, security, and analytical procedures employed and concludes that they have resulted in data suitable for use in a mineral resource estimate.”
- “Serra Alta is an interesting gold exploration project with a long history of artisanal mine workings and exposures over significant widths and strike length. The deposit is open along strike in both directions and down dip. The possibility exists that more mineralization will be found under the quartzite and red bed sediments to the immediate east of the known mineralization. However, grades there will likely need to justify underground mining for much of the mineralization, due to the significant amount of waste stripping of the overlying sediments, which would be required for an open pit mine.”
- “It is the QP’s opinion that further exploration is justified.”
- “The Giant Quartz Veins to the south are rather small tonnage targets and are unlikely to support a mining and milling operation on their own. However, should a mill be built at Serra Alta, they may contribute some mill feed.”
- “The exploration work carried out at Serra Alta is generally being done to accepted industry standards. A few minor recommendations have been made.”
- “The drilling completed to date, or relogged, resampled and validated, by Cerrado, is sufficient to interpret mineralized shells and to estimate an inferred mineral resource for the Serra Alta Deposit.”
- “The mineral resource statement for the Serra Alta Deposit is summarized in Table 1-13.”

Table 1-13: Statement of Inferred Mineral Resources for Serra Alta
(Resource Effective Date: December 5, 2018)

Mining Method / Cut-Off	Domain	Tonnes (kt)	Grade (Au g/t)	Metal Content (Au oz, '000)
Open Pit @ 0.49 g/t Au Cut-off	N1	2,865	1.43	132
	N2	7,594	1.72	420
	S1	2,602	2.43	203
	S2	172	1.22	7
	Subtotal	13,234	1.79	762
Underground @ 1.5 g/t Au Cut-off	All	405	3.92	51
Pit and Underground	Total	13,639	1.85	813

- “Mineral resources which are not mineral reserves do not have demonstrated economic viability. At the present time, Micon does not believe that the Serra Alta mineral resource estimate is materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.”
- “Micon considers that the resource estimate for the Serra Alta Deposit to have been reasonably prepared and to conform to the current 2014, CIM standards and definitions for estimating mineral resources.”

For this PEA Study, GE21 concluded:

- The PEA Study resulted in a total of 13.2 Mt of ROM @ 1.84 Au ppm internal to the final design pit. The expected production rate is 2 Mt of ROM per year.
- The average analyzed head grade was 3.75 g/t and the average gold grade from all tests were 3.55 g/t (not considering leaching tests LT2 and LT4).
- The gold recovery in the direct leaching of the whole ore was 93.5% for P80 of 106 µm and 97.3% for P80 of 75 µm.
- The gravity concentration shows very high gold recoveries with average of 78% for P80 of 106 µm and 85.4% for P80 = 75 µm.
- The gold recoveries on the gravity concentration tailing leaching were:
 - P80 = 106 µm - 87,8% (tailing - 0,075 g/t) without activated carbon and 88,3% (tailing - 0,075 g/t) with activated carbon.
 - P80 = 75 µm - 91,1% (tailing - 0,04 g/t) without activated carbon and 87,3% (tailing - 0,04 g/t) with activated carbon.
- The overall recovery for GC+leaching circuit was:
 - 97,9% for ore ground to P80 of 106 µm (considering the recalculated gravity feed)
 - 98,9% for ore ground to P80 of 75 µm (considering the recalculated gravity feed)
- Flotation also obtained good recoveries, reaching 85,9% for a P80 of 106µm, with an average tailing grade of 0,12 g/t and 84,5% for a P80 of 75µm, with an average tailing grade of 0,09 g/t.
- The overall recovery of GC+Flotation circuit was:
 - 96,0% for ore ground to a P80 of 106µm (considering the recalculated gravity feed)
 - 97,4% for ore ground to a P80 of 75µm (considering the recalculated gravity feed)
- The flotation concentrate leaching shows an unexpected result with only 35% gold recovery. This result is inconsistent with the others leaching results and has to be deeper investigated.
- The PEA Study estimated the investments in general infrastructure, access roads, waste and tailings dump, plant equipment and contingency were estimated in the amount of US\$ 110 million for the implementation of the project.
- GE21 estimated for the PEA Study the mine operating costs in US\$ 12.2 per ton of ROM, the processing operating costs of US\$ 13.5 per ton of ROM and agreed with the general and administrative costs of US\$ 0.75 per ton of ROM as informed by Cerrado Gold Inc.
- GE21 has prepared for the PEA Study a simplified Discounted Cash Flow to estimate the Net Present Value (NPV) at a Weighted Average Cost of Capital rate of 8% per year, which resulted in US\$ 377 million, with an initial CAPEX of around US\$ 110 million. Other financial indicators were also calculated: Internal Rate of Return and Payback Time, which are respectively, 76% and 1.5 years.
- Although the results of the PEA-level work are preliminary in nature, and they include inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to

them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized, GE21 concluded the project has potential to be economically attractive.

Table 1-14 presents the estimated costs for the recommended items:

Table 1-14: Estimated Costs for Recommendation Items

Recommendation Item	Estimated Cost (US\$ x 1000)
Monte Do Carmo Project - Exploration	
<i>Phase 1</i>	
Serra Alta 17,000 m to expand resources	3 376
<i>Phase 2</i>	
Additional drilling, infill and expansion 14,000 m	2 772
Field work only	200
Redwave Ore Sorting Technology Application Sample Analysis	10
Additional Metallurgical Test works in Composed Samples	60
Total	6.418

INFORMATION CONCERNING THE RESULTING ISSUER

Corporate Structure

Name and Incorporation

The name of the Resulting Issuer is expected to be changed to Cerrado Gold Inc.. and the Resulting Issuer will continue to be incorporated under the OBCA.

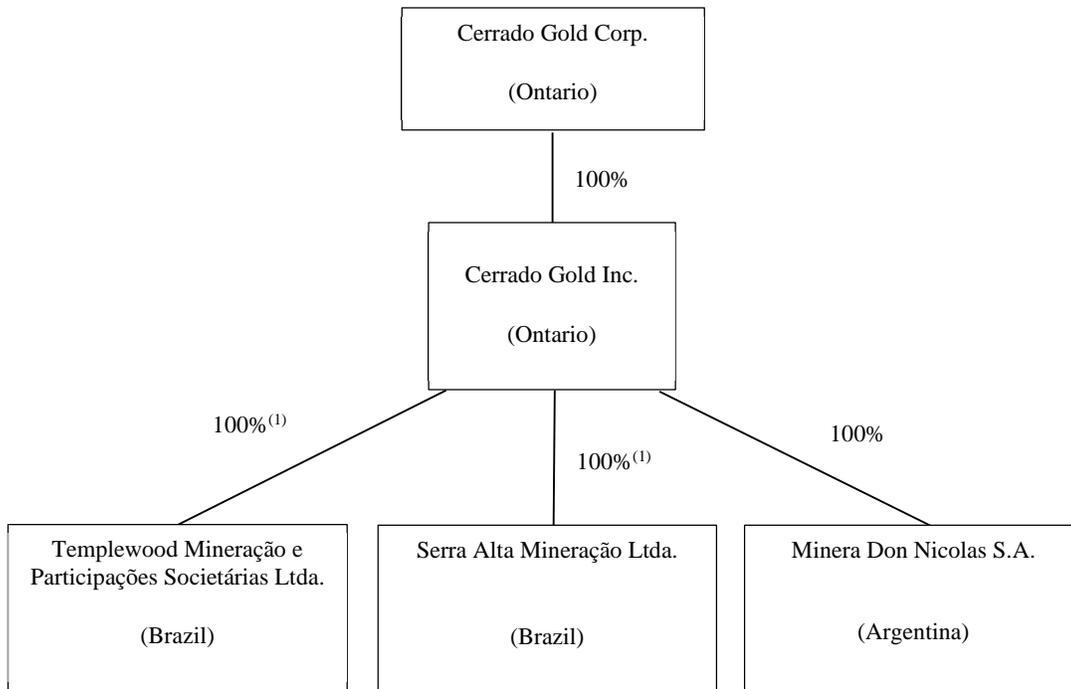
The registered and head office of the Resulting Issuer will be located at 501, 110 Yonge Street, Toronto, Ontario M5C 1T4, Canada.

In conjunction with the Merger, BB1 will amend its articles to implement the Name Change and the Consolidation.

Intercorporate Relationships

Upon completion of the Merger, the Resulting Issuer will own, directly or indirectly, all of the issued and outstanding shares of Cerrado. As a result of the Merger, the Cerrado Shareholders will become shareholders of the Resulting Issuer.

Immediately upon completion of the Merger, the corporate organization chart of the Resulting Issuer will be as follows:



⁽¹⁾ All outstanding quotas of Templewood Mineração e Participações Societárias Ltda. and Serra Alta Mineração Ltda. are owned by Cerrado Gold Inc. except for 1 quota each which is owned by Kurt Menchen, a Brazilian resident, in accordance with local laws.

Following the completion of the Merger, the Resulting Issuer will complete a vertical short-form amalgamation to amalgamate itself with its wholly-owned subsidiary Cerrado Gold Inc. Resulting Issuer will carry on the business theretofore carried on by Cerrado under the corporate name “Cerrado Gold Inc.”

Narrative Description of the Business

Stated Business Objectives

The Resulting Issuer will continue the business of Cerrado. It will pursue the business objectives of Cerrado, namely the exploration and development of MDC Project, further operation and development of the MDN Mine Project, and other mineral projects. For more information see “*Information Concerning Cerrado – Narrative Description of the Business*”.

There is no assurance that the Resulting Issuer will be successful in meeting the objectives described above. See “*Information Concerning the Resulting Issuer – Risk Factors*” for information relating to the risks associated with the business of the Resulting Issuer.

Milestones and Exploration and Development

The following significant events should occur for the stated business objectives disclosed above to be accomplished. The specific time periods in which each event is targeted to occur and the costs currently estimated concerning each event are listed below:

<i>MDN Project</i>⁽¹⁾	
Geotechnical Trilling (2,000 m units)	\$200,000.00
Heap Leach Study	\$300,000.00
NI 43-101 Feasibility Study	\$200,000.00
<i>MDN Project total</i>	<u>\$700,000.00</u>
<i>MDC Project</i>⁽¹⁾	
Phase 1	
Serra Alta 17,000 m to expand resources	\$3,376,158.00
Phase 2	
Additional drilling, infill and expansion 14, 000 m	2,772,000.00
Field work only	538,944.78
<i>MDC Project total</i>	<u>\$6,687,102.78</u>

Notes:

(1) See “*Recommendations*” in MDN Technical Report for more detail.

(2) See “*Recommendations – Exploration Budget*” in MDC Technical Report for more detail.

Description of Securities

The authorized capital of the Resulting Issuer will consist of an unlimited number of Resulting Issuer Shares. Immediately prior to giving effect to the Merger (and assuming the completion of the Consolidation), BB1 will have 1,805,054 Consolidated BB1 Shares issued and outstanding. Upon the completion of the Merger and the Financings, it is anticipated that the Resulting Issuer will have approximately 70,034,825 Resulting Issuer Shares (assuming completion of the Maximum Financing) or 62,534,825 Resulting Issuer Shares (assuming completion of the Minimum Financing) issued and outstanding. In the event the LC Acquisition closes prior to the closing of the Merger, an additional 1,125,000 Resulting Issuer Shares will be issued in exchange for the Cerrado Shares issued pursuant to the LC Acquisition, resulting in a total of 71,159,825 Resulting Issuer Shares (assuming a completion of the Minimum Financing) or 63,659,825 Resulting Issuer Shares (assuming the completion of the Minimum Financing) issued and outstanding upon giving effect to the Merger.

The material attributes and features of the Resulting Issuer Shares will be the same as the material attributes and features associated with the BB1 Shares. See “*Information Concerning BB1 – Description of Securities*”.

Pro Forma Consolidated Capitalization

The following table sets forth the *pro forma* share and loan capital of the Resulting Issuer before and after giving effect to the Qualifying Transaction, assuming completion of the Consolidation. This table should be read in conjunction with the *pro forma* consolidated financial statements and notes thereto included in this Filing Statement.

Designation of security⁽¹⁾	Amount authorized or to be authorized	Outstanding after giving effect to the Merger, the Special Warrant Financing, and the Minimum Financing⁽²⁾	Outstanding after giving effect to the Merger, the Special Warrant Financing, and the Maximum Financings⁽³⁾
Resulting Issuer Shares ⁽³⁾⁽⁴⁾	Unlimited	62,534,825	70,034,825
Resulting Issuer Warrants ⁽⁵⁾	2,000,000	2,000,000	2,000,000
Resulting Issuer Compensation Warrants ⁽⁶⁾	688,908	688,908	688,908
Resulting Issuer Options ⁽⁷⁾	11,475,100	4,072,202	4,072,202
Resulting Issuer RSUs ⁽⁸⁾	11,475,100	7,130,003	7,130,003

Notes:

- (1) Certain securities of the Resulting Issuer are subject to escrow and/or an Undertaking. See “*Information Concerning the Merger and the Financings*” and “*Information Concerning the Resulting Issuer – Escrowed Securities*”.
- (2) Stated on a *pro forma* basis, after giving effect to the Merger and the Financings, assuming the completion of the Minimum Financing. See “*Information Concerning the Merger and the Financings*”.
- (3) Stated on a *pro forma* basis, after giving effect to the Merger and the Financings, assuming the completion of the Maximum Financing. See “*Information Concerning the Merger and the Financings*”.
- (4) Based on the unaudited *pro forma* balance sheet of the Resulting Issuer, there will be a deficit of \$0.14 per Resulting Issuer Share on a consolidated basis.
- (5) Excluding the 1,125,000 Resulting Issuer Shares which may be issued in exchange for the Cerrado Shares to be issued pursuant to the LC Acquisition if the LC Acquisition closes prior to the closing of the Merger.
- (6) Excluding Resulting Issuer Compensation Warrants and Broker Warrants.
- (7) Includes both the Cerrado Warrants and the IPO Agent’s Options.
- (8) The aggregate number of Resulting Issuer Shares authorized for reservation pursuant to grants under the Omnibus Incentive Plan may not exceed 20% of the outstanding Resulting Issuer Shares immediately after giving effect to the Merger.

The following tables states the fully-diluted share capital of the Resulting Issuer after giving effect to the Consolidation, the Financings and the Merger:

Designation of Security	Assuming completion of the Minimum Financing		Assuming completion of the Maximum Financing	
	Number Outstanding (#)	Percentage Outstanding (%)	Number Outstanding (#)	Percentage Outstanding (%)
Resulting Issuer Shares				
Issued	62,534,825 ⁽¹⁾	81.82%	70,034,825 ⁽¹⁾	83.45%
Reserved for issuance upon exercise of Resulting Issuer Options	4,072,202	5.33%	4,072,202	4.85%
Reserved for issuance upon exercise of Resulting Issuer Warrants (other than Resulting Issuer Compensation Warrants)	2,000,000	2.62%	2,000,000	2.38%
Reserved for issuance upon exercise of Resulting Issuer Compensation Warrants	688,908	0.90%	688,908	0.82%
Reserved for issuance upon vesting of Resulting Issuer RSUs	7,130,003	9.33%	7,130,003	8.50%
Total number of Resulting Issuer Shares (fully-diluted)	76,425,938	100%	83,925,938	100%

- (1) Excluding the 1,125,000 Resulting Issuer Shares which may be issued in exchange for the Cerrado Shares to be issued pursuant to the LC Acquisition if the LC Acquisition closes prior to the closing of the Merger.

Available Funds and Principal Purposes

Funds Available

The following table sets forth the Resulting Issuer's expected sources of funds following completion of the Merger. The amounts shown in the table are estimates only and are based on information available to BB1 and Cerrado as at the date of this Filing Statement.

Source of Funds	Amount (Minimum Financing)	Amount (Maximum Financing)
Estimated BB1 working capital as at June 30, 2020	\$518,976	\$518,976
Estimated Cerrado working capital as at June 30, 2020	\$(1,658,000)	\$(1,658,000)
Gross proceeds of the Special Warrant Financing	\$7,076,600	\$7,076,600
Estimated gross proceeds of the Subscription Receipt Financing ⁽¹⁾	\$7,337,834	\$18,344,585
Prepayment Facility ⁽²⁾	\$2,500,000	\$2,500,000
Total	\$15,775,410	\$26,782,161

(1) The USD equivalent has been calculated using the exchange rate of 1.3628 (as of June 30, 2020).

(2) Pursuant to an advance sales transaction entered into by Cerrado effective March 12, 2020, Cerrado receives advanced consideration of an additional \$2,500,000 in exchange for future quarterly physical deliveries of gold and silver from the MDN Project to the counterparty (the "Prepayment Facility"). The Prepayment Facility may be immediately renewable upon settlement of the monthly delivery of gold and silver concentrate.

The Resulting Issuer estimates a consolidated working capital of \$5,937,576 as at June 30, 2020 after giving effect to the Merger and the Special Warrant Financing.

Principal Purposes of Funds

The net funds available to the Resulting Issuer are expected to be used, principally, as follows:

Principal Use of Funds	Amount (Minimum Financing)	Amount (Maximum Financing)
Recommended exploration program for MDN Project ⁽¹⁾	-	\$700,000
Recommended exploration program for MDC Project – Phase 1 ⁽²⁾	\$3,376,158	\$3,376,158
Recommended exploration program for MDC Project – Phase 2 ⁽²⁾	-	\$3,310,945
Transaction expenses ⁽³⁾	\$546,790	\$546,790
Agent's fees ⁽⁴⁾	\$944,170	\$1,604,575
Financing and Acquisition Costs ⁽⁵⁾	\$8,032,083	\$8,032,083
General, administrative expenses and working capital	\$2,649,870	\$2,649,870
Unallocated working capital	\$226,339	\$6,561,740
Total	\$15,775,410	\$26,782,161

Notes:

- (1) Recommended exploration program of \$700,000 as described in the MDN Technical Report will be funded via operating cash flow.
- (2) Based on a recommended exploration program of \$3,376,158 for Phase 1 and \$2,210,945 for Phase 2 as described in the MDC Technical Report.
- (3) Estimated transaction expenses include legal, accounting, advisory, listing fees, transfer agent fees, printing and other miscellaneous costs associated with the Special Warrant Financing, Subscription Receipt Financing and Merger.
- (4) Includes fees paid pursuant to the Special Warrant Financing and the Subscription Receipt Financing. As additional compensation under the Subscription Receipt Financing, Cerrado may in its discretion issue the SR Agents Broker Warrants of up to 3% of the aggregate number of Subscription Receipts issued pursuant to the Subscription Receipt Financing.
- (5) Includes costs associated with the LP Acquisition, Prepayment Facility and the Sinking Fund.

The Resulting Issuer intends to spend the funds available to it as stated above. There may be circumstances, however, where for sound business reasons, a reallocation of funds may be necessary.

Until required for the Resulting Issuer's purposes, the Resulting Issuer intends to hold excess cash and working capital in a cash account at a Canadian financial institution, or invest it to the extent practicable in short-term investment-grade, interest-bearing investments and other marketable securities. Management of the Resulting Issuer will be responsible for the supervision of, and the investment policy with respect to, any unallocated funds.

Dividends

There will be no restrictions in the Resulting Issuer's articles or elsewhere which would prevent the Resulting Issuer from paying dividends subsequent to the completion of the Merger. It is not contemplated that any dividends will be paid on the Resulting Issuer Shares in the immediate future following the Completion of the Qualifying Transaction, as it is anticipated that all available funds will be invested to finance the growth of the Resulting Issuer's business. The Resulting Issuer Board will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time. All of the Resulting Issuer Shares are entitled to an equal share in any dividends declared and paid.

Principal Securityholders

To the knowledge of BB1 and Cerrado, upon completion of the Merger, no person will beneficially own, directly or indirectly, or exercise control or direction over, Resulting Issuer Shares carrying more than 10% of the voting rights attached to the Resulting Issuer Shares, other than the following:

Shareholder	Number of Resulting Issuer Shares	Percentage of Resulting Issuer Shares (After Giving Effect to the Consolidation, the Financings, and the Merger)
Monte Sinai Mineracao Ltda.	13,000,000	18.56% ⁽¹⁾

⁽¹⁾ Assuming completion of the Maximum Financing. In the event a Minimum Financing is completed, Monte Sinai Mineracao Ltda. Will hold 20.79% of the issued and outstanding shares of the Resulting Issuer.

Directors, Officers and Promoters

Name, Address, Occupation and Security Holdings

Following completion of the Merger, the Resulting Issuer Board will consist of nine directors, three of whom will be independent.

The following are the names and municipalities of residence of each proposed director and officer of the Resulting Issuer, the positions and offices to be held with the Resulting Issuer, each of their respective principal occupations within the five preceding years and the number and percentage of Resulting Issuer Shares which will be beneficially owned, directly or indirectly, or over which control or direction is to be exercised by each of them on completion of the Financings. Each director will hold office until the next annual meeting of the Resulting Issuer unless his or her office is earlier vacated in accordance with the OBCA.

Name and municipality of residence	Position to be Held with the Resulting Issuer	Director or Officer of Cerrado or BB1 Since	Principal occupation during the five preceding years	Resulting Issuer Shares, Directly or Indirectly, Beneficially Owned⁽¹⁾
Mark Brennan <i>Toronto, Ontario</i>	Chief Executive Officer, Co-Chairman and Director	Nov. 1, 2013	Executive Chairman of Ascendant Resources Inc. (TSXV:ASND); Director of James Bay Resources Limited (CSE:JBR); Former President and Chief Executive Officer of Sierra Metals Inc. (TSXV:SMT) and Largo Resources Ltd. (TSX:LGO)	3,330,505
Stephen Shefsky <i>Toronto, Ontario</i>	Co-Chairman and Director	Oct. 3, 2017	President and Chief Executive Officer of James Bay Resources Limited (CSE:JBR); Director of Ascendant Resources Inc. (TSXV:ASND)	2,775,872
Kurt Menchen <i>Ondina, Brazil</i>	Chief Operating Officer and Director	Nov. 30, 2018	Chief Operating Officer, Cerrado Gold Inc.	1,171,666
Robert Anderson Campbell <i>Toronto, Ontario</i>	Vice President of Exploration & Director	Nov. 30, 2018	Vice President, Exploration of Largo Resources Ltd.	650,000
Elmer Prata Salomao <i>Brasilia, Brazil</i>	Director	Nov. 30, 2018	Board Member of Gorceix Foundation (School of Mining of Ouro Preto) (2014-Present); Board Member of Cerrado Gold Inc. (2017-Present); Board Member of Brazilian Geological Survey (CPRM) (2017-2019); Partner & Co-manager of BOLT Mining Ltd (2018-Present); Partner & Co-manager of DIAMANDEL Mining (2018-Present)	183,333
Jad Solamao Neto <i>Porto Nacional, Brasil</i>	Director	Nov. 30, 2018	Director of Monte Sinai Mineração Ltda (2010-Present); Board Member of Cerrado Gold Inc. (2017-Present)	50,000
Oscar Neto de Gouveia <i>Palmas, Brasil</i>	Director	Nov. 30, 2018	Director of Monte Sinai Mineração Ltda (2010-Present); Board Member of Cerrado Gold Inc. (2017-Present); Member of Independent Geologists Team at Brasilia University (UNB)	50,000

Jonathan Gilligan <i>Toronto, Ontario</i>	Director	Oct. 19, 2020	Vice President, Automated Mine Design at Torex Gold (2019-Present); Consultant, J M Gilligan Consulting (2019); VP Technical & Project Development, SSR Mining Inc. (2016-2018)	-
David Ball <i>Santiago, Chile</i>	Director	Oct. 19, 2020	Chief Financial Officer and Director Corporate Development, Santiago Metals Limitada (2015-Present)	-
Cliff Hale-Sanders <i>Belleville, Ontario</i>	President	Feb. 24, 2020	CEO of Vanadium One Iron Corp. (TSXV:VONE) the since October 1, 2019; Executive Vice President and Co-Founder of Ascendant Resources Inc. (TSXV:ASND) since 2016; previously, Base Metals and Bulk Commodities Research Analyst with RBC Capital Markets, TD Securities, CIBC World Markets and Cormark Securities.	708,333
Rohan Hazelton <i>Burlington, Ontario</i>	Chief Financial Officer	Feb. 24, 2020	Chief Financial Officer of Cerrado Gold Inc.; Chief Financial Officer of Ascendant Resources Inc. (TSXV:ASND); Chief Executive Officer of Kore Mining Ltd. (TSXV:KORE); Vice President Strategy, Goldcorp Inc. (TSX:G)	212,500
Maria Virginia Anzola <i>Oakville, Ontario</i>	General Counsel & Corporate Secretary	Feb. 24, 2020	General Counsel and Corporate Secretary of Ascendant Resources Inc. (TSXV:ASND), since January 2019; previously, Corporate Counsel of Ascendant from September 2017 until January 2019; Assistant General Counsel (January 2016 to March 2017) and Director of Legal (March 2014 to January 2016) of <u>Primero Mining Corp.</u>	250,000

Notes:

- (1) Includes the shares issued upon exercise of the Special Warrants issued in connection with the Special Warrant Financing but excludes any shares to be issued upon exercise of any Subscription Receipts if any are purchased under the Subscription Receipt Financing.

The directors and officers of the Resulting Issuer will, as a group, beneficially own, directly or indirectly, or exercise control or direction over, approximately 8,982,209 Resulting Issuer Shares, representing, on a non-diluted basis, approximately 14.36% of the issued and outstanding Resulting Issuer Shares (assuming completion of the Minimum Financing) or 12.56% of the issued and outstanding Resulting Issuer Shares (assuming completion of the Maximum Financing).

Committees of the Board of Directors

It is intended that the Resulting Issuer Board will form two committees, an audit committee (the “**Audit Committee**”) and a compensation committee (the “**Compensation Committee**”).

Audit Committee

The Audit Committee of the Resulting Issuer will initially be comprised of three directors as follows: David Ball, Jonathan Gilligan and Elmer Prata Salomao, each “independent” within the meaning of NI 52-110. In addition, each Audit Committee member is “financially literate”, within the meaning of NI 52-110 and possesses education or experience that is relevant for the performance of their responsibilities as Audit Committee members.

The Audit Committee will oversee the accounting and financial reporting practices and procedures of the Resulting Issuer and the audits of the Resulting Issuer’s consolidated financial statements. The principal responsibilities of the Audit Committee are expected to include: (i) overseeing the quality and integrity of the internal controls and accounting procedures of the Resulting Issuer, including reviewing the Resulting Issuer’s procedures for internal control with the Resulting Issuer’s auditor and chief financial officer; (ii) reviewing and assessing the quality and integrity of the Resulting Issuer’s annual and quarterly financial statements and related management discussion and analysis, as well as all other material continuous disclosure documents, such as the Resulting Issuer’s annual information form; (iii) monitoring compliance with legal and regulatory requirements related to financial reporting; (iv) reviewing and approving the engagement of the auditor of the Resulting Issuer and independent audit fees; (v) reviewing the qualifications, performance and independence of the auditor of the Resulting Issuer, considering the auditor’s recommendations and managing the relationship with the auditor, including meeting with the auditor as required in connection with the audit services provided to the Resulting Issuer; (vi) assessing the Resulting Issuer’s financial and accounting personnel; (vii) reviewing the Resulting Issuer’s risk management procedures; (viii) reviewing any significant transactions outside the Resulting Issuer’s ordinary course of business and any pending litigation involving the Resulting Issuer; and (ix) examining improprieties or suspected improprieties with respect to accounting and other matters that affect financial reporting.

Compensation Committee

The Compensation Committee of the Resulting Issuer will initially be comprised of three directors, two of whom will be “independent” within the meaning of NI 52-110.

The Compensation Committee is expected to oversee the Resulting Issuer’s approach to the remuneration policies and practices of the Resulting Issuer. The principal responsibilities of the Compensation Committee are expected to include: (i) considering the Resulting Issuer’s overall remuneration strategy and, where information is available, verifying the appropriateness of existing remuneration levels using external sources for comparison; (ii) comparing the nature and amount of the Resulting Issuer’s directors’ and executive officers’ compensation to performance against goals set for the year while considering relevant comparative information, independent expert advice and the financial position of the Resulting Issuer; and (iii) making recommendations to the Resulting Issuer Board in respect of director and executive officer remuneration matters, with the overall objective of ensuring maximum shareholder benefit from the retention of high quality board and executive team members.

Biographies of Directors and Executive Officers

The following is a brief description of each of the proposed directors and executive officers of the Resulting Issuer. It is anticipated that the directors of the Resulting Issuer who are not also officers will attend approximately six to eight meetings of the Resulting Issuer Board per year. Other than described below, each officer of the Resulting Issuer will be an employee of the Resulting Issuer and will execute a non-competition and non-disclosure agreement with the Resulting Issuer.

Mark Brennan

Mr. Brennan, age 57, is the Chief Executive Officer, Co-Chairman and Director of Cerrado (since November 1, 2013) and will be employed in these same roles for the Resulting Issuer following the Merger, devoting a substantial amount

of his time to the Resulting Issuer. Mr. Brennan will be the chief executive with primary responsibility for the management of the Resulting Issuer, and oversight of the Resulting Issuer Board. Mr. Brennan is currently Executive Chairman of Ascendant Resources Inc. Prior to co-founding Ascendant, he was the President and Chief Executive Officer of Sierra Metals Inc., a multi-mine polymetallic producer, from April 2015 to March 2017. He was the President and Chief Executive Officer of Largo Resources Ltd., a greenfield to production mining company, from March 2005 to March 2015. He was the Co-Founder of Brasoil do Brasil Exploracao Petrolifera S.A., a private oil and gas producing exploration Corporation in Brazil. In addition, he has been President of Linear Capital Corporation, a private merchant bank, since February 1998, Founder and Chairman of Castle Resources Inc. and a director of James Bay Resources Limited since November 2007. Mr. Brennan has been a director of BB1 since March, 2018.

Stephen Shefsky

Mr. Shefsky, age 65, is the Co-Chairman and Director of Cerrado (since October 3, 2017) and will be employed in these roles for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. Mr. Shefsky will be responsible for the management and oversight of the Resulting Issuer Board. Mr. Shefsky has been the President and Chief Executive Officer of Cancap Investments Limited, a private merchant bank providing venture capital and project financing for private and public companies, since 1985. He is involved in strategic planning and corporate development of its investee companies in the mineral resources and technology sector. Mr. Shefsky is the Chief Executive Officer, President and a Director of James Bay Resources Limited (CSE:JBR) and Crestar Integrated Natural Resources Limited (CINL) since incorporation. Mr. Shefsky is currently Co-Chairman and Founder of Cerrado Gold. Mr. Shefsky is a founder and executive chairman of tiltr Corporation, a leading patent pending on demand recruitment technology platform that connects companies with immediately qualified employees. Mr. Shefsky was the co-founder of Brasoil do Brasil Exploracao Petrolifera S.A., a private oil and gas producing and exploration company operating in Brazil from 2006-2017. From 1996 to August 2007, Mr. Shefsky held the positions of the President and Chief Executive Officer, and a director, of Verena Minerals Corporation (TSXV:VML), a minerals exploration company with a focus on precious metal properties in Brazil (currently Belo Sun Mining Corp., (TSXV:BSX)). Mr. Shefsky is also a former director and the Executive Chairman of Castle Resources Inc. (TSXV:CRI) since February 2008 and July 2011, respectively until July 2014. Mr. Shefsky became the Chairman and director of Ascendant Resources Inc. in December 2009, and is currently a director. Mr. Shefsky was a Founder of Silver Bear Resources Inc. (TSX:SBR). Mr. Shefsky has been a director and Officer of BB1 since March, 2018. Mr. Shefsky holds a Bachelor of Arts from the University of Toronto, a Master of Science Degree in Urban Planning from Columbia University, and a Juris Doctor Degree from Pepperdine University School of law.

Kurt Menchen

Mr. Menchen, age 69, is the Chief Project Officer and a director of Cerrado (since April 19, 2018 and November 30, 2018, respectively) and will be employed in these roles for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. Mr. Menchen is the past-President of Operations, Brazil, of Largo Resources Ltd, and has over 37 years of experience operating and managing mining projects, including over 20 years as General Manager at the Jacobina Gold project in Bahia State, Brazil. His prior experience also includes Anglo American's Vaal Reefs underground gold mine in South Africa and De Beers Goldfields in Angola. Mr. Menchen holds a degree in mining engineering from the Federal University of Rio Grande do Sul, Brazil.

Robert Anderson Campbell

Mr. Campbell, age 66, is a director and VP Exploration of Cerrado (since November 30, 2018 and December 1, 2018, respectively) and will be employed in these roles for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. Mr. Campbell is an exploration geologist with over 42 years experience in the mining and exploration industry through Canada, United States and Latin America. He has worked for a number of major mining companies, most notably Noranda and Lac Minerals and is currently the Vice President of Exploration for Ascendant Resources. Mr. Campbell most recently worked with Largo Resources from its inception in November

2003 to November 2018 as Vice President of Exploration. He has also held other senior management positions such as Vice President of Exploration for Apogee Minerals Ltd.

Elmer Prata Salomão

Mr. Salomão, age 77, is a director of Cerrado (since November 30, 2018) and will be employed in this role for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. From 1990 to 1995, Mr. Salomão served as General Director of Brazil's National Department of Mineral Production, DNPM, the federal agency in charge of administration of mineral concessions and the implementation of Brazilian mining policy. Mr. Salomão is founder and now managing director of well recognized GEOS-Mining Services Ltda., originally incorporated in 1974, and is now managing director of EPS Consulting Ltda., a solely owned mining consulting company.

Jad Salomão Neto

Mr. Salomão, age 70, is a director of Cerrado (since November 30, 2018) and will be employed in this role for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. Mr. Salomão has 42 years of experience in mineral exploration & mining and project evaluation with both major and Junior company in Brazil and Canada. He has managed several base metals projects (in special massive sulphides and sedimentary copper), precious metals (gold, PGM), diamonds, Industrial minerals (Ilmenite) and gem (Emerald, Alexandrite) projects. He is presently a major shareholder of the company Monte Sinai Mineração Ltda., which holds the Serra Alta project. Together with his partner, Oscar Neto de Gouveia, Mr. Salomão founded Verena Mineração Ltda - which became a junior mining company listed in the Toronto Stock Market in Canada from 1996 through 2010 – Verena Minerals Corporation (VMC) – which is now known as Belo Sun Mining Corp. Mr. Salomão and Mr. Oscar Neto are credited with the discovery and definition of the Belo Sun Volta Grande deposit; a deposit with over 7 million ounces of gold.

Oscar Neto de Gouveia Carvalho

Mr. Neto, age 62, is a director of Cerrado (since November 30, 2018) and will be employed in this role for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. Mr. Neto worked as a field and project geologist for Billiton between 1980 to 1985 exploring for base metals in volcano-sedimentary environments in the states of Goiás and Pará. He also worked for BP Minerals in the state of Rondonia as a mine geologist at the Potosi Mine, 14 de Abril and Serra da Onça Mines, directly in charge of the mining operations. He also worked as Chief Project geologist for Master Incosa Engenharia S/A in gold exploration in the state of Pará. In late 1985, working with Brazilian geologist, Jad Salomão Neto, Neto started exploration for gold in the state of Tocantins, Brazil. In mid-1986, founded the company Verena Mineração Ltda. and started accumulating an extensive portfolio of gold in the municipalities of Porto Nacional, Natividade and Conceição, state of Tocantins, Brazil. Between 1988 and 1994, participated of several negotiations with major companies – RTZ (1989), Paranapanema (1991), Bank of Bahia (1993) and TVX (1994) – which spent close to US\$5 million on these properties. In 1996, together with his partner, Jad Salomão, Mr. Neto founded Verena Mineração Ltda - which became a junior mining company listed in the Toronto Stock Market in Canada from 1996 through 2010 – Verena Minerals Corporation (VMC) – which is now known as Belo Sun Mining Corp. Mr. Neto and Mr. Salomão are credited with the discovery and definition of the Belo Sun Volta Grande deposit; a deposit with over 6 million ounces of gold.

Jonathan Gilligan

Dr. Gilligan, age 59, was appointed to the Board of Directors of Cerrado Gold in October 2020 and will be employed in this role for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. Dr Gilligan is a senior mining executive with over 30-years of multi-commodity, international experience across advanced exploration, resource development, capital projects, technical services and mine operations. Currently he holds the role of Vice President, Automated Mine Design at Torex Gold and previously was with SSR Mining, as Vice President, Technical Services, Exploration and Projects Development. Prior to this, Dr Gilligan pursued a 17-year career at BHP, latterly serving as Deputy Project Director for the Olympic Dam Expansion Project and as Vice President, Special Projects in the Copper/Uranium Group, based in Adelaide, South Australia. Dr. Gilligan

graduated with a B.Sc. (Hons.) in Geology from University College London, UK and obtained a Ph.D. in Archean gold mineralisation from the University of Southampton, UK.

David Ball

Mr. Ball, age 38, was appointed to the Board of Directors of Cerrado Gold in October 2020 and will be employed in this role for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. Mr. Ball is currently Chief Financial Officer of Santiago Metals Limitada, a private Chilean based copper producer and portfolio company of US Private Equity group, Denham Capital. Prior to his current role he held several positions at Macquarie Capital, an Australian Investment Bank. During his career in the metals and mining sector, Mr. Ball has been actively involved in M&A, corporate advisory and fund raising of both equity and debt. Mr. Ball brings mining focused operational and capital markets experience from Australia, South East Asia and North America. Mr. Ball holds a Bachelor of Commerce with Distinction (Curtin University) and a Master of Finance (INSEAD).

Cliff Hale-Sanders

Mr. Hale-Sanders, age 52, is the President of Cerrado (since Feb. 24, 2020) and will be employed in this role for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. Mr. Hale-Sanders is one of the founding partners in the formation of Ascendant Resources Inc. Prior to this Mr. Hale-Sanders had a career that spanned over 20 years in the capital markets industry working as a leading base metals and bulk commodities research analyst in Canada working at RBC Capital Markets, TD Securities, CIBC World Markets and Cormark Securities. During this period, Mr. Hale-Sanders visited and reviewed numerous mining operations and corporate entities around the world. Mr. Hale-Sanders holds a B.Sc. in Geology and Chemistry, an MBA from McMaster University and is a CFA Charterholder.

Rohan Hazelton

Mr. Hazelton, age 47, is the Chief Financial Officer of Cerrado (since Feb. 24, 2020) and will be employed in this role for the Resulting Issuer following the Merger, devoting a substantial amount of his time to the Resulting Issuer. Mr. Hazelton is a Chartered Professional Accountant with over 20 years of international finance experience including 15 years in the mining sector. He was formerly Vice President, Strategy at Goldcorp Inc. where he held a variety of roles including Vice President Finance, Chief Financial Officer of Mexican Operations and Corporate Controller. He holds a B.A. in Applied Mathematics and Economics from Harvard University.

Maria Virginia Anzola

Ms. Anzola, age 48, is the General Counsel & Corporate Secretary of Cerrado (since Feb. 24, 2020) and will be employed in this role for the Resulting Issuer following the Merger, devoting a substantial amount of her time to the Resulting Issuer. Ms. Anzola has over 20 years of experience advising companies in the extraction industry. In her role as General Counsel, Ms. Anzola provides leadership and direction on all legal matters involving Ascendant and its operations. As Corporate Secretary, she is responsible for all matters relating to the Board of Directors, its committees, and the overall implementation of corporate governance best practices. Prior to joining Ascendant in 2017, Ms. Anzola served as Assistant General Counsel for Primero Mining Corp, and prior to that she served as Senior Counsel for Hudbay Minerals Inc. In addition, Ms. Anzola served as Consultant to the Tax Group of Borden Ladner Gervais LLP for over two years. Prior to moving to Canada, Ms. Anzola spent 11 years in private practice in her home country of Venezuela, mostly advising international companies engaged in the oil and gas business. Ms. Anzola has been called to the BAR in Ontario and Venezuela and has an LL.M from the University of Michigan, Ann Arbor and from Osgoode Hall Law School.

Promoter Consideration

Stephen Shefsky may be considered to be a current and former Promoter of BB1 in that he took the initiative in founding and organizing BB1. At the completion of the Consolidation, the Financing, and the Merger, Mr. Shefsky will hold 2,800,872 Resulting Issuer Shares, representing 4.87% of the issued and outstanding Resulting Issuer Shares, Resulting Issuer Options to purchase an additional 12,033 Resulting Issuer Shares and 466,666 Resulting Issuer RSUs to vest into Resulting Issuer Shares. Except as disclosed in this Filing Statement, Mr. Shefsky will not receive from

or provide to BB1, Cerrado, or the Resulting Issuer anything of value, including money, property, contracts, options or rights of any kind directly or indirectly.

Stephen Shefsky and Mark Brennan are considered to be current Promoters of Cerrado and will become Promoters of the Resulting Issuer following the completion of the Qualifying Transaction. Upon completion of the Qualifying Transaction, Mr. Shefsky will hold 2,800,872 Resulting Issuer Shares, representing 4.87% of the issued and outstanding Resulting Issuer Shares, Resulting Issuer Options to purchase an additional 12,033 Resulting Issuer Share and 233,33 Resulting Issuer RSUs to vest into Resulting Issuer Shares. Upon completion of the Qualifying Transaction, Mr. Brennan will hold 3,393,005 Resulting Issuer Shares, representing 5.90% of the issued and outstanding Resulting Issuer Shares, Resulting Issuer Options to purchase an additional 12,033 Resulting Issuer Shares and 800,000 Resulting Issuer RSUs to vest into Resulting Issuer Shares.

Except as otherwise disclosed in this Filing Statement, and other than Mr. Shefsky and Mr. Brennan receiving a salary of \$50,531 and \$299,574 per year, respectively, from the Resulting Issuer, Stephen Shefsky and Mark Brennan will not receive from or provide to BB1, Cerrado, or the Resulting Issuer anything of value, including money, property, contracts, options or rights of any kind directly or indirectly.

Cease Trade Orders or Bankruptcies

As at the date of this Filing Statement, no proposed director, officer or Promoter of the Resulting Issuer or a securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is, or has been, within 10 years before the date of this Filing Statement a director, officer or Promoter of any other person or company that, while that Person was acting in that capacity:

- (b) was subject to a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the Person is named in the order) or an order similar to a cease trade order or an order that denied the relevant company access to any exemption under applicable securities laws that was in effect for a period of more than 30 consecutive days; or
- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

As at the date of this Filing Statement, no proposed director, officer or Promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons has, within the 10 years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such persons.

As at the date of this Filing Statement, no proposed director, officer or Promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been subject to:

- (d) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would likely be considered important to a reasonable securityholder making a decision about the Merger.

Penalties or Sanctions

No proposed director, officer or Promoter of the Resulting Issuer or shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer or a personal holding corporation of such Persons is or has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions proposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision about the Qualifying Transaction.

Conflicts of Interest

Directors and officers of the Resulting Issuer may also serve as directors and/or officers of other companies engaged in the same line of business as the Resulting Issuer from time to time, or may have significant shareholdings in other mineral exploration and development companies. Accordingly, certain directors and officers of the Resulting Issuer may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's-length negotiations but only through exercise by the officers and directors of such judgment as is consistent with their fiduciary duties to the Resulting Issuer which arise under applicable corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Resulting Issuer. It is expected that all conflicts of interest will be resolved in accordance with the applicable corporate laws. It is expected that any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those Persons to the Resulting Issuer, and, depending upon the magnitude of the transactions and the absence of any disinterested board members, may be submitted to shareholders for their approval.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and Promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or Promoters of other reporting issuers:

Name	Reporting Issuer and Jurisdiction	Trading Market	Position	From	To
Mark Brennan	Vanadium One Iron Corp.	TSXV:VONE	Executive Chairman	May 2020	Present
	James Bay Resources Limited	CSE:JBR	Director	Nov. 2007	Present
	Ascendant Resources Inc.	TSX:ASND	Executive Chairman Director	July 2012 Dec. 2009	Present Present
	Sierra Metals Inc. Largo Resources Ltd.	TSX :SMT TSXV:LGO	President and CEO President, CEO	Apr. 2015 Mar. 2005	Mar. 2017 Mar. 2015
Stephen Shefsky	James Bay Resources Limited	CSE:JBR	President, CEO, Director	Nov. 2017	Present
	Ascendant Resources Inc.	TSX:ASND	Director	Dec. 2009	Present
Cliff Hale-Sanders	Vanadium One Iron Corp.	TSXV:VONE	President, CEO, Director	Oct. 2019	Present
	Ascendant Resources Inc.	TSX:ASND	Executive VP	Nov. 2016	Present
Kurt Menchen	Ascendant Resources Inc.	TSX:ASND	Director	Oct. 2015	Present

Name	Reporting Issuer and Jurisdiction	Trading Market	Position	From	To
	Largo Resources Ltd.	TSXV:LGO	President of Brazilian Operations	Jan. 2013	Dec. 2015
Robert Anderson Campbell	Ascendant Resources Inc.	TSX:ASND	Director, VP Exploration	Oct. 2011	Present
	Largo Resources Ltd.	TSXV:LGO	VP Exploration	Nov. 2003	Nov. 2018
Maria Virginia Anzola	Vanadium One Iron Corp.	TSXV:VONE	Director	Dec. 2019	Present
Rohan Hazelton	Ascendant Resources Inc.	TSX:ASND	CFO	Nov. 2016	Present
	Kore Mining Ltd.	TSXV:KORE	CEO	Feb. 2016	Aug. 2016
	Goldcorp Inc.	TSX: G	VP Strategy	Nov. 2012	Nov. 2015

Executive Compensation

Compensation Discussion and Analysis

The Resulting Issuer expects to provide a market-based blend of base salaries, bonuses and equity incentive components in the form of Resulting Issuer Options to further align the interests of management with the interests of the Resulting Issuer’s shareholders.

The Resulting Issuer expects to pay compensation to officers, directors, employees and consultants of the Resulting Issuer for their services. It is intended that compensation arrangements with the officers and managers of Cerrado will be continued as the compensation arrangements with the Resulting Issuer as disclosed under “*Information Concerning Cerrado – Executive Compensation*”.

Compensation of Directors

The compensation of directors will be determined following Closing. It is anticipated that non-management directors will be reimbursed for transportation and other out-of-pocket expenses incurred for attendance at board of directors meetings and in connection with discharging their director functions.

Indebtedness of Directors and Officers

To the knowledge of BB1 and Cerrado, no proposed director or officer of the Resulting Issuer is indebted to BB1 or Cerrado nor is any of their indebtedness to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by BB1 or Cerrado.

Investor Relations Arrangements

There is no written or oral agreement or understanding that has been reached with any Person to provide any promotional or investor relations services for the Resulting Issuer and no such arrangements are contemplated for the Resulting Issuer.

Options to Purchase Securities

The Resulting Issuer intends to grant 3,835,165 Resulting Issuer Options to directors and officers upon completion of the Merger in exchange for existing stock options of Cerrado and existing stock options of BB1 issued pursuant to the

BB1 Option Plan. The following table provides information regarding holders of Resulting Issuer Options that will be outstanding upon completion of the Merger, after giving effect to such grants.

Optionee	Number of Resulting Issuer Options⁽¹⁾	Exercise Price (\$)	Expiry Date
Proposed directors and officers as a group			
Stephen Shefsky ⁽²⁾⁽³⁾	12,033	0.831	November 30, 2023
	1,000,000	0.45	February 6, 2024
Mark Brennan ⁽²⁾⁽³⁾	12,033	0.831	November 30, 2023
	1,000,000	0.45	February 6, 2024
Kurt Menchen ⁽²⁾	750,000	0.45	February 27, 2024
Jad Salamao Neto ⁽²⁾	250,000	0.45	February 27, 2024
Oscar Neto de Gouveia ⁽²⁾	250,000	0.45	February 27, 2024
Robert Anderson Campbell ⁽²⁾	250,000	0.45	February 27, 2024
Elmer Prata Salamao ⁽²⁾	150,000	0.45	February 27, 2024
Maria Virginia Anzola ⁽²⁾	50,000	0.45	February 27, 2024
Any other person or company			
Jennifer Ta ⁽²⁾⁽³⁾	12,033	0.831	12 months following the Effective Date
	50,000	0.45	February 27, 2024
Solomon (Sam) Pillersdorf ⁽³⁾	12,033	0.831	12 months following the Effective Date
Eric Szustak ⁽³⁾	12,033	0.831	12 months following the Effective Date
	25,000	0.45	February 27, 2024
Wayne Egan ⁽³⁾	12,033	0.831	12 months following the Effective Date

Notes:

- (1) Each option is exercisable to purchase one Resulting Issuer Share.
- (2) Originally granted as stock options of Cerrado.
- (3) Originally granted pursuant to the BB1 Option Plan in connection with BB1's initial public offering.

Restricted Share Units

The Resulting Issuer intends to grant 4,770,002 Resulting Issuer RSUs to directors and officers upon completion of the Merger in exchange for existing Cerrado RSUs. The following table provides information regarding holders of Resulting Issuer RSUs that will be outstanding upon completion of the Merger, after giving effect to such awards.

Holder	Number of Resulting Issuer RSUs	Award Price (\$)	Vesting Date
Proposed directors and officers as a group			
Stephen Shefsky	233,333	0.50	June 24, 2021
	233,334	0.50	June 24, 2022
Mark Brennan	400,000	0.50	June 24, 2021
	400,000	0.50	June 24, 2022
Kurt Menchen	200,000	0.50	February 27, 2021
	241,666	0.50	June 24, 2021
	241,667	0.50	June 24, 2022
Jad Salamao Neto	50,000	0.50	June 24, 2021
	50,000	0.50	June 24, 2022
Oscar Neto de Gouveia	50,000	0.50	June 24, 2021
	50,000	0.50	June 24, 2022
Robert Anderson Campbell	200,000	0.50	February 27, 2021
	200,000	0.50	June 24, 2021
	200,000	0.50	June 24, 2022
Elmer Prata Salamao	66,667	0.50	February 27, 2021
	50,000	0.50	June 24, 2021
	50,000	0.50	June 24, 2022
Maria Virginia Anzola	25,000	0.50	February 27, 2021
	200,000	0.50	June 24, 2021
	200,000	0.50	June 24, 2022
Cliff Hale-Sanders	333,333	0.50	June 24, 2021
	333,334	0.50	June 24, 2022
Rohan Hazelton	200,000	0.50	June 24, 2021
	200,000	0.50	June 24, 2022
Jonathan Gilligan	50,000	0.80	November 13, 2021
	50,000	0.80	November 13, 2022
David Ball	50,000	0.80	November 13, 2021
	50,000	0.80	November 13, 2022
Any other person or company			
Jennifer Ta	16,667	0.50	February 27, 2021
	33,333	0.50	June 24, 2021
	33,334	0.50	June 24, 2022
Eric Szustak	11,667	0.50	February 27, 2021
	33,333	0.50	June 24, 2021
	33,334	0.50	June 24, 2022

Omnibus Incentive Plan

The Resulting Issuer will adopt the Omnibus Incentive Plan, which has been approved at the BB1 Meeting and will become effective upon Closing. The following description of the Omnibus Incentive Plan is a summary only and is qualified in its entirety by the full text of the Omnibus Incentive Plan. A copy of the Omnibus Incentive Plan may be inspected at no charge during regular business hours upon received written request one business day in advance at the principal offices of Cerrado until Closing, and at the principal offices of the Resulting Issuer for a period of 30 days thereafter.

Resulting Issuer Omnibus Incentive Plan

The following is a summary of the Omnibus Incentive Plan, which is qualified in its entirety by the full text of the Omnibus Incentive Plan.

The Omnibus Incentive Plan will be a fixed stock option plan, under which 20% of the outstanding Resulting Issuer Shares on Closing will be available for issuance thereunder. 11,475,100 Resulting Issuer Shares, representing 20% of the Resulting Issuer Shares issued and outstanding immediately after the completion of the Qualifying Transaction, would be issuable under the Omnibus Incentive Plan. The purpose of the Omnibus Incentive Plan is (i) to increase the interest in the Resulting Issuer's welfare to eligible participants who share responsibility for the management, growth and protection of the business; (ii) to provide incentive to continue services for the Resulting Issuer; (iii) to reward participants for their performance of services while working for the Resulting Issuer; and (iv) to provide a means through which the Resulting Issuer may attract and retain persons to enter its employment or service.

Key Terms of the Omnibus Incentive Plan:

- Purpose:** To attract and retain key talent who are necessary or essential to the Resulting Issuer's success, image, reputation or activities. It also allows the Resulting Issuer to reward key talent for their performance and greater align their interests with those of the Resulting Issuer's Shareholders.
- Eligible Participants:** Any employee, executive officer, director, or consultant of the Resulting Issuer or any of its subsidiaries is an "Eligible Participant" (as defined in the Omnibus Incentive Plan) and considered eligible to be selected to receive an Award (as defined herein) under the Omnibus Incentive Plan.
- Award Types:** The Omnibus Plan provides for the grant of Options and RSUs (each an "Award" and, collectively, the "Awards"). All Awards are granted by an agreement or other instrument or document evidencing the Award granted under the Omnibus Plan (an "Award Agreement").
- Share Reserve:** The maximum number of Common Shares of the Corporation available for issuance under the Omnibus Plan will not exceed 20% of the issued and outstanding Common Shares on the date the Corporation's Common Shares are listed for trading on the TSX, less the number of Common Shares subject to grants of Options under the Corporation's existing Option Plan and any other Share Compensation Arrangement (as defined in the Omnibus Plan) adopted by the Corporation. The share reserve will also be impacted by the "Share Counting" definitions as set out below.
- Share Counting:** Each common share subject to an RSU is counted as reserving one common share under the Omnibus Incentive Plan, and each common share subject to an Option is counted as reserving one common share under the Omnibus Incentive Plan.
- Share Recycling:** If an outstanding Award (or portion thereof) expires or is forfeited, surrendered, cancelled or otherwise terminated for any reason without having been exercised or settled in full, or if Common Shares acquired pursuant to an Award subject to forfeiture

are forfeited, the Common Shares covered by such Award, if any, will again be available for issuance under the Omnibus Incentive Plan. Common Shares will not be deemed to have been issued pursuant to the Omnibus Incentive Plan with respect to any portion of an Award that is settled in cash.

Director Participation Limit: The maximum number of Common Shares that may be made issuable pursuant to Awards made to all Non-Employee Directors (as defined in the Omnibus Incentive Plan) within any one-year period shall not exceed 1% of the number of Common Shares that are outstanding on a non-diluted basis (as of the commencement of such one-year period).

The annual grant of awards under the Omnibus Incentive Plan to an individual Non-Employee Director cannot exceed \$150,000 in value, of which no more than \$100,000 may be subject to Option grants.

Insider Limit: The maximum number of the Resulting Issuer's securities issuable to Insiders, at any time under the Plan, or when combined with all of the Resulting Issuer's other Share Compensation Arrangement, cannot exceed ten percent (10%) of the Resulting Issuer's total issued and outstanding securities.

The maximum number of the Corporation's securities issuable to Insiders, within any one-year period, under the Plan, or when combined with all of the Corporation's other Share Compensation Arrangement, cannot exceed ten percent (10%) of the Corporation's total issued and outstanding securities.

Employee and Non-Executive Limits: The maximum number of Common Shares that may be made issuable pursuant to Awards made to employees and Non-Employee Directors within any one-year period shall not exceed 5% of the outstanding Common Shares (as of the commencement of such one-year period).

Escrowed Securities

There are two categories of escrow which Resulting Issuer Shares may be subject to: (i) the CPC Escrowed Shares (BB1 Shares issued to non-arm's length parties of BB1), and (ii) the Value Security Escrowed Shares (Resulting Issuer Shares to be issued to principals of the Resulting Issuer). The CPC Escrowed Shares are subject to the CPC Escrow Agreement, while the Value Security Escrowed Shares will be subject to Value Security Escrow Agreements to be entered into by the Resulting Issuer, and TSX Trust Company as escrow agent, and each of the principals of the Resulting Issuer, on the terms and conditions prescribed by Exchange policies.

BB1 has applied to list the Resulting Issuer Shares issuable in connection with the Merger on the TSX. In order to meet the minimum listing requirements of the TSX, Cerrado must raise a minimum of C\$20,000,000 under the Subscription Receipt Financing. If the Resulting Issuer is successful in meeting the TSX's minimum listing requirements and receives acceptance for listing on the TSX, the Resulting Issuer Shares will not be subject to any escrow provisions. The following calculations have been completed based on the completion of a Minimum Listing Financing, in which case the Resulting Issuer would be eligible to list on the Exchange.

CPC Escrowed Shares

The CPC Escrowed Shares are held in escrow by TSX Trust Company pursuant to the terms of the CPC Escrow Agreement. The CPC Escrowed Shares are currently subject to the release schedule set out in "Schedule B(1) – CPC Escrow Securities" of Exchange Form 2F.

If the Resulting Issuer meets the Tier 1 listing requirements of the Exchange either at the time the Final Exchange Bulletin is issued or subsequently, then the release of the CPC Escrowed Shares will be accelerated. An accelerated escrow release for the CPC Escrowed Shares will not commence until the Exchange has issued a bulletin that

announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange. If the Resulting Issuer is successful in its application to list on the TSX, all CPC Escrowed Shares will be released upon listing.

The following table sets out, as of the date of this Filing Statement and to the knowledge of BB1 and Cerrado, the name and municipality of residence of each security holder whose securities will be CPC Escrowed Shares (on a non-diluted basis) assuming listing of the Resulting Issuer Shares on the Exchange.

Name and municipality of residence of security holder	Designation of Class	Prior to Giving Effect to the Merger ⁽¹⁾		After Giving Effect to the Consolidation, the Financings, and the Merger ⁽²⁾	
		Number of BB1 Shares held in CPC escrow	Percentage of class ⁽³⁾ (%)	Number of Resulting Issuer securities to be held in CPC escrow ⁽⁴⁾	Percentage of Resulting Issuer Shares ⁽⁵⁾
Stephen Shefsky <i>Toronto, Ontario</i>	BB1 Shares	1,600,000	10.67%	192,539	0.31%
Mark Brennan <i>Toronto, Ontario</i>	BB1 Shares	1,500,000	10.00%	180,505	0.29%
Jennifer Ta <i>Toronto, Ontario</i>	BB1 Shares	200,000	1.33%	24,067	0.04%
Solomon (Sam) Pillersdorf <i>Toronto, Ontario</i>	BB1 Shares	1,600,000	10.67%	192,539	0.31%
Eric Szustak <i>Toronto, Ontario</i>	BB1 Shares	500,000	3.33%	60,168	0.10%
Wayne Egan <i>Toronto, Ontario</i>	BB1 Shares	500,000	3.33%	60,168	0.10%

Notes:

- (1) Prior to completion of to the Consolidation, the Financing, and the Merger.
- (2) Stated on a *pro forma* basis, after giving effect to the Merger and the Financings, assuming completion of the Minimum Financing. See “*Information Concerning the Merger and the Financings*”.
- (3) Non-diluted. Based on a total number of 15,000,000 BB1 Shares outstanding.
- (4) Upon completion of the Merger, it is expected that the Resulting Issuer Shares will be listed in Tier 2 of the Exchange. Assuming that the Resulting Issuer Shares are listed in Tier 2 of the Exchange, upon issuance of the Final Exchange Bulletin, 10% of the CPC Escrowed Shares will be immediately released following the issuance of the Final Exchange Bulletin and the remaining CPC Escrowed Shares will be released in six equal tranches of 15% every six months thereafter.
- (5) Non-diluted. Based on a total number of 62,534,825 Resulting Issuer Shares outstanding after the Consolidation, the Financings, and the Merger, assuming completion of the Minimum Financing. In the event the LC Acquisition closes prior to the closing of the Merger, an additional 1,125,000 Resulting Issuer Shares will be issued in exchange for the Cerrado Shares issued pursuant to the LC Acquisition.

Resulting Issuer Escrowed Securities

Pursuant to Exchange Policy 5.4, upon listing of the Resulting Issuer Shares, all securities of the Resulting Issuer that are held by “principals” of the Resulting Issuer, other than those securities of the Resulting Issuer issued in connection with the Financings, must be placed into escrow, including:

- (f) a person or company who acted as a Promoter of BB1 and Cerrado within two years prior to the Merger;
- (g) a director or senior officer of BB1 and Cerrado or any of their material operating subsidiaries at the time of the Merger;
- (h) a person or company that holds securities carrying more than 20% of the voting rights attached to the Resulting Issuer’s outstanding securities immediately before and immediately after the Merger;

- (i) a person or company that:
- (i) holds securities carrying more than 10% of the voting rights attached to the Resulting Issuer’s outstanding securities immediately before and immediately after the Merger; and
 - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Resulting Issuer or any of its material operating subsidiaries.

Upon completion of the Qualifying Transaction, it is expected that there will be an aggregate of 22,609,165 Resulting Issuer Shares, an aggregate of 3,800,000 Resulting Issuer Options, 2,000,000 Resulting Issuer Warrants and an aggregate of 4,608,334 Resulting Issuer RSUs held pursuant to a value security escrow agreement (the “**Value Security Escrow Agreement**”) to be entered into by the Resulting Issuer and the Escrow Agent and the holders of Resulting Issuer Shares subject to such escrow requirements, being the “principals” of the Resulting Issuer who will hold securities of the Resulting Issuer on the Effective Date.

In addition, based on the Exchange’s analysis, certain “seed share resale restrictions” will be applicable to Resulting Issuer Shares held by non-“principals” of the Resulting Issuer: An aggregate of 1,619,995 Resulting Issuer Shares will be restricted in accordance with the Value Security Escrow Agreement (as defined in Policy 5.4 of the Exchange) (the “**Value Security Restricted Shares**”). Accordingly, an aggregate of 1,619,995 Resulting Issuer Shares will bear the prescribed legends setting out the applicable “seed share resale restrictions”, or, alternatively, will be deposited in escrow pursuant to a pooling agreement which may be entered into between the Resulting Issuer, the subject shareholders and the Escrow Agent. In addition, up to 2,254,325 Resulting Issuer Shares issued to Cerrado shareholders (other than “principals” of the Resulting Issuer) in exchange for Cerrado Shares under the Qualifying Transaction are expected to be subject to the Exchange’s seed share resale matrix under Policy 5.4, which requires such Resulting Issuer Shares to be held for four (4) months following Closing, with 20% to be released on Closing and 20% to be released each month thereafter.

The following table sets out, on a non-diluted basis, as of the date of this Filing Statement and to the knowledge of BB1 and Cerrado, the name and municipality of residence of each security holder whose securities will be Value Security Escrowed Shares.

After Giving Effect to the Consolidation, the Financing, and the Merger					
Name and municipality of residence of security holder	Resale Restriction	Number of Resulting Issuer Shares	Number of Resulting Issuer Options/Warrants	Number of Resulting Issuer RSUs	Percentage of Resulting Issuer Shares⁽¹⁾
Mark Brennan ⁽²⁾ <i>Toronto, Ontario</i>	Value Security Escrowed Securities	3,150,000	2,000,000	800,000	9.51%
Stephen Shefsky ⁽²⁾ <i>Toronto, Ontario</i>	Value Security Escrowed Securities	2,583,333	2,000,000	466,667	8.08%
Cliff Hale-Sanders <i>Belleville, Ontario</i>	Value Security Escrowed Securities	708,333	-	666,667	2.20%
Elmer Prata Salomao <i>Brasilia, Brazil</i>	Value Security Escrowed Securities	183,333	150,000	166,667	0.80%
Kurt Menchen <i>Ondina, Brazil</i>	Value Security Escrowed Securities	1,171,666	750,000	683,333	4.17%
Robert Anderson Campbell <i>Toronto, Ontario</i>	Value Security Escrowed Securities	650,000	250,000	600,000	2.40%

**After Giving Effect to the Consolidation, the
Financing, and the Merger**

Name and municipality of residence of security holder	Resale Restriction	Number of Resulting Issuer Shares	Number of Resulting Issuer Options/Warrants	Number of Resulting Issuer RSUs	Percentage of Resulting Issuer Shares ⁽¹⁾
Jad Solamao Neto <i>Porto Nacional, Brasil</i>	Value Security Escrowed Securities	50,000	350,000	100,000	0.80%
Oscar Neto de Gouveia <i>Palmas, Brasil</i>	Value Security Escrowed Securities	50,000	250,000	100,000	0.64%
Rohan Hazelton <i>Burlington, Ontario</i>	Value Security Escrowed Securities	212,500	-	400,000	0.96%
Maria Virginia Anzola <i>Oakville, Ontario</i>	Value Security Escrowed Securities	250,000	50,000	425,000	1.16%
Jonathan Gilligan <i>Toronto, Ontario</i>	Value Security Escrowed Securities	50,000	-	100,000	0.24%
David Ball <i>Santiago, Chile</i>	Value Security Escrowed Securities	50,000	-	100,000	0.24%
Monte Sinai Mineracao Ltda	Value Security Escrowed Securities	13,000,000	-	-	20.79%
Toby Gail Kruh	Value Security Escrowed Securities	500,000	-	-	0.80%
Non-“principals” ⁽³⁾	Restricted in accordance with the Value Security Escrow Agreement	1,619,995	-	-	2.59%
Non-“principals”	Seed Share Resale Restrictions	2,254,325	-	-	3.60%

Notes:

- (1) Presented on a non-diluted basis and based on a total number of 62,534,825 Resulting Issuer Shares outstanding after the Consolidation, the Financings, and the Merger, assuming the completion of the Minimum Financing. In the event the LC Acquisition closes prior to the closing of the Merger, an additional 1,125,000 Resulting Issuer Shares will be issued in exchange for the Cerrado Shares issued pursuant to the LC Acquisition.
- (2) Resulting Issuer Shares to be held by Mr. Brennan and Mr. Shefsky will be subject to the CPC Escrowed Shares.
- (3) Various current employees of Cerrado have been issued Cerrado Shares as remuneration pursuant to awards under the current RSU Plan. Any holders of Cerrado Shares issued upon vesting of such RSUs will be subject to the terms of the Value Security Escrow Agreement.

Terms of Escrow

The CPC Escrowed Shares and Value Security Restricted Shares may not be transferred without the approval of the Exchange for release or transfer, other than in specified circumstances set out in the applicable escrow agreement.

Lock-Up Agreements

In addition to the escrow described above, certain directors and officers of Cerrado have entered into lock-up agreements with the SW Agent pursuant to which they will not, directly or indirectly, issue, transfer, offer, sell, pledge or enter into any other agreement to transfer the economic consequences of any Resulting Issuer Shares held by them

(all securities issued pursuant to the Special Warrant Financing), for a period ending 180 days following the closing of the first tranche of the Special Warrant Financing.

Auditor, Transfer Agent and Registrar

The auditor of the Resulting Issuer is expected to be KPMG LLP at their principal offices in Toronto, Ontario, located at 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5, Canada.

TSX Trust Company, at its Toronto office located at 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1, will be appointed as the registrar and transfer agent of the Resulting Issuer Shares.

GENERAL MATTERS

Agents

Cerrado entered into the SW Agency Agreement pursuant to which the SW Agent agreed to act as agent and bookrunner in connection with the Special Warrant Financing. Pursuant to the Agency Agreement, the SW Agent acted on a “best-efforts” basis to effect the Special Warrant Financing, and received the SW Agent’s fees and the Financing Compensation Warrants for acting in such capacity. The Financing Compensation Warrants will be exchanged for Resulting Issuer Compensation Warrants pursuant to the Merger. See “*Information Concerning the Merger and the Financings – The Special Warrant Financing*”.

Cerrado has also entered into the SR Engagement Letter pursuant to which the SR Agents agreed to act as agents in connection with the Subscription Receipt Financing. Pursuant to the SR Engagement Letter the SR Agent will act on a “best-efforts” basis to effect the Subscription Receipt Financing, and received the SR Agent’s fees and the Broker Warrants for acting in such capacity. The Broker Warrants will be issued by the Resulting Issuer pursuant to the Merger. See “*Information Concerning the Merger and the Financings – The Subscription Receipt Financing*”.

Sponsorship

Pursuant to the Sponsorship Policy, sponsorship is required in conjunction with a Qualifying Transaction. BB1 intends to rely upon an exemption from the sponsorship requirement contained in subsection 3.4(a)(ii)(B)(II) of the Sponsorship Policy on the basis that the SR Agent will provide the Exchange with its confirmation that it has completed appropriate due diligence on both the Merger and this Filing Statement that is generally in compliance with the relevant standards and guidelines applicable in the Sponsorship Policy. As such, no sponsor has been engaged by BB1 in connection with the Merger.

Relationships

In connection with the Special Warrant Financing, Cerrado entered into the SW Agency Agreement with the SW Agent pursuant to which the SW Agent sold on a best-efforts agency basis, 8,845,750 Special Warrants for aggregate gross proceeds of \$7,076,600. See “*Information Concerning the Merger and the Financings – The Special Warrant Financing*”.

In connection with the Subscription Receipt Financing, Cerrado entered into the SR Engagement Letter with the SR Agents pursuant to which the SR Agents will sell on a best-efforts agency basis, up to 12,500,000 Special Warrants for aggregate gross proceeds of up to C\$25,000,000. See “*Information Concerning the Merger and the Financings – The Subscription Receipt Financing*”.

Experts

Interest of Experts

No Person, whose profession or business gives authority to a statement made by the Person and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement, holds any beneficial interest, directly or indirectly, in any property of

BB1, Cerrado or the Resulting Issuer or of an Associate or Affiliate of BB1, Cerrado or the Resulting Issuer, other than as described below.

Cerrado engaged Dr. Gilles Arseneau, P. Geo of SRK Consulting (Canada) Inc. to prepare the MDN Technical Report and Porfírio Cabaleiro Rodriguez, Bernardo Horta de Cerqueira Viana, and Paulo Roberto Bergmann Moreira, all of GE21 Consultoria Mineral, and B. Terrence Hennessey, , P. Geo. Micon, to prepare the MDC Technical Report. Dr. Gilles Arseneau, Mr. Porfírio Cabaleiro Rodriguez, Mr. Bernardo Horta de Cerqueira Viana, Mr. Paulo Roberto Bergmann Moreira and Mr. Terrence Hennessey are each “qualified persons” and considered “independent”, as such terms are defined in NI 43-101. All of the scientific and technical mining disclosure contained in this Filing Statement regarding the MDN Project and MDC Project has been reviewed and approved by Dr. Arseneau and Mr. Hennessey, respectively. The material under the headings “Information Concerning MDN Project” and “Information Concerning MDC Project” are extracts from the MDN Technical Report and MDC Technical Report, respectively.

All other scientific and technical mining disclosure contained in this Filing Statement has been reviewed and approved by Robert Anderson Campbell, VP Exploration of Cerrado and a “qualified person” for the purposes of NI 43-101.

MNP LLP, the auditors of BB1, audited the annual financial statements of BB1 for the period from incorporation (March 2, 2018) to December 31, 2019, and delivered the auditors’ reports thereon, copies of which are attached as Exhibit “C” to this Filing Statement. MNP LLP has confirmed that it is independent of BB1 in accordance with the rules of professional conduct of the Chartered Professional Accountants of Ontario.

KPMG LLP audited the financial statements of Cerrado for the period from January 1, 2017 to December 31, 2019 and delivered the respective auditors’ reports thereon, copies of which are attached as Exhibit “G” to this Filing Statement. The auditor of the Reporting issuer is expected to be KPMG LLP.

Other Material Facts

There are no material facts about BB1, Cerrado, the Resulting Issuer, or the Merger that are not disclosed under the preceding items and are necessary in order for the Filing Statement to contain full, true and plain disclosure of all material facts relating to BB1, Cerrado, and the Resulting Issuer, assuming completion of the Merger.

Board Approval

The BB1 Board has approved this Filing Statement. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than BB1, BB1 has relied upon information furnished by such person.

FINANCIAL STATEMENTS

The following financial statements and MD&A for each of BB1, Cerrado and the Resulting Issuer, as applicable, may be found attached hereto at Exhibits “A” through “M”, respectively:

- interim financial statements of BB1 for the six months ended June 30, 2020;
- MD&A of BB1 for the six months ended June 30, 2020;
- audited financial statements of BB1 for the year ended December 31, 2019 and for the period from incorporation on March 2, 2018 to December 31, 2018;
- MD&A of BB1 for the year ended December 31, 2019 and the period from incorporation on March 2, 2018 to December 31, 2018;
- interim financial statements of Cerrado for the three months ended June 30, 2020;
- MD&A of Cerrado for the six months ended June 30, 2020;
- audited consolidated financial statements of Cerrado for the years ended December 31, 2019, December 31, 2018 and December 31, 2017;
- MD&A of Cerrado for the years ended December 31, 2019, December 31, 2018 and December 31, 2017;
- interim financial statements of MDN for the period from January 1, 2020 to March 15, 2020;
- MD&A of MDN for the period from January 1, 2020 to March 15, 2020;
- audited consolidated financial statements of MDN for the years ended December 31, 2019, December 31, 2018 and December 31, 2017;
- MD&A of MDN for the years ended December 31, 2019, December 31, 2018 and December 31, 2017; and
- unaudited *pro forma* consolidated financial statements of the Resulting Issuer.

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CERTIFICATE OF THE ISSUER

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of BB1 Acquisition Corp. assuming Completion of the Qualifying Transaction.

“Stephen Shefsky”
Stephen Shefsky
Chief Executive Officer

“Jennifer Ta”
Jennifer Ta
Chief Financial Officer and
Corporate Secretary

ON BEHALF OF THE BOARD OF DIRECTORS

“Eric Szustak”
Eric Szustak

“Wayne Egan”
Wayne Egan

CERTIFICATE OF CERRADO GOLD INC.

The foregoing as it relates to Cerrado Gold Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Cerrado Gold Inc.

“Mark Brennan”
Mark Brennan
Chief Executive Officer and Co-
Chairman

“Cliff Hale-Sanders”
Cliff Hale-Sanders
President

ON BEHALF OF THE BOARD OF DIRECTORS

“Mark Brennan”
Mark Brennan

“Stephen Shefsky”
Stephen Shefsky

**EXHIBIT “A” –
INTERIM FINANCIAL STATEMENTS OF BB1 FOR THE THREE AND SIX MONTHS
ENDED JUNE 30, 2020**

BB1 ACQUISITION CORP.

**Unaudited Condensed Interim Financial
Statements**

**For the Three and Six Months Ended June 30,
2020 and 2019**

Expressed in Canadian Dollars

BB1 Acquisition Corp.
Unaudited Condensed Interim Statement of Financial Position
(In Canadian Dollars)
As at

	June 30, 2020 \$	December 31, 2019 \$
Assets		
Current Assets		
Cash	\$ 707,261	\$ 741,763
	\$ 707,261	\$ 741,763
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 9,019	\$ 13,971
	\$ 9,019	\$ 13,971
Shareholders' Equity		
Share capital (note 3)	813,259	813,259
Warrants (note 4)	27,000	27,000
Contributed Surplus (note 5)	45,000	45,000
Deficit	(187,017)	(157,467)
	698,242	727,792
	\$ 707,261	\$ 741,763

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

Nature of operations (note 1)
Subsequent event (note 10)

APPROVED BY THE BOARD

“Stephen Shefsky”

Stephen Shefsky
Director

“Mark Brennan”

Mark Brennan
Director

BB1 Acquisition Corp.
Unaudited Condensed Interim Statement of Loss and Comprehensive Loss
(In Canadian Dollars)
For the Periods Ended

	Three months ended June 30,		Six months ended June 30,	
	2020 \$	2019 \$	2020 \$	2019 \$
Expenses				
Professional fees (note 7)	1,873	10,888	19,396	36,120
Filing fees	5,876	-	5,876	8,619
Transfer agent fees	1,026	1,297	2,134	3,486
Office and general	22	1,151	2,144	2,202
Net loss and comprehensive loss for the period	(8,797)	(13,336)	(29,550)	(50,427)
Net loss per share – basic and diluted	(0.002)	(0.003)	(0.01)	(0.01)
Weighted average shares outstanding- basic and diluted	4,900,000	5,000,000	4,900,000	5,000,000

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

BB1 Acquisition Corp.
Unaudited Condensed Interim Statement of Cash Flows
(In Canadian Dollars)

For the six months ended

	June 30, 2020	June 30, 2019
	\$	\$
<hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(29,550)	(50,427)
Net Change in non-cash working capital		
Accounts payable and accrued liabilities	(4,952)	(4,226)
<hr/>		
Net change in cash	(34,502)	(54,653)
<hr/>		
Cash, beginning of the period	741,763	825,493
<hr/>		
Cash, end of the period	707,261	770,840
<hr/>		

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

BB1 Acquisition Corp.
Unaudited Condensed Interim Statement of Changes in Equity

(In Canadian Dollars)

For the Three and Six Months Ended June 30, 2020 and 2019

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Shareholders' Equity
Balance, December 31, 2019	15,000,000	\$ 813,259	\$ 45,000	\$ 27,000	\$ (157,467)	\$ 727,792
Net loss for the period	-	-	-	-	(29,550)	(29,550)
Balance, June 30, 2020	15,000,000	\$ 813,259	\$ 45,000	\$ 27,000	\$ (187,017)	\$ 698,242

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Shareholders' Equity
Balance, December 31, 2018	15,000,000	\$ 813,259	\$ 45,000	\$ 27,000	\$ (79,646)	\$ 805,613
Net loss for the period	-	-	-	-	(50,427)	(50,427)
Balance, June 30, 2019	15,000,000	\$ 813,259	\$ 45,000	\$ 27,000	\$ (130,073)	\$ 755,186

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

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

1. INCORPORATION AND NATURE OF BUSINESS

BB1 Acquisition Corp. (the "Corporation" or "BB1") was incorporated on March 2, 2018 under the Ontario Business Corporation. The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of a business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

There is no assurance that the Corporation will identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Company's shares from trading.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or \$150,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval.

The head office and the registered head office of the Corporation is located at 110 Yonge Street, Suite 501, Toronto, Ontario M5C 1T4.

On October 22, 2020 the Board of Directors approved the financial statements for the period ended June 30, 2020.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim financial statements of the Corporation were prepared in accordance with IFRS as issued by the International Accounting Standard Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim financial reporting. These unaudited condensed interim financial statements do not include all the information required for the full annual financial statements and should be read in conjunction with the most recent audited annual financial statements of the Corporation as at and for the year December 31, 2019. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

Statement of Compliance

The significant accounting policies applied in the Corporation's condensed interim financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") effective as of June 30, 2020.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Measurement

These unaudited condensed interim financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss.

These unaudited condensed interim financial statements are presented in Canadian dollars, which is also the Corporation's functional currency.

Financial Instruments

IFRS 9 includes requirements for recognition and measurement, impairment, derecognition, and general hedge accounting. Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified in the following measurement categories: fair value through profit or loss, or amortized cost.

Financial assets

The Corporation's sole financial asset is cash. Cash is measured at amortized cost and changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur.

Amortized Cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Fair value through profit or loss

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net profit or loss.

Classification

The Corporation determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (continued)

Impairment of financial assets

Financial assets not measured at FVTPL are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the financial assets, have had a negative effect on the fair value or estimated future cash flows of an asset. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities and are classified at amortized cost. Under this classification, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as interest expense.

The Corporation settles its accounts payable and accrued liabilities on a short-term basis and, therefore, the discounting and accretion of these financial liabilities are immaterial for the periods reported.

Amortized Cost

Financial liabilities measured at amortized cost, include borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities measured at amortized cost are subsequent measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

Derecognition of Financial Liabilities

The Corporation de-recognizes financial liabilities when the obligations are discharged, cancelled, or expire.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financing costs

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

Share-based compensation

The Corporation offers a share option plan for its directors, officers, employees and selected consultants. The stock option plan allows the Corporation's employees and consultants to acquire shares of the Corporation. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each period end, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Deferred taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous year.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Deferred taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss earnings per share

Basic loss earnings per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period which excludes shares held in escrow.

Diluted loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Corporation at their average market price for the period.

In periods that the Corporation reports a net loss, stock options are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

Significant Accounting Judgements and Estimates

The preparation of the condensed interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

Valuation of share-based compensation

The Corporation uses the Black-Scholes option pricing model to determine the fair value of employee stock options. This model requires assumptions of the expected future price volatility of the Corporation's common shares, expected life of options, future risk-free interest rates and the dividend yield of the Corporation's common shares.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

3. SHARE CAPITAL

- (a) **Authorized** - Unlimited common shares, with no par value
(b) **Issued** – 15,000,000 common shares

	#	\$
Balance, March 2, 2018	-	-
Shares Issued in seed round financing ⁽ⁱ⁾	10,000,000	500,000
Share issue costs (i)	-	(23,147)
Shares issued in connection with IPO ⁽ⁱⁱ⁾	5,000,000	500,000
Share issue costs (ii)	-	(163,594)
Balance, December 31, 2019 and June 30, 2020	15,000,000	813,259

- (i) In July 2018, the Corporation closed by way of a non-brokered private placement offering (the "Offering") 10,000,000 common shares in the capital of the Corporation at the price of \$0.05 per Common Share for gross proceeds of \$500,000. In connection with the Offering the Corporation paid \$23,147 in share issuance costs.
- (ii) On October 5, 2018, the Corporation issued 5,000,000 common shares at a price of \$0.10 per share pursuant to its Initial Public Offering ("IPO"). The proceeds of the Offering will be used by the Corporation to fund its search for a Qualifying Transaction within 24 months of the IPO. In consideration of services performed by the agent, the Corporation paid cash commission of 10% of the gross proceeds of the offering and reimbursed the agent for necessary and reasonable expenses. The agent was paid an administration fee of \$15,000 upon closing of the offering. The Corporation also granted Agent's Warrants to purchase up to 10% of the gross proceeds of the offering at a price of \$0.10 per common share. The Agent's warrants will be exercisable for a period of 24 months from the date of listing of the common shares on the TSX-V (Note 4). In connection with the IPO, the Corporation incurred \$163,594 in share issuance costs.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

3. SHARE CAPITAL (continued)

Escrowed Shares

The Corporation issued 10,000,000 common shares at \$0.05 per share for total proceeds of \$500,000.

Subject to an Escrow Agreement pursuant to the requirements of the Exchange, 10,100,000 common shares issued in July 2018 was held in escrow. Under the terms of the Escrow Agreement, these shares will be released as to 10% thereof on the completion of the Corporation's QT, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow until the final Exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

4. WARRANT RESERVE

	Number #	Amount \$
Balance, March 2, 2018	-	-
Agent Warrants issued ⁽ⁱ⁾	500,000	27,000
<hr/>		
<u>Balance, December 31, 2019, and June 30, 2020</u>	<u>500,000</u>	<u>27,000</u>

- (i) In connection with the IPO (Note 3 (ii)), the agent received 500,000 agent's warrants which entitle the holder to purchase one common share of the Corporation at a price of \$0.10 expiring on November 30, 2020. The estimated fair value of the finder's warrants of \$27,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.16% and an expected life of 2 years.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

5. SHARE-BASED COMPENSATION

On July 12, 2018, the Corporation established a stock option plan for its directors, officers and technical consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire within one year thereafter.

Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

On November 30, 2018, the Corporation granted an aggregate of 600,000 stock options to employees, consultants and management exercisable at \$0.10 per share exercisable up to November 30, 2023. The options are vested immediately. The estimated fair value of the options granted of \$45,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.16% and an expected life of 5 years.

The Corporation has the following share options outstanding at June 30, 2020:

Estimated Grant Date Fair Value \$	Outstanding Options #	Options Exercisable #	Exercise Price \$	Expiry Date
45,000	600,000	600,000	0.10	November 30, 2023

The weighted average remaining contractual life of the stock options exercisable at June 30, 2020 was 3.42 years

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Disclosures and Fair Values

The Corporation's financial instruments carried at amortized cost, consisting of accounts payable and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

7. RELATED PARTY TRANSACTIONS AND BALANCES

These unaudited condensed interim financial statements include balances and transactions with directors and officers of the Corporation and/or corporations related to them.

During the six-month period ended June 30, 2020, the Corporation incurred \$12,396 (June 30, 2019 - \$30,371) in legal fees for services provided by a law firm whose partner is a director of the Corporation. As of June 30, 2020, included in accounts payable and accrued liabilities is an accumulated balance of \$195 (June 30, 2019 - \$8,012) owing to this law firm.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the period ended June 30, 2020.

8. BUSINESS COMBINATION

On August 16, 2019, the Corporation entered into a definitive share exchange agreement (the "Definitive Agreement") with PlantExt Ltd. ("PlantExt"), pursuant to which PlantExt and BB1 were to effect a transaction that would result in a reverse takeover of BB1 by the shareholders of PlantExt (the "PlantExt Shareholders") (the "Transaction"). It was the intention of the parties that the corporation resulting from the Transaction (the "Resulting Issuer") would continue the business of PlantExt, and that the common shares of the Resulting Issuer would be listed and posted for trading on the Exchange. BB1 intended that the Transaction will constitute its Qualifying Transaction, as such term is defined in Policy 2.4 of the Exchange.

On January 24, 2020, the Corporation announced the termination of its proposed three-cornered amalgamation (the "PlantExt Transaction") with PlantExt.

The terms of the share exchange agreement between the parties effective as of August 16, 2019, (the "**Share Exchange Agreement**"), have now expired due to the inability of the parties to close the PlantExt Transaction before December 31, 2019 and the Share Exchange has automatically terminated. In accordance with the Share Exchange Agreement, PlantExt will reimburse the Corporation an aggregate of \$125,000 (US\$92,000) for costs and expenses incurred by BB1 in connection with the terminated PlantExt Transaction.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

8. BUSINESS COMBINATION (continued)

Pursuant to the Letter of Intent with CGI, the parties agreed that the Corporation would distribute to its shareholders the 9,200,000 units (the "**Units**") of PlantExt Ltd. ("**PlantExt**") it received in settlement of the US\$92,000 debt payable, by PlantExt to the Corporation relating to the break fee owing pursuant to the terminated Qualifying Transaction between the parties. The Units are comprised of one common share and one common share purchase warrant exercisable at US\$0.01 for a period of 2 years to acquire a common share of PlantExt. The Corporation's board of directors expects that the Units will be placed in a trust for the benefit of the Corporation's shareholders, determined at the date of closing the Qualifying Transaction (the "**Recipient Shareholders**"), and then to be distributed from the trust to the Recipient Shareholders upon PlantExt completing a going public transaction.

9. COVID-19 (coronavirus)

The global outbreak of COVID-19 had a significant impact on businesses through restrictions put in place by the Canadian government regarding travel, business operations and isolations/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business time, or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Corporation's business and financial condition.

As the global pandemic continues, the Corporation has implemented a plan to protect the health and safety of its employees and all stakeholders. The Corporation has implemented alternative working arrangements for all employees to work from home and closed its offices. The Corporation's operational activities are not particularly affected due to the ability of staff to perform tasks from home.

10. SUBSEQUENT EVENTS

BB1 and Cerrado Gold Inc. Letter of Intent (the "LOI").

On August 4, 2020, the Company and Cerrado Gold Inc. ("Cerrado") announced that they have entered into a binding Letter of Intent (the "LOI"). The LOI sets forth the general terms and conditions of a proposed transaction (the "Transaction") pursuant to which BB1 will acquire all of the issued and outstanding shares of Cerrado. The Transaction will constitute a "Qualifying Transaction" of BB1, as such term is defined in Policy 2.4 of the Corporate Finance Manual (the "Policy") of the TSX Venture Exchange (the "TSXV"). The LOI is to be superseded by a definitive agreement (the "Definitive Agreement") between BB1 and Cerrado with such agreement to include representations, warranties, conditions and covenants typical for a transaction of this nature. Completion of the proposed transaction is subject to a number of conditions including, but not limited to: (i) completion of mutually satisfactory due diligence reviews; (ii) execution of the Definitive Agreement; (iii) requisite shareholder approvals; and (iv) receipt of all requisite regulatory approvals relating to the Transaction, including, without limitation, the TSXV.

BB1 Acquisition Corp.
Notes to the Unaudited Condensed Interim Financial Statements
(In Canadian Dollars)
For the Three and Six Months Ended June 30, 2020 and 2019

10. SUBSEQUENT EVENTS (continued)

Cerrado Private Placement – first tranche

On August 27, 2020, BB1 and Cerrado announced that Cerrado has completed the first tranche of a brokered private placement (the "**Offering**") of special warrants ("**Special Warrants**") for aggregate gross proceeds of approximately US\$5,352,000.

The Offering has been completed in connection with the proposed business combination (the "Transaction") between Cerrado and BB1. Under the Offering, Cerrado issued an aggregate of 6,690,000 Special Warrants at a price of US\$0.80 per Special Warrant.

In the event that the Transaction has not occurred prior to 4:00 p.m. (Toronto time) on the date which is 180 days following the date of closing of the Offering, each unexercised Special Warrant will be deemed exercised and will automatically be exchanged for 1.1 Cerrado Shares without further payment or action by the holder thereof.

Cerrado Private Placement – second tranche

On September 14, 2020, BB1 and Cerrado announced that Cerrado has completed the second and final tranche of a brokered private placement of Special Warrants for aggregate gross proceeds of approximately US\$1,724,000. Total funds raised under the first and second tranche of the Offering were US\$7,076,600.

The Offering has been completed in connection with the Transaction between Cerrado and BB1.

Under the second tranche of the Offering, Cerrado issued an aggregate of 2,155,000 Special Warrants at a price of US\$0.80 per Special Warrant.

In the event that the Transaction has not occurred prior to 4:00 p.m. (Toronto time) on the date which is 180 days following the date of closing of the Offering, each unexercised Special Warrant will be deemed exercised and will automatically be exchanged for 1.1 Cerrado Shares without further payment or action by the holder thereof.

**EXHIBIT “B” –
MD&A OF BB1 FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**

BB1 ACQUISITION CORP.

Management's Discussion and Analysis

June 30, 2020 and 2019

Expressed in Canadian Dollars

NOTICE TO READER

BB1 Acquisition Corp. is re-filing its interim management's discussion and analysis for the quarter ended June 30, 2020 (the "**Report**") to reflect certain changes and adjustments, summarized below. The corrections do not affect or change the results reflected in the Report. All errors listed below were a result of oversight.

Net loss per share – basic and diluted on page 4 reported as \$(0.01) is changed to \$(0.002) as previously reported on the June 30, 2019 MD&A.

INTRODUCTION

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the period ended June 30, 2020 prepared as of August 19, 2020, should be read in conjunction with the unaudited condensed interim financial statements for the period ended June 30, 2020 and the related notes thereto of BB1 Acquisition Corp. ("the Corporation"). The MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Corporation.

The referenced unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRIC's") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

The following discussion and analysis may contain forward-looking statements which are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth in the following discussion.

COMPANY OVERVIEW

The Corporation was incorporated on March 2, 2018 under the Ontario Business Corporation. The Corporation's head office and registered office is located 110 Yonge Street Suite 501 Toronto, Ontario M5C 1T4.

PRIVATE PLACEMENT FINANCING

In July 2018, the Corporation closed by way of a non-brokered private placement offering (the "Offering") 10,000,000 common shares in the capital of the Corporation at the price of \$0.05 per Common Share for gross proceeds of \$500,000. In connection with the Offering the Corporation paid \$23,147 in share issuance costs.

PLANTEXT LETTER OF INTENT ("LOI")

On January 24, 2019, the Corporation entered into a binding LOI with Plantext Ltd. ("Plantext"). The LOI sets forth the general terms and conditions pursuant to which the Company and Plantext have agreed to complete a transaction (the "Transaction") that will result in a reverse take-over of BB1 by the shareholders of Plantext. It is intended that the Transaction will constitute the "Qualifying Transaction" of BB1 as such term is defined in Policy 2.4 of the Corporate Finance Manual (the "Policy") of the TSX Venture Exchange (the "TSXV").

Under the terms of the LOI, it is intended that Plantext and BB1 will enter into a business combination agreement (the "Definitive Agreement"), pursuant to which the Transaction will be completed by way of a share exchange, merger, amalgamation, arrangement or other similar form of transaction, the final structure of which will be subject to receipt by the parties of relevant tax, corporate and securities law advice.

Pre-Closing Capitalization of Plantext

Plantext is incorporated under Israeli corporate law and, as of the date hereof, has (a) 23,052,116 common shares issued and outstanding (the "Plantext Shares"), (b) 2,473,000 stock options exercisable to acquire 2,473,000 Plantext Shares (the "Plantext Options") and (c) 600,000 restricted stock units ("Plantext RSUs") (collectively, the "Plantext Securities"). The holders of Plantext Options and Plantext RSUs will receive options and restricted stock units of BB1 on the same economic terms as the Plantext Options and Plantext RSUs which they replace.

Terms of the Transaction

Prior to the completion of the Transaction, the BB1 Shares shall be consolidated at a ratio of approximately 7.15 pre-consolidation BB1 Shares for every 1 post-consolidation BB1 Share (each a "Post-Consolidation BB1 Share"). Upon completion of the Transaction there will be 2,250,000 BB1 Securities outstanding which will be held by current security holders of BB1.

Prior to or concurrently with closing of the Transaction, Plantext expects to complete a concurrent financing with arm's length subscribers (the "Concurrent Financing").

It is anticipated that the Plantext Shares will be attributed an aggregate value of approximately US\$23,000,000 (pre-money and non-diluted). The Plantext Shares will be acquired by BB1 in exchange for the issuance of 23,052,116 Post-Consolidation BB1 Shares. Prior to the completion of the Transaction, the total number of shares issuable by BB1 and the aggregate value of the Plantext Shares shall be adjusted to take into account the Concurrent Financing and any issuances of Plantext Options and Plantext RSUs that occur prior to the Transaction. BB1 shareholders will hold 2,250,000 Post-Consolidation BB1 Securities in total on closing of the Transaction.

On August 16, 2019, the Corporation entered into a definitive share exchange agreement (the "Definitive Agreement") with PlantExt Ltd. ("PlantExt"), pursuant to which PlantExt and BB1 were to effect a transaction that would result in a reverse takeover of BB1 by the shareholders of PlantExt (the "PlantExt Shareholders") (the "Transaction"). It was the intention of the parties that the corporation resulting from the Transaction (the "Resulting Issuer") would continue the business of PlantExt, and that the common shares of the Resulting Issuer would be listed and posted for trading on the Exchange. BB1 intended that the Transaction will constitute its Qualifying Transaction, as such term is defined in Policy 2.4 of the Exchange.

On January 24, 2020, the Corporation announced the termination of its proposed three-cornered amalgamation (the "PlantExt Transaction") with PlantExt.

The terms of the share exchange agreement between the parties effective as of August 16, 2019, (the "Share Exchange Agreement"), have now expired due to the inability of the parties to close the PlantExt Transaction before December 31, 2019 and the Share Exchange has automatically terminated. In accordance with the Share Exchange Agreement, PlantExt will reimburse the Corporation an aggregate of \$125,000 for costs and expenses incurred by BB1 in connection with the terminated PlantExt Transaction.

RESULTS OF OPERATIONS

The Corporation recorded a net loss of \$29,550 (\$0.01 per share) for the six-month period ended June 30, 2020 (June 30, 2019 - \$50,427).

As at June 30, 2020 the net loss and comprehensive loss consisted of professional fees - \$19,396 (June 30, 2019 - \$36,120), filing fees - \$5,876 (June 30, 2019 - \$8,619), transfer agent fees - \$2,134 (June 30, 2019 - \$3,486) and office and general expenses - \$2,144 (June 30, 2019 - \$2,202).

SUMMARY OF SELECTED QUARTERLY RESULTS

The following table sets forth selected financial information from the Corporation's most recently completed quarters.

	THREE MONTHS ENDED			
	June 30, 2020 \$	March 31, 2020 \$	December 31, 2019 \$	September 30, 2019 \$
Total assets	707,261	728,532	741,763	754,157
Working capital	698,436	707,037	727,792	731,927
Net loss	8,797	20,754	4,135	23,259
Net loss per share ⁽¹⁾	0.002	0.01	0.001	0.01

	THREE MONTHS ENDED			
	June 30, 2019 \$	March 31, 2019 \$	December 31, 2018 \$	September 30, 2018 \$
Total assets	770,440	810,530	825,493	538,360
Working capital	755,186	768,522	805,613	462,706
Net loss	13,336	37,091	57,011	22,635
Net loss per share ⁽¹⁾	0.003	0.01	0.01	0.01

⁽¹⁾The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants.

The fluctuation in net loss in the recent periods is mostly attributable to the charges in consulting and professional fees and in transfer agent and filing fees. Changes in total assets and working capital are a function of equity financings.

FINANCING ACTIVITIES

On October 5, 2018, the Corporation issued 5,000,000 common shares at a price of \$0.10 per share pursuant to its Initial Public Offering ("IPO"). The proceeds of the Offering will be used by the Corporation to fund its search for a Qualifying Transaction within 24 months of the IPO. In consideration of services performed by the agent, the Corporation paid cash commission of 10% of the gross proceeds of the offering and reimbursed the agent for necessary and reasonable expenses. The agent was paid an administration fee of \$15,000 upon closing of the offering. The Corporation also granted Agent's Warrants to purchase up to 10% of the gross proceeds of the offering at a price of \$0.10 per common share. The Agent's warrants will be exercisable for a period of 24 months from the date of listing of the common shares on the TSX-V. In connection with the IPO, the Corporation incurred \$163,594 in share issuance costs.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2020, the Corporation had cash of \$707,261 (June 30, 2019 - \$770,840) and a working capital of \$698,436 (June 30, 2019 - \$755,186). During the six-month period ended June 30, 2020, net cash used in operating activities was \$34,502 (June 30, 2019 - \$39,690). There were no financing activities during this period.

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital within a framework of acceptable risk. Capital is comprised of the Corporation's shareholders' equity and any debt that it may issue. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Corporation may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Corporation is dependent on the capital markets as its primary source of operating working capital and the Corporation's capital resources are largely determined by its ability to compete for investor support of its projects.

TRANSACTIONS WITH RELATED PARTIES

During the six-month period ended June 30, 2020, the Corporation incurred \$12,396 (June 30, 2019 - \$30,371) in legal fees for services provided by a law firm whose partner is a director of the Corporation. As of June 30, 2020, included in accounts payable and accrued liabilities is a balance of \$195 (June 30, 2019 - \$8,012) owing to this law firm.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the period ended June 30, 2020.

CURRENT SHARE DATA

As at the date of this MD&A, the Corporation has 15,000,000 common shares issued and outstanding, 500,000 warrants exercisable at \$0.10 per share until November 30, 2020 and 600,000 stock options exercisable at \$0.10 per share until November 30, 2023.

Subject to an Escrow Agreement pursuant to the requirements of the Exchange, 10,100,000 common shares issued in July 2018 was held in escrow. Under the terms of the Escrow Agreement, these shares will be released as to 10% thereof on the completion of the Corporation's QT, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow until the final Exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Corporation's unaudited condensed interim financial statements for period ended June 30, 2020. There was no material impact on the unaudited condensed interim financial statements as a result of the adoption of the accounting policies.

Significant judgments used in the preparation of these unaudited condensed interim financial statements include but are not limited to those relating to the deferred tax liabilities and assets.

BASIS OF PRESENTATION

These unaudited condensed interim financial statements have been prepared in accordance with IFRS on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

FINANCIAL INSTRUMENTS AND RISK

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

Fair value

The Corporation's financial instruments consist of cash and accounts payable and accrued liabilities. The carrying value of these financial instruments approximated their fair value because of the short-term nature of these instruments. Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	707,261	-	-	707,261

The Corporation is exposed to a variety of financial instrument related risks. The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at June 30, 2020, the Corporation had cash of \$707,261 (December 31, 2019 – \$741,763) and accounts payable and accrued liabilities of \$9,019 (December 31, 2019 - \$13,971).

Interest rate risk

The Corporation has cash balances and is not exposed to any significant interest rate risk.

RELATED PARTY TRANSACTIONS AND BALANCES

These unaudited condensed interim financial statements include balances and transactions with directors and officers of the Corporation and/or corporations related to them. During the six-month period ended June 30, 2020, the Corporation incurred \$12,396 (June 30, 2019 - \$30,371) in legal fees for services provided by a law firm whose partner is a director of the Corporation. As of June 30, 2020, included in accounts payable and accrued liabilities is an accumulated balance of \$195 (June 30, 2019 - \$8,012) owing to this law firm. There were no other transactions with related parties and no remuneration was paid to key management personnel during the period ended June 30, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

SUBSEQUENT EVENT

BB1 and Cerrado Gold Inc. Letter of Intent (the "LOI").

On August 4, 2020, the Company and Cerrado Gold Inc. ("Cerrado") announced that they have entered into a binding Letter of Intent (the "LOI"). The LOI sets forth the general terms and conditions of a proposed transaction (the "Transaction") pursuant to which BB1 will acquire all of the issued and outstanding shares of Cerrado. The Transaction will constitute a "Qualifying Transaction" of BB1, as such term is defined in Policy 2.4 of the Corporate Finance Manual (the "Policy") of the TSX Venture Exchange (the "TSXV"). The LOI is to be superseded by a definitive agreement (the "Definitive Agreement") between BB1 and Cerrado with such agreement to include representations, warranties, conditions and covenants typical for a transaction of this nature. Completion of the proposed transaction is subject to a number of conditions including, but not limited to: (i) completion of mutually satisfactory due diligence reviews; (ii) execution of the Definitive Agreement; (iii) requisite shareholder approvals; and (iv) receipt of all requisite regulatory approvals relating to the Transaction, including, without limitation, the TSXV.

Cerrado Private Placement – first tranche

On August 27, 2020, BB1 and Cerrado announced that Cerrado has completed the first tranche of a brokered private placement (the "**Offering**") of special warrants ("**Special Warrants**") for aggregate gross proceeds of approximately US\$5,352,000.

The Offering has been completed in connection with the proposed business combination (the "Transaction") between Cerrado and BB1. Under the Offering, Cerrado issued an aggregate of 6,690,000 Special Warrants at a price of US\$0.80 per Special Warrant.

In the event that the Transaction has not occurred prior to 4:00 p.m. (Toronto time) on the date which is 180 days following the date of closing of the Offering, each unexercised Special Warrant will be deemed exercised and will automatically be exchanged for 1.1 Cerrado Shares without further payment or action by the holder thereof.

Cerrado Private Placement – second tranche

On September 14, 2020, BB1 and Cerrado announced that Cerrado has completed the second and final tranche of a brokered private placement of Special Warrants for aggregate gross proceeds of approximately US\$1,724,000. Total funds raised under the first and second tranche of the Offering were US\$7,076,600.

The Offering has been completed in connection with the Transaction between Cerrado and BB1.

Under the second tranche of the Offering, Cerrado issued an aggregate of 2,155,000 Special Warrants at a price of US\$0.80 per Special Warrant.

In the event that the Transaction has not occurred prior to 4:00 p.m. (Toronto time) on the date which is 180 days following the date of closing of the Offering, each unexercised Special Warrant will be deemed exercised and will automatically be exchanged for 1.1 Cerrado Shares without further payment or action by the holder thereof.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Corporation have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim financial statements for the period ended March 31, 2019 and this accompanying MD&A (together, the "Quarterly Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The Corporation is currently subject to financial and regulatory risks. The financial risk is derived from the uncertainty pertaining to the Corporation's ability to raise capital to continue operations. Regulatory risks include the possible delays in getting regulatory approval for the transactions that the Board of Directors believe to be in the best interest of the Corporation, and include increased fees for filings and the introduction of ever more complex reporting requirements, the cost of which the Corporation must meet in order to maintain its exchange listing. There is also no assurance that the exploration of the Corporation's properties will be successful in its quest to find a commercially viable quantity of mineral resources.

GLOBAL PANDEMIC

The global outbreak of COVID-19 (coronavirus) had a significant impact on businesses through restrictions put in place by the Canadian government regarding travel, business operations and isolations/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business time, or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Corporation's business and financial condition.

As the global pandemic related to the Coronavirus disease 2019 ("COVID-19") continues, the Corporation has implemented a plan to protect the health and safety of its employees and all stakeholders. The Corporation has implemented alternative working arrangements for all employees to work from home and closed its offices. The Corporation's operational activities are not particularly affected due to the ability of staff to perform tasks from home.

OTHER INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS AND OFFICERS:

Stephen Shefsky	Chief Executive Officer and Director
Jennifer Ta	Chief Financial Officer and Corporate Secretary
Eric Szustak	Director
Solomon (Sam) Pillersdorf	Director
Mark Brennan	Director
Wayne Egan	Director

OFFICE LOCATION

Corporate Head Office

110 Yonge St.
Suite 501
Toronto, ON M5C 1T4

LEGAL COUNSEL

WeirFoulds, LLP

4100-66 Wellington St West
PO Box 35, TD Bank Tower
Toronto, Ontario, Canada M5K 1B7

AUDITOR

MNP, LLP

50 Burnhamthorpe Road West
Suite 900
Mississauga, Ontario, Canada L5B 3C2

REGISTRAR & TRANSFER AGENT

TSX Trust

301-100 Adelaide St West
Toronto, Ontario, Canada

BANKER

CIBC

1 Toronto St.
Toronto, Ontario, Canada M5C 2V6

**EXHIBIT “C” –
AUDITED FINANCIAL STATEMENTS OF BB1 FOR THE YEAR ENDED
DECEMBER 31, 2019 AND FOR THE PERIOD FROM INCORPORATION TO
DECEMBER 31, 2018**

BB1 ACQUISITION CORP.

Financial Statements

**For the Period from the Date of Incorporation
(March 2, 2018) to December 31, 2018**

Expressed in Canadian Dollars

Independent Auditor's Report

To the Shareholders of BB1 Acquisition Corp:

Opinion

We have audited the financial statements of BB1 Acquisition Corp. (the "Corporation"), which comprise the statement of financial position as at December 31, 2018, and the statements of loss and other comprehensive loss, changes in equity and cash flows for the period from March 2, 2018 (date of incorporation) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2018, and its financial performance and its cash flows for the period from March 2, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

Mississauga, Ontario

April 29, 2019

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

BB1 Acquisition Corp.
Statement of Financial Position
(In Canadian Dollars)
As at December 31, 2018

Assets

Current Assets

Cash	\$	825,493
		\$ 825,493

Liabilities

Current Liabilities

Accounts payable and accrued liabilities (note 8)	\$	19,880
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Shareholders' Equity

Share capital (note 3)	813,259
Warrants (note 4)	27,000
Contributed Surplus (note 5)	45,000
Deficit	(79,646)
805,613	
\$ 825,493	

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

Nature of operations and going concern (note 1)
Subsequent events (Note 9)

APPROVED BY THE BOARD

“Stephen Shefsky”

Stephen Shefsky
Director

“Mark Brennan”

Mark Brennan
Director

BB1 Acquisition Corp.
Statement of Loss and Comprehensive Loss

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

Expenses

Professional fees (note 7)	\$	26,644
Filing fees		7,690
Office and general		312
Share-based compensation (note 5)		45,000

Net loss and comprehensive loss for the period **\$ (79,646)**

Net loss per share – basic and diluted **\$ (0.06)**

Weighted average shares outstanding- basic and diluted **1,430,921**

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

BB1 Acquisition Corp.
Statement of Cash Flows

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss for the period	\$ (79,646)
Adjustment to reconcile net loss to net cash used in operating activities	
Share-based compensation	45,000
Net change in non-cash working capital	19,880
	<hr/> 14,766

CASH FLOWS FROM FINANCING ACTIVITIES

Private Placement	1,000,000
Share issue costs	(159,741)
	<hr/>

Net change in cash **840,259**

Cash, beginning of the period **-**

Cash, end of the period **\$ 825,493**

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

BB1 Acquisition Corp.
Statement of Changes in Equity

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Shareholders' Equity
Balance March 2, 2018	-	\$ -	\$ -	\$ -	\$ -	\$ -
Private placements (note 3)	15,000,000	1,000,000	-	-	-	1,000,000
Warrants (note 4)	-	-	-	27,000	-	27,000
Share Issue Costs (note 3)	-	(186,741)	-	-	-	(186,741)
Share based compensation (note 5)	-	-	45,000	-	-	45,000
Net loss for the period	-	-	-	-	(79,646)	(79,646)
Balance, December 31, 2018	15,000,000	\$ 813,259	\$ 45,000	\$ 27,000	\$ (79,646)	\$ 805,613

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

BB1 Acquisition Corp.

Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

1. INCORPORATION AND NATURE OF BUSINESS

BB1 Acquisition Corp. (the "Corporation" or "BB1") was incorporated under the Ontario Business Corporation. The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash and deferred financing fees. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of a business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

There is no assurance that the Company will identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Company's shares from trading.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or \$150,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval.

The head office and the registered head office of the Corporation is located at 110 Yonge Street, Suite 501, Toronto, Ontario M5C 1T4.

On April 29, 2019, the Board of Directors approved the financial statements for the year ended December 31, 2018.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The significant accounting policies applied in the Corporation's financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") effective as of December 31, 2018.

Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss.

These financial statements are presented in Canadian dollars, which is also the Corporation's functional currency.

BB1 Acquisition Corp.

Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

IFRS 9 includes requirements for recognition and measurement, impairment, derecognition, and general hedge accounting. Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified in the following measurement categories: fair value through profit or loss, or amortized cost.

Financial assets

The Corporation's sole financial asset is cash. Cash is measured at amortized cost and changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur.

Amortized Cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Fair value through profit or loss

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net profit or loss.

Classification

The Corporation determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs.

BB1 Acquisition Corp.

Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (continued)

Impairment of financial assets

Financial assets not measured at FVTPL are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the financial assets, have had a negative effect on the fair value or estimated future cash flows of an asset. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities and are classified at amortized cost. Under this classification, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as interest expense.

The Corporation settles its accounts payable and accrued liabilities on a short-term basis and, therefore, the discounting and accretion of these financial liabilities are immaterial for the periods reported.

Amortized Cost

Financial liabilities measured at amortized cost, include borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities measured at amortized cost are subsequent measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

Derecognition of Financial Liabilities

The Corporation de-recognizes financial liabilities when the obligations are discharged, cancelled, or expire.

BB1 Acquisition Corp.
Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financing costs

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

Share-based compensation

The Corporation offers a share option plan for its directors, officers, employees and selected consultants. The stock option plan allows the Corporation's employees and consultants to acquire shares of the Corporation. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each period end, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Deferred taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous year.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

BB1 Acquisition Corp.

Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Deferred taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss earnings per share

Basic loss earnings per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period which excludes shares held in escrow.

Diluted loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Corporation at their average market price for the period.

In periods that the Corporation reports a net loss, stock options are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

Significant Accounting Judgements and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

Valuation of share-based compensation

The Corporation uses the Black-Scholes option pricing model to determine the fair value of employee stock options. This model requires assumptions of the expected future price volatility of the Corporation's common shares, expected life of options, future risk-free interest rates and the dividend yield of the Corporation's common shares.

Foreign Currency

The financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

BB1 Acquisition Corp.

Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Accounting standards and interpretations issued but not yet effective

The following new accounting standards and interpretations have been published, but have not been applied in the preparation of these financial statements:

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

The eventual application of these standards is not expected to have a significant impact on the Corporation's financial statements.

IFRIC 23 Uncertainty Over Income Tax Treatments

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If any entity concludes it is probably that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistent with the tax treatment used or planned to be used in its income tax filings. If any entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 will be effective for annual periods beginning on or after January 1, 2019. The Corporation does not expect IFRS 23 to have a material impact on its financial statements.

3. SHARE CAPITAL

(a) **Authorized** - Unlimited common shares, with no par value

(b) **Issued** – 15,000,000 common shares

	#	\$
Balance, March 2, 2018	-	-
Shares Issued in seed round financing ⁽ⁱ⁾	10,000,000	500,000
Share issue costs (i)	-	(23,147)
Shares issued in connection with IPO ⁽ⁱⁱ⁾	5,000,000	500,000
Share issue costs (ii)		(163,594)
Balance, December 31, 2018	15,000,000	813,259

BB1 Acquisition Corp.

Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

3. SHARE CAPITAL (Cont'd)

- (i) In July 2018, the Corporation closed by way of a non-brokered private placement offering (the "Offering") 10,000,000 common shares in the capital of the Corporation at the price of \$0.05 per Common Share for gross proceeds of \$500,000. In connection with the Offering the Corporation paid \$23,147 in share issuance costs.
- (ii) On October 5, 2018, the Corporation issued 5,000,000 common shares at a price of \$0.10 per share pursuant to its Initial Public Offering ("IPO"). The proceeds of the Offering will be used by the Corporation to fund its search for a Qualifying Transaction within 24 months of the IPO. In consideration of services performed by the agent, the Corporation paid cash commission of 10% of the gross proceeds of the offering and reimbursed the agent for necessary and reasonable expenses. The agent was paid an administration fee of \$15,000 upon closing of the offering. The Corporation also granted Agent's Warrants to purchase up to 10% of the gross proceeds of the offering at a price of \$0.10 per common share. The Agent's warrants will be exercisable for a period of 24 months from the date of listing of the common shares on the TSX-V (Note 4). In connection with the IPO, the Corporation incurred \$163,594 in share issuance costs.

Escrowed Shares

The Corporation issued 10,000,000 common shares at \$0.05 per share for total proceeds of \$500,000.

Subject to an Escrow Agreement pursuant to the requirements of the Exchange, 10,000,000 common shares issued in July 2018 will be held in escrow. Under the terms of the Escrow Agreement, these shares will be released as to 10% thereof on the completion of the Corporation's QT, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow until the final Exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

BB1 Acquisition Corp.
Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

4. WARRANT RESERVE

	Number	Amount
	#	\$
Balance, March 2, 2018	-	-
Agent Warrants issued ⁽ⁱ⁾	500,000	27,000
<hr/>		
Balance, December 31, 2018	500,000	27,000

- (i) In connection with the IPO (Note 3 (ii)), the agent received 500,000 agent's warrants which entitle the holder to purchase one common share of the Corporation at a price of \$0.10 expiring on November 30, 2020. The estimated fair value of the finder's warrants of \$27,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.16% and an expected life of 2 years.

5. SHARE-BASED COMPENSATION

On July 12, 2018, the Corporation established a stock option plan for its directors, officers and technical consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire within one year thereafter.

Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

On November 30, 2018, the Corporation granted an aggregate of 600,000 stock options to employees, consultants and management exercisable at \$0.10 per share exercisable up to November 30, 2023. The options are vested immediately. The estimated fair value of the options granted of \$45,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.16% and an expected life of 5 years. Share-based compensation for the period ended December 31, 2018 amounted to \$45,000.

The Company has the following share options outstanding at December 31, 2018:

Estimated Grant Date Fair Value	Outstanding Options	Options Exercisable	Exercise Price	Expiry Date
\$	#	#	\$	
45,000	600,000	600,000	0.10	November 30, 2023

The weighted average remaining contractual life of the stock options exercisable at December 31, 2018 was 4.92 years

BB1 Acquisition Corp.

Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

Risk Disclosures and Fair Values

The Corporation's financial instruments carried at amortized cost, consisting of accounts payable and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

7. DEFERRED TAX

The reconciliation of the combined Canadian federal and provincial statutory income tax at 26.5% to the effective tax rate is as follows:

	Year 2018
Net loss for the period	\$ (79,646)
Expected income tax recovery	\$ (21,106)
Share-based compensation	11,925
Share issuance costs booked to equity	(39,797)
Change in tax benefits not recognized	48,978
Income tax recovery	\$ -

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Share issuance costs	\$ 125,078
Non-capital losses carried forward	\$ 59,744

The non-capital loss carry forwards expire as noted in the table below:

Year 2038	\$ 59,744
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BB1 Acquisition Corp.

Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

8. RELATED PARTY TRANSACTIONS AND BALANCES

During the period ended December 31, 2018, the Corporation incurred legal fees for services provided by a law firm whose partner is a director of the Corporation. An amount of \$58,360 has been included in share issue costs. Included in accounts payable and accrued liabilities is \$1,780 balance owing to this law firm.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the period ended December 31, 2018.

All transactions with operations.

9. SUBSEQUENT EVENTS

On January 24, 2019, the Corporation entered into a binding Letter of Intent (the "LOI") with Plantext Ltd. ("Plantext"). The LOI sets forth the general terms and conditions pursuant to which the Company and Plantext have agreed to complete a transaction (the "Transaction") that will result in a reverse take-over of BB1 by the shareholders of Plantext. It is intended that the Transaction will constitute the "Qualifying Transaction" of BB1 as such term is defined in Policy 2.4 of the Corporate Finance Manual (the "Policy") of the TSX Venture Exchange (the "TSXV").

Under the terms of the LOI, it is intended that Plantext and BB1 will enter into a business combination agreement (the "Definitive Agreement"), pursuant to which the Transaction will be completed by way of a share exchange, merger, amalgamation, arrangement or other similar form of transaction, the final structure of which will be subject to receipt by the parties of relevant tax, corporate and securities law advice.

Pre-Closing Capitalization of BB1

As of the date hereof, the Corporation has 15,000,000 issued and outstanding common shares (each a "**BB1 Share**") and securities exercisable or exchangeable for, or convertible into, or other rights to acquire, an aggregate of 1,100,000 BB1 Shares at an exercise price of \$0.10 per BB1 Share (collectively with the BB1 Shares, the "**BB1 Securities**").

The BB1 Shares are currently listed on the TSXV under the symbol "**BBA.P**". The BB1 Shares are currently halted from trading and are expected to remain halted pending the completion of the Transaction.

Pre-Closing Capitalization of Plantext

Plantext is incorporated under Israeli corporate law and, as of the date hereof, has (a) 23,052,116 common shares issued and outstanding (the "**Plantext Shares**"), (b) 2,473,000 stock options exercisable to acquire 2,473,000 Plantext Shares (the "**Plantext Options**") and (c) 600,000 restricted stock units ("**Plantext RSUs**") (collectively, the "**Plantext Securities**"). The holders of Plantext Options and Plantext RSUs will receive options and restricted stock units of BB1 on the same economic terms as the Plantext Options and Plantext RSUs which they replace.

Terms of the Transaction

Prior to the completion of the Transaction, the BB1 Shares shall be consolidated at a ratio of approximately 7.15 pre-consolidation BB1 Shares for every 1 post-consolidation BB1 Share (each a "**Post-Consolidation BB1 Share**"). Upon completion of the Transaction there will be 2,250,000 BB1 Securities outstanding which will be held by current securityholders of BB1.

BB1 Acquisition Corp.

Notes to Financial Statements

(In Canadian Dollars)

For the Period from the Date of Incorporation (March 2, 2018) to December 31, 2018

9. SUBSEQUENT EVENTS (Cont'd)

Prior to or concurrently with closing of the Transaction, Plantext expects to complete a concurrent financing with arm's length subscribers (the "**Concurrent Financing**").

It is anticipated that the Plantext Shares will be attributed an aggregate value of approximately US\$23,000,000 (pre-money and non-diluted). The Plantext Shares will be acquired by BB1 in exchange for the issuance of 23,052,116 Post-Consolidation BB1 Shares. Prior to the completion of the Transaction, the total number of shares issuable by BB1 and the aggregate value of the Plantext Shares shall be adjusted to take into account the Concurrent Financing and any issuances of Plantext Options and Plantext RSUs that occur prior to the Transaction. BB1 shareholders will hold 2,250,000 Post-Consolidation BB1 Securities in total on closing of the Transaction.

BB1 ACQUISITION CORP.

Financial Statements

**For the year ended December 31, 2019 and for
the Period from March 2, 2018 (date of
incorporation) to December 31, 2018**

Expressed in Canadian Dollars

Independent Auditor's Report

To the Shareholders of BB1 Acquisition Corp.:

Opinion

We have audited the financial statements of BB1 Acquisition Corp. (the "Corporation"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2019 and for the period from March 2, 2018 (date of incorporation) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and for the period from March 2, 2018 to December 31, 2018, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

Mississauga, Ontario

March 11, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

BB1 Acquisition Corp.
Statements of Financial Position
(In Canadian Dollars)
As at December 31,

	2019	2018
Assets		
Current Assets		
Cash	\$ 741,763	\$ 825,493
	\$ 741,763	\$ 825,493
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 13,971	\$ 19,880
	\$ 13,971	\$ 19,880
Shareholders' Equity		
Share capital (note 3)	813,259	813,259
Warrants (note 4)	27,000	27,000
Contributed surplus (note 5)	45,000	45,000
Deficit	(157,467)	(79,646)
	727,792	805,613
	\$ 741,763	\$ 825,493

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

Nature of operations (note 1)
Subsequent event (note 10)

APPROVED BY THE BOARD

“Stephen Shefsky”

Stephen Shefsky
Director

“Mark Brennan”

Mark Brennan
Director

BB1 Acquisition Corp.
Statements of Loss and Comprehensive Loss

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

	2019	2018
Expenses		
Professional fees (note 8)	\$ 61,383	\$ 26,644
Filing fees	8,619	7,690
Transfer agent fees	5,431	-
Office and general	2,388	312
Share-based compensation (note 5)	-	45,000
Net loss and comprehensive loss for the year/period	\$(77,821)	\$(79,646)
Net loss per share – basic and diluted	\$ (0.02)	\$ (0.01)
Weighted average shares outstanding- basic and diluted	4,900,000	1,430,921

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

BB1 Acquisition Corp.
Statements of Cash Flows

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (77,821)	\$ (79,646)
Adjustments to reconcile net loss to net cash used in operating activities		
Share based compensation	-	45,000
Net change in non-cash working capital	(5,909)	19,880
	(83,730)	(14,766)
CASH FLOWS FROM FINANCING ACTIVITIES		
Private Placement	-	1,000,000
Share issue costs	-	(159,741)
Net change in cash	(83,730)	840,259
Cash, beginning of the year/period	825,493	-
Cash, end of the year/period	\$ 741,763	\$ 825,493

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

BB1 Acquisition Corp.
Statements of Changes in Equity

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Shareholders' Equity
Balance, March 2, 2018	-	\$ -	\$ -	\$ -	\$ -	\$ -
Private placement (note 3)	15,000,000	1,000,000	-	-	-	1,000,000
Warrants (note 4)	-	-	-	27,000	-	27,000
Share issue costs (note 3)	-	(186,741)	-	-	-	(186,741)
Share based compensation (note 5)	-	-	45,000	-	-	45,000
Net loss and comprehensive loss for the period	-	-	-	-	(79,646)	(79,646)
Balance, December 31, 2018	15,000,000	\$ 813,259	\$ 45,000	\$ 27,000	\$ (79,646)	\$ 805,613
Net loss and comprehensive loss for the year	-	-	-	-	(77,821)	(77,821)
Balance, December 31, 2019	15,000,000	\$ 813,259	\$ 45,000	\$ 27,000	\$ (157,467)	\$ 727,792

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

BB1 Acquisition Corp.

Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

1. INCORPORATION AND NATURE OF BUSINESS

BB1 Acquisition Corp. (the "Corporation" or "BB1") was incorporated on March 2, 2018 under the Ontario Business Corporation. The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of a business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

There is no assurance that the Corporation will identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Corporation's shares from trading.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or \$150,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval.

The head office and the registered head office of the Corporation is located at 110 Yonge Street, Suite 501, Toronto, Ontario M5C 1T4.

On March 11, 2020 the Board of Directors approved the financial statements for the year ended December 31, 2019.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The significant accounting policies applied in the Corporation's financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") effective as of December 31, 2019.

Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss.

These financial statements are presented in Canadian dollars, which is also the Corporation's functional currency.

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

IFRS 9 includes requirements for recognition and measurement, impairment, derecognition, and general hedge accounting. Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified in the following measurement categories: fair value through profit or loss, or amortized cost.

Financial assets

The Corporation's sole financial asset is cash. Cash is measured at amortized cost and changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur.

Amortized Cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Fair value through profit or loss

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net profit or loss.

Classification

The Corporation determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs.

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (continued)

Impairment of financial assets

Financial assets not measured at FVTPL are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the financial assets, have had a negative effect on the fair value or estimated future cash flows of an asset. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities and are classified at amortized cost. Under this classification, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as interest expense.

The Corporation settles its accounts payable and accrued liabilities on a short-term basis and, therefore, the discounting and accretion of these financial liabilities are immaterial for the periods reported.

Amortized Cost

Financial liabilities measured at amortized cost, include borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

Derecognition of Financial Liabilities

The Corporation de-recognizes financial liabilities when the obligations are discharged, cancelled, or expire.

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financing costs

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

Share-based compensation

The Corporation offers a share option plan for its directors, officers, employees and selected consultants. The stock option plan allows the Corporation's employees and consultants to acquire shares of the Corporation. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each period end, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Deferred taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous year.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the consumption of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Deferred taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period which excludes shares held in escrow.

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Corporation at their average market price for the period.

In periods that the Corporation reports a net loss, stock options are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

Significant Accounting Judgements and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

Valuation of share-based compensation

The Corporation uses the Black-Scholes option pricing model to determine the fair value of employee stock options. This model requires assumptions of the expected future price volatility of the Corporation's common shares, expected life of options, future risk-free interest rates and the dividend yield of the Corporation's common shares.

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New accounting standards adopted

The following new accounting standards and interpretations have been published and applied in the preparation of these financial statements:

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019. There was no material impact on the financial statements as a result of the adoption of this amendment.

3. SHARE CAPITAL

(a) **Authorized** - Unlimited common shares, with no par value

(b) **Issued** – 15,000,000 common shares

	#	\$
Balance, March 2, 2018	-	-
Shares Issued in seed round financing ⁽ⁱ⁾	10,000,000	500,000
Share issue costs (i)	-	(23,147)
Shares issued in connection with IPO ⁽ⁱⁱ⁾	5,000,000	500,000
Share issue costs (ii)	-	(163,594)
Balance, December 31, 2018 and 2019	15,000,000	813,259

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

3. SHARE CAPITAL (continued)

- (i) In July 2018, the Corporation closed by way of a non-brokered private placement offering (the "Offering") 10,000,000 common shares in the capital of the Corporation at the price of \$0.05 per Common Share for gross proceeds of \$500,000. In connection with the Offering the Corporation paid \$23,147 in share issuance costs.

- (ii) On October 5, 2018, the Corporation issued 5,000,000 common shares at a price of \$0.10 per share pursuant to its Initial Public Offering ("IPO"). The proceeds of the Offering will be used by the Corporation to fund its search for a Qualifying Transaction within 24 months of the IPO. In consideration of services performed by the agent, the Corporation paid cash commission of 10% of the gross proceeds of the offering and reimbursed the agent for necessary and reasonable expenses. The agent was paid an administration fee of \$15,000 upon closing of the offering. The Corporation also granted Agent's Warrants to purchase up to 10% of the gross proceeds of the offering at a price of \$0.10 per common share. The Agent's warrants will be exercisable for a period of 24 months from the date of listing of the common shares on the TSX-V (Note 4). In connection with the IPO, the Corporation incurred \$163,594 in share issuance costs.

Escrowed Shares

Subject to an Escrow Agreement pursuant to the requirements of the Exchange, 10,100,000 common shares issued in July 2018 was held in escrow. Under the terms of the Escrow Agreement, these shares will be released as to 10% thereof on the completion of the Corporation's QT, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow until the final Exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

4. WARRANT RESERVE

	Number	Amount
	#	\$
Balance, March 2, 2018	-	-
Agent Warrants issued ⁽ⁱ⁾	500,000	27,000
<hr/>		
Balance, December 31, 2018 and 2019	500,000	27,000

- (i) In connection with the IPO (Note 3 (ii)), the agent received 500,000 agent's warrants which entitle the holder to purchase one common share of the Corporation at a price of \$0.10 expiring on November 30, 2020. The estimated fair value of the finder's warrants of \$27,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.16% and an expected life of 2 years.

5. SHARE-BASED COMPENSATION

On July 12, 2018, the Corporation established a stock option plan for its directors, officers and technical consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire within one year thereafter.

Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

On November 30, 2018, the Corporation granted an aggregate of 600,000 stock options to employees, consultants and management exercisable at \$0.10 per share exercisable up to November 30, 2023. The options are vested immediately. The estimated fair value of the options granted of \$45,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.16% and an expected life of 5 years.

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

5. SHARE-BASED COMPENSATION (continued)

The Corporation has the following share options outstanding at December 31, 2019 and 2018:

Estimated Grant Date Fair Value \$	Outstanding Options #	Options Exercisable #	Exercise Price \$	Expiry Date
45,000	600,000	600,000	0.10	November 30, 2023

The weighted average remaining contractual life of the stock options exercisable at December 31, 2019 was 3.91 years (2018 – 4.91).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

Risk Disclosures and Fair Values

The Corporation's financial instruments carried at amortized cost, consisting of accounts payable and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

7. DEFERRED TAX

The reconciliation of the combined Canadian federal and provincial statutory income tax at 26.5% (2018 – 26.5%) to the effective tax rate is follows:

	December 31, 2019	December 31, 2018
Net loss for the period	\$ (77,821)	\$ (79,646)
Expected income tax recovery	\$ (20,623)	\$ (21,106)
Share-based compensation	-	11,925
Share issuance costs booked to equity	-	(39,797)
Change in tax benefits not recognized	20,623	48,978
Income tax recovery	\$ -	\$ -

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Share issuance costs	\$ 90,106	\$ 125,078
Non-capital losses carried forward	\$ 167,857	\$ 59,744

The non-capital loss carry forwards expire as noted in the table below:

Year 2038	\$ 59,744
Year 2039	\$ 107,857

8. RELATED PARTY TRANSACTIONS AND BALANCES

These financial statements include balances and transactions with directors and officers of the Corporation and/or corporations related to them.

During the year ended December 31, 2019, the Corporation incurred \$43,582 (December 31, 2018 - \$58,360) in legal fees for services provided by a law firm whose partner is a director of the Corporation. As of December 31, 2019, included in accounts payable and accrued liabilities is an accumulated balance of \$1,822 (December 31, 2018 - \$1,780) owing to this law firm. This amount has been paid subsequent to year end.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the year ended December 31, 2019.

BB1 Acquisition Corp.
Notes to the Financial Statements

(In Canadian Dollars)

For the Year Ended December 31, 2019 and for the Period from March 2, 2018 (date of incorporation) to December 31, 2018

9. BUSINESS COMBINATION

On August 16, 2019, the Corporation entered into a definitive share exchange agreement (the "Definitive Agreement") with PlantExt Ltd. ("PlantExt"), pursuant to which PlantExt and BB1 were to effect a transaction that would result in a reverse takeover of BB1 by the shareholders of PlantExt (the "PlantExt Shareholders") (the "Transaction"). It was the intention of the parties that the corporation resulting from the Transaction (the "Resulting Issuer") would continue the business of PlantExt, and that the common shares of the Resulting Issuer would be listed and posted for trading on the Exchange. BB1 intended that the Transaction will constitute its Qualifying Transaction, as such term is defined in Policy 2.4 of the Exchange.

10. SUBSEQUENT EVENT

On January 24, 2020, the Corporation announced the termination of its proposed three-cornered amalgamation (the "PlantExt Transaction") with PlantExt.

The terms of the share exchange agreement between the parties effective as of August 16, 2019, (the "**Share Exchange Agreement**"), have now expired due to the inability of the parties to close the PlantExt Transaction before December 31, 2019 and the Share Exchange has automatically terminated. In accordance with the Share Exchange Agreement, PlantExt will reimburse the Corporation an aggregate of \$126,467 for costs and expenses incurred by BB1 in connection with the terminated PlantExt Transaction.

**EXHIBIT “D” –
MD&A OF BB1 FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31,
2018**

BB1 ACQUISITION CORP.

Management's Discussion and Analysis

December 31, 2018

Expressed in Canadian Dollars

BB1 ACQUISITION CORP.
Management's Discussion and Analysis
For the year ended December 31, 2018

INTRODUCTION

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2018 prepared as of April 29, 2019, should be read in conjunction with the audited financial statements for the year ended December 31, 2018 and the related notes thereto of Broome Capital Inc. ("the Company"). The MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company.

The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRIC's") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

The following discussion and analysis may contain forward-looking statements which are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth in the following discussion.

COMPANY OVERVIEW

The Company was incorporated on March 2, 2018 under the Ontario Business Corporation. The Company's head office and registered office is located 110 Yonge Street Suite 501 Toronto, Ontario M5C 1T4.

SUBSEQUENT EVENTS

On January 24, 2019, the Company entered into a binding Letter of Intent (the "LOI") with Plantext Ltd. ("Plantext"). The LOI sets forth the general terms and conditions pursuant to which the Company and Plantext have agreed to complete a transaction (the "Transaction") that will result in a reverse take-over of BB1 by the shareholders of Plantext. It is intended that the Transaction will constitute the "Qualifying Transaction" of BB1 as such term is defined in Policy 2.4 of the Corporate Finance Manual (the "Policy") of the TSX Venture Exchange (the "TSXV").

Under the terms of the LOI, it is intended that Plantext and BB1 will enter into a business combination agreement (the "Definitive Agreement"), pursuant to which the Transaction will be completed by way of a share exchange, merger, amalgamation, arrangement or other similar form of transaction, the final structure of which will be subject to receipt by the parties of relevant tax, corporate and securities law advice

BB1 ACQUISITION CORP.
Management's Discussion and Analysis
For the year ended December 31, 2018

SUBSEQUENT EVENTS (Cont'd)

Pre-Closing Capitalization of Plantext

Plantext is incorporated under Israeli corporate law and, as of the date hereof, has (a) 23,052,116 common shares issued and outstanding (the "**Plantext Shares**"), (b) 2,473,000 stock options exercisable to acquire 2,473,000 Plantext Shares (the "**Plantext Options**") and (c) 600,000 restricted stock units ("**Plantext RSUs**") (collectively, the "**Plantext Securities**"). The holders of Plantext Options and Plantext RSUs will receive options and restricted stock units of BB1 on the same economic terms as the Plantext Options and Plantext RSUs which they replace.

Terms of the Transaction

Prior to the completion of the Transaction, the BB1 Shares shall be consolidated at a ratio of approximately 7.15 pre-consolidation BB1 Shares for every 1 post-consolidation BB1 Share (each a "**Post-Consolidation BB1 Share**"). Upon completion of the Transaction there will be 2,250,000 BB1 Securities outstanding which will be held by current security holders of BB1.

Prior to or concurrently with closing of the Transaction, Plantext expects to complete a concurrent financing with arm's length subscribers (the "**Concurrent Financing**").

It is anticipated that the Plantext Shares will be attributed an aggregate value of approximately US\$23,000,000 (pre-money and non-diluted). The Plantext Shares will be acquired by BB1 in exchange for the issuance of 23,052,116 Post-Consolidation BB1 Shares. Prior to the completion of the Transaction, the total number of shares issuable by BB1 and the aggregate value of the Plantext Shares shall be adjusted to take into account the Concurrent Financing and any issuances of Plantext Options and Plantext RSUs that occur prior to the Transaction. BB1 shareholders will hold 2,250,000 Post-Consolidation BB1 Securities in total on closing of the Transaction.

PRIVATE PLACEMENT FINANCING

In July 2018, the Corporation closed by way of a non-brokered private placement offering (the "**Offering**") 10,000,000 common shares in the capital of the Corporation at the price of \$0.05 per Common Share for gross proceeds of \$500,000. In connection with the Offering the Corporation paid \$23,147 in share issuance costs.

BB1 ACQUISITION CORP.
Management's Discussion and Analysis
For the year ended December 31, 2018

SELECTED ANNUAL INFORMATION

	December 31, 2018 \$
Total assets	825,493
Working capital	805,613
Expenses	79,646
Loss and comprehensive loss	79,646
Net loss per share ⁽¹⁾	0.06

⁽¹⁾The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants.

The Company has no revenue, paid no dividends and had no long-term liabilities during the period from incorporation March 2, 2018 through December 31, 2018.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$79,646 (\$0.06 per share) for the year ended December 31, 2018.

Note in the material operational expenses:

Share-based compensation of \$45,000 – On November 30, 2018, the Corporation granted an aggregate of 600,000 stock options to employees, consultants and management exercisable at \$0.10 per share exercisable up to November 30, 2023. The options are vested immediately. The estimated fair value of the options granted of \$45,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.16% and an expected life of 5 years. Share based compensation for the period ended December 31, 2018 amounted to \$45,000.

Professional fees of \$26,644 consist mainly of accounting and legal fees. The professional fees during the year ended December 31, 2018 were incurred mainly with the objective of identifying and completing a qualifying transaction.

Transfer agent and filing fees of \$7,690 stock transfer and regulatory fees.

BB1 ACQUISITION CORP.
Management's Discussion and Analysis
For the year ended December 31, 2018

SUMMARY OF SELECTED QUARTERLY RESULTS (UNAUDITED)

The following table sets forth selected financial information from the Company's unaudited quarterly financial statements for each of the eight most recently completed quarters.

	THREE MONTHS ENDED	
	Dec 31, 2018 \$	Sep 30, 2018 \$
Total assets	825,493	538,360
Working capital	805,613	462,706
Net loss	79,646	22,635
Net loss per share ⁽¹⁾	0.01	0.00

⁽¹⁾The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants.

The fluctuation in net loss in the recent periods is mostly attributable to the charges in consulting and professional fees and in transfer agent and filing fees. Changes in total assets and working capital are a function of equity financings, less operating costs of the Company.

FOURTH QUARTER

The Company recorded a net loss of \$57,011 (\$0.01 per share) for the quarter ended December 31, 2018.

FINANCING ACTIVITIES

On October 5, 2018, the Corporation issued 5,000,000 common shares at a price of \$0.10 per share pursuant to its Initial Public Offering ("IPO"). The proceeds of the Offering will be used by the Corporation to fund its search for a Qualifying Transaction within 24 months of the IPO. In consideration of services performed by the agent, the Corporation paid cash commission of 10% of the gross proceeds of the offering and reimbursed the agent for necessary and reasonable expenses. The agent was paid an administration fee of \$15,000 upon closing of the offering. The Corporation also granted Agent's Warrants to purchase up to 10% of the gross proceeds of the offering at a price of \$0.10 per common share. The Agent's warrants will be exercisable for a period of 24 months from the date of listing of the common shares on the TSX-V. In connection with the IPO, the Corporation incurred \$163,594 in share issuance costs.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had cash of \$825,493 and a working capital of \$805,613. During the year ended December 31, 2018, net cash used in operating activities was \$14,766. Financing activities consisted of net proceeds of \$840,259 received from the private placement financing.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital within a framework of acceptable risk. Capital is comprised of the Company's shareholders' equity and any debt that it may issue. 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. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating working capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

BB1 ACQUISITION CORP.
Management's Discussion and Analysis
For the year ended December 31, 2018

TRANSACTIONS WITH RELATED PARTIES

During the period ended December 31, 2018, the Corporation incurred legal fees for services provided by a law firm whose partner is a director of the Corporation. An amount of \$58,360 has been included in share issue costs. Included in accounts payable and accrued liabilities is \$1,780 balance owing to this law firm.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the period ended December 31, 2018.

CURRENT SHARE DATA

As at the date of this MD&A, the Company has 15,000,000 common shares issued and outstanding, 500,000 warrants exercisable at \$0.10 per share until November 30, 2020 and 600,000 stock options exercisable at \$0.10 per share until November 30, 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited financial statements for year ended December 31, 2018. These accounting policies can have a significant impact on the Company's financial performance and financial position of the Company.

Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the deferred tax liabilities and assets.

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with IFRS on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

FINANCIAL INSTRUMENTS AND RISK

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

Fair value

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The carrying value of these financial instruments approximated their fair value because of the short-term nature of these instruments. Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	825,493	-	-	825,493

The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

BB1 ACQUISITION CORP.
Management's Discussion and Analysis
For the year ended December 31, 2018

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at December 31, 2018, the Company had cash of \$825,493 and accounts payable and accrued liabilities of \$19,880.

Interest rate risk

The Company has cash balances and is not exposed to any significant interest rate risk.

NEW STANDARD AND INTERPRETATIONS NOT YET ADOPTED

The Company has not yet applied the following new standards, interpretations or amendments to standards that have been issued as at December 31, 2018 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations and intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material, unless otherwise stated. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 16, *Leases* ("IFRS 16") specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company does not expect IFRS 16 to have a material impact on its financial statements.

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If any entity concludes it is probably that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistent with the tax treatment used or planned to be used in its income tax filings. If any entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 will be effective for annual periods beginning on or after January 1, 2019. The Company does not expect IFRS 23 to have a material impact on its financial statements.

BB1 ACQUISITION CORP.
Management's Discussion and Analysis
For the year ended December 31, 2018

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the year ended December 31, 2018 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The Company is currently subject to financial and regulatory risks. The financial risk is derived from the uncertainty pertaining to the Company's ability to raise capital to continue operations. Regulatory risks include the possible delays in getting regulatory approval for the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings and the introduction of ever more complex reporting requirements, the cost of which the Company must meet in order to maintain its exchange listing. There is also no assurance that the exploration of the Company's properties will be successful in its quest to find a commercially viable quantity of mineral resources.

OTHER INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

BB1 ACQUISITION CORP.
Management's Discussion and Analysis
For the year ended December 31, 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS AND OFFICERS:

Stephen Shefsky	Chief Executive Officer and Director
Jennifer Ta	Chief Financial Officer and Corporate Secretary
Eric Szustak	Director
Solomon (Sam) Pillersdorf	Director
Mark Brennan	Director
Wayne Egan	Director

OFFICE LOCATION

Corporate Head Office

110 Yonge St.
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REGISTRAR & TRANSFER AGENT

TSX Trust

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BANKER

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Toronto, Ontario, Canada M5C 2V6

BB1 ACQUISITION CORP.

Management's Discussion and Analysis

**For the year ended December 31, 2019 and for the
Period from March 2, 2018 (date of incorporation)
to December 31, 2018**

Expressed in Canadian Dollars

INTRODUCTION

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2019 prepared as of March 11, 2020, should be read in conjunction with the audited financial statements for the year ended December 31, 2019 and the related notes thereto of BB1 Acquisition Corp. ("the Corporation"). The MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Corporation.

The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRIC's") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

The following discussion and analysis may contain forward-looking statements which are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth in the following discussion.

CORPORATION OVERVIEW

The Corporation was incorporated on March 2, 2018 under the Ontario Business Corporation Act. The Corporation's head office and registered office is located 110 Yonge Street Suite 501 Toronto, Ontario M5C 1T4.

PRIVATE PLACEMENT FINANCING

In July 2018, the Corporation closed by way of a non-brokered private placement offering (the "Offering") 10,000,000 common shares in the capital of the Corporation at the price of \$0.05 per Common Share for gross proceeds of \$500,000. In connection with the Offering the Corporation paid \$23,147 in share issuance costs.

BUSINESS COMBINATION

On August 16, 2019, the Corporation entered into a definitive share exchange agreement (the "Definitive Agreement") with PlantExt Ltd. ("PlantExt"), pursuant to which PlantExt and BB1 were to effect a transaction that would result in a reverse takeover of BB1 by the shareholders of PlantExt (the "PlantExt Shareholders") (the "Transaction"). It was the intention of the parties that the corporation resulting from the Transaction (the "Resulting Issuer") would continue the business of PlantExt, and that the common shares of the Resulting Issuer would be listed and posted for trading on the Exchange. BB1 intended that the Transaction will constitute its Qualifying Transaction, as such term is defined in Policy 2.4 of the Exchange.

RESULTS OF OPERATIONS

For the year ended December 31, 2019, the Corporation recorded net loss of \$77,821 (December 31, 2018 - \$79,646). The Corporation incurred \$61,383 (December 31, 2018 - \$26,644) in professional fees, \$8,619 in filing fees (December 31, 2018 - \$7,690) \$5,431 in transfer agent fees (December 31, 2018 - \$nil) and \$2,388 in office and general expenses (December 31, 2018 - \$312).

SELECTED ANNUAL AND QUARTERLY INFORMATION

	2019 \$	2018 \$
Total assets	741,763	825,493
Working capital	727,792	805,613
Expenses	77,821	79,646
Loss and comprehensive loss	77,821	79,646
Net loss per share ⁽¹⁾	0.02	0.06

⁽¹⁾The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants.

The Corporation has no revenue, paid no dividends and had no long-term liabilities during the year ended December 31, 2019.

SUMMARY OF SELECTED QUARTERLY RESULTS

The following table sets forth selected financial information from the Corporation's most recently completed quarters.

	THREE MONTHS ENDED			
	December 31, 2019 \$	September 30, 2019 \$	June 30, 2019 \$	March 31 2019 \$
	Total assets	741,763	754,157	770,440
Working capital	727,792	731,927	755,186	768,522
Net loss	77,821	23,259	13,336	37,091
Net loss per share ⁽¹⁾	0.02	0.01	0.01	0.01

	THREE MONTHS ENDED			
	December 31 2018 \$	September 30, 2018 \$	June 30, 2018 \$	March 31, 2018 \$
	Total assets	825,493	538,360	494,350
Working capital	805,613	462,706	466,668	500,000
Net loss	79,646	22,635	18,673	-
Net loss per share ⁽¹⁾	0.01	0.01	.01	0.01

⁽¹⁾The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants.

The fluctuation in net loss in the recent periods is mostly attributable to the charges in consulting and professional fees and in transfer agent and filing fees. Changes in total assets and working capital are a function of equity financings.

FINANCING ACTIVITIES

On October 5, 2018, the Corporation issued 5,000,000 common shares at a price of \$0.10 per share pursuant to its Initial Public Offering ("IPO"). The proceeds of the Offering will be used by the Corporation to fund its search for a Qualifying Transaction within 24 months of the IPO. In consideration of services performed by the agent, the Corporation paid cash commission of 10% of the gross proceeds of the offering and reimbursed the agent for necessary and reasonable expenses. The agent was paid an administration fee of \$15,000 upon closing of the offering. The Corporation also granted Agent's Warrants to purchase up to 10% of the gross proceeds of the offering at a price of \$0.10 per common share. The Agent's warrants will be exercisable for a period of 24 months from the date of listing of the common shares on the TSX-V. In connection with the IPO, the Corporation incurred \$163,594 in share issuance costs.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2019, the Corporation had cash of \$741,763 (December 31, 2018 - \$825,493) and a working capital of \$727,792 (December 31, 2018 - \$805,613). During the year ended December 31, 2019, net cash used in operating activities was \$83,730 (December 31, 2018 - \$14,766). There were no financing activities during the year.

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital within a framework of acceptable risk. Capital is comprised of the Corporation's shareholders' equity and any debt that it may issue. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Corporation may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Corporation is dependent on the capital markets as its primary source of operating working capital and the Corporation's capital resources are largely determined by its ability to compete for investor support of its projects.

CURRENT SHARE DATA

As at the date of this MD&A, the Corporation has 15,000,000 common shares issued and outstanding, 500,000 warrants exercisable at \$0.10 per share until November 30, 2020 and 600,000 stock options exercisable at \$0.10 per share until November 30, 2023.

Subject to an Escrow Agreement pursuant to the requirements of the Exchange, 10,100,000 common shares issued in July 2018 was held in escrow. Under the terms of the Escrow Agreement, these shares will be released as to 10% thereof on the completion of the Corporation's QT, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow until the final Exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Reference should be made to the Corporation's significant accounting policies contained in Note 2 of the Corporation's audited financial statements for year ended December 31, 2019. There was no material impact on the financial statements as a result of the adoption of the accounting policies.

Significant judgments used in the preparation of these condensed interim financial statements include but are not limited to those relating to the deferred tax liabilities and assets.

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with IFRS on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

FINANCIAL INSTRUMENTS AND RISK

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

Fair value

The Corporation's financial instruments consist of cash and accounts payable and accrued liabilities. The carrying value of these financial instruments approximated their fair value because of the short-term nature of these instruments. Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	741,763	-	-	741,763

The Corporation is exposed to a variety of financial instrument related risks. The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at December 31, 2019, the Corporation had cash of \$741,763 (December 31, 2018 - \$825,493) and accounts payable and accrued liabilities of \$13,971 (December 31, 2018 - \$19,880).

Interest rate risk

The Corporation has cash balances and is not exposed to any significant interest rate risk.

NEW STANDARD AND INTERPRETATIONS

The Corporation has applied the following new standards, interpretations or amendments to standards that have been issued as at December 31, 2019. Unless otherwise stated, the Corporation does not plan to early adopt any of these new or amended standards and interpretations and intends to adopt those standards when they become effective. The Corporation does not expect the impact of such changes on the financial statements to be material, unless otherwise stated. Some updates that are not applicable or are not consequential to the Corporation may have been excluded from the list below.

IFRS 16, *Leases* ("IFRS 16") specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. There was no material impact on the financial statements as a result of the adoption of this amendment.

RELATED PARTY TRANSACTIONS AND BALANCES

These financial statements include balances and transactions with directors and officers of the Corporation and/or corporations related to them.

During the year ended December 31, 2019, the Corporation incurred \$43,582 (December 31, 2018 - \$59,399) in legal fees for services provided by a law firm whose partner is a director of the Corporation. As at December 31, 2019, included in accounts payable and accrued liabilities is an accumulated balance of \$1,822 (December 31, 2018 - \$1,780) owing to this law firm. This amount was paid subsequent to year end.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the year ended December 31, 2019.

SUBSEQUENT EVENT

On January 24, 2020, the Corporation announced the termination of its proposed three-cornered amalgamation (the "**PlantExt Transaction**") with PlantExt.

The terms of the share exchange agreement between the parties effective as of August 16, 2019, (the "**Share Exchange Agreement**"), have now expired due to the inability of the parties to close the PlantExt Transaction before December 31, 2019 and the Share Exchange has automatically terminated. In accordance with the Share Exchange Agreement, PlantExt will reimburse the Corporation an aggregate of \$126,467 for costs and expenses incurred by BB1 in connection with the terminated PlantExt Transaction.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Corporation have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the year ended December 31, 2019 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Corporation with the Annual Filings on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The Corporation is currently subject to financial and regulatory risks. The financial risk is derived from the uncertainty pertaining to the Corporation's ability to raise capital to continue operations. Regulatory risks include the possible delays in getting regulatory approval for the transactions that the Board of Directors believe to be in the best interest of the Corporation, and include increased fees for filings and the introduction of ever more complex reporting requirements, the cost of which the Corporation must meet in order to maintain its exchange listing. There is also no assurance that the exploration of the Corporation's properties will be successful in its quest to find a commercially viable quantity of mineral resources.

OTHER INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS AND OFFICERS:

Stephen Shefsky	Chief Executive Officer and Director
Jennifer Ta	Chief Financial Officer and Corporate Secretary
Eric Szustak	Director
Solomon (Sam) Pillersdorf	Director
Mark Brennan	Director
Wayne Egan	Director

OFFICE LOCATION

Corporate Head Office

110 Yonge St.
Suite 501
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LEGAL COUNSEL

WeirFoulds, LLP

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AUDITOR

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Toronto, Ontario, Canada M5C 2V6

**EXHIBIT “E” –
INTERIM FINANCIAL STATEMENTS OF CERRADO FOR THE THREE AND SIX
MONTHS ENDED JUNE 30, 2020**



**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

JUNE 30, 2020 AND DECEMBER 31, 2019

(Expressed in thousands of US dollars)

CERRADO GOLD INC.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of U.S. dollars, unaudited)

As at	Note	June 30, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents		\$ 2,664	\$ 38
Short-term investments		27	-
Receivables and other assets	5	5,410	52
Metal inventory	6	5,892	-
Supplies and consumables	6	2,755	-
Current assets		16,748	90
Other receivables	5	3,585	-
Inventories	6	4,359	-
Property, plant and equipment	7	25,300	71
Exploration and evaluation assets	8	10,674	13,607
Non-current assets		43,918	13,678
Total assets		\$ 60,666	\$ 13,768
LIABILITIES			
Trade and other payables	9	\$ 11,333	\$ 2,287
Due to Monte Sinai	8	1,093	1,454
Due to related parties	22	144	648
Lease obligations	10	390	78
Deferred revenue	12	2,546	-
Revolving prepayment facility	13	3,684	-
Current liabilities		19,190	4,467
Future consideration payable	4	22,250	-
Other liabilities - non-current	9	231	160
Lease obligations - non-current	10	435	36
Provisions	11	1,499	-
Deferred revenue - non-current	12	12,974	-
Non-current liabilities		37,389	196
Total liabilities		\$ 56,579	\$ 4,663
SHAREHOLDERS' EQUITY			
Share capital	14	17,051	13,938
Shares to be issued	14	-	104
Warrants	15	80	60
Share-based payment reserve	16	1,723	1,422
Accumulated other comprehensive income		(4,475)	(1,614)
Accumulated deficit		(10,292)	(4,805)
Shareholders' equity		\$ 4,087	\$ 9,105
Total liabilities & shareholders' equity		\$ 60,666	\$ 13,768

Nature of Operations (Note 1), Commitments and Contingencies (Notes 10 & 23), and Subsequent Events (Note 24)

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

CERRADO GOLD INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in thousands of U.S. dollars, unaudited)

	Note	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
REVENUES					
Metal sales		\$ 9,364	\$ -	\$ 9,364	\$ -
COST OF SALES					
Production costs		5,736	-	5,736	-
Sales expenses and royalties		1,453	-	1,453	-
Depreciation and depletion		865	-	865	-
		8,054	-	8,054	-
EARNINGS FROM MINING OPERATIONS					
		1,310	-	1,310	-
GENERAL AND ADMINISTRATIVE EXPENSES					
	17	3,422	227	4,525	1,801
Finance items	18	1,378	1	1,843	3
Foreign exchange		372	9	465	16
Other income and expense		(781)	-	(36)	-
OTHER EXPENSES					
		969	10	2,272	19
LOSS BEFORE INCOME TAXES					
		\$ (3,081)	\$ (237)	\$ (5,487)	\$ (1,820)
Income tax (expense) recovery		-	-	-	-
Net loss for the period					
		(3,081)	(237)	(5,487)	(1,820)
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss					
Translation adjustment		\$ 804	\$ 310	\$ (2,861)	\$ 51
Other comprehensive loss					
		804	310	(2,861)	51
Total comprehensive income (loss)					
		\$ (2,277)	\$ 73	\$ (8,348)	\$ (1,769)
Basic and diluted (loss) earnings per share					
Basic		\$ (0.07)	\$ (0.01)	\$ (0.13)	\$ (0.05)
Diluted		\$ (0.07)	\$ (0.01)	\$ (0.13)	\$ (0.05)
Weighted average number of shares outstanding					
Basic		43,536,715	39,662,116	42,822,394	39,208,470
Diluted		43,536,715	39,662,116	42,822,394	39,208,470

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

CERRADO GOLD INC.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of U.S. dollars, unaudited)

	Six months ended June 30, 2020	Six months ended June 30, 2019
OPERATING ACTIVITIES		
Net income (loss)	\$ (5,487)	\$ (1,820)
Adjustments for:		
Depreciation	882	17
Share-based payments	2,130	1,550
Sprott stream advance	15,000	-
Amortization of deferred revenue	(281)	-
Finance costs on deferred revenue	801	-
Accretion on future consideration payable	825	-
Other	702	-
Cash flow used in operating activities before changes in non-cash working capital items	14,572	(253)
Changes in non-cash working capital items:		
Receivables and other assets	622	-
Inventories	(682)	-
Trade and other payables	(180)	88
Net cash used in operating activities	\$ 14,332	\$ (165)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,471)	-
Additions to exploration and evaluation assets	(847)	(758)
Acquisition of Minera Don Nicolas, net of cash acquired	(14,368)	-
Net cash used in investing activities	\$ (16,686)	\$ (758)
FINANCING ACTIVITIES		
Revolving prepayment facility borrowings	5,000	-
Revolving prepayment facility (repayments)	(1,333)	-
Subscription of short-term investments	(522)	-
Redemption of short-term investments	1,375	-
Shareholder loans received	-	160
Shareholder loans (repayments)	(499)	-
Interest paid	(65)	-
Issuance of common shares from private placements	1,000	727
Net cash used in financing activities	\$ 4,956	\$ 887
Effect of exchange rates on cash and cash equivalents	24	(29)
Increase (decrease) in cash and cash equivalents	2,626	(65)
Cash and cash equivalents, beginning of period	38	81
Cash and cash equivalents, end of period	\$ 2,664	\$ 16

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

CERRADO GOLD INC.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in thousands of US dollars, unaudited)

	Note	Number of shares	Issued Share Capital	Shares to be issued	Warrants	Share-based payments reserve	Acumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 2018		37,502,705	\$ 12,726	\$ 50	\$ 60	\$ -	\$ (1,150)	\$ (1,910)	\$ 9,776
Private placement		-	-	-	-	-	-	-	-
Share-based payments - Options issued and vested		-	-	-	-	1,000	-	-	1,000
Share-based payments - RSUs vested		-	-	-	-	550	-	-	550
RSUs redeemed		753,335	339	-	-	(339)	-	-	(0)
Loss for the year		-	-	-	-	-	-	(1,820)	(1,820)
Foreign currency translation adjustment		-	-	-	-	-	51	-	51
Balance, June 30, 2019		38,256,040	13,065	50	60	1,211	(1,099)	(3,730)	9,557
Private placement		1,895,331	873	54	-	-	-	-	927
Share-based payments - Options issued and vested		-	-	-	-	-	-	-	-
Share-based payments - RSUs vested		-	-	-	-	211	-	-	211
RSUs redeemed		-	-	-	-	-	-	-	-
Loss for the year		-	-	-	-	-	-	(1,075)	(1,075)
Foreign currency translation adjustment		-	-	-	-	-	(515)	-	(515)
Balance, December 31, 2019		40,151,371	13,938	104	60	1,422	(1,614)	(4,805)	9,105
Private placement		2,000,000	1,000	-	-	-	-	-	1,000
Settlement of shares to be issued		370,000	104	(104)	-	-	-	-	-
Shares issued for deferred management compensation		400,000	200	-	-	-	-	-	200
Extension of warrants		-	-	-	20	-	-	-	20
Share-based payments - RSUs vested		-	-	-	-	2,110	-	-	2,110
RSUS redeemed		3,686,659	1,809	-	-	(1,809)	-	-	-
Foreign currency translation adjustment		-	-	-	-	-	(2,861)	-	(2,861)
Loss for the year		-	-	-	-	-	-	\$ (5,487)	(5,487)
Balance, June 30, 2020		46,608,030	17,051	-	80	1,723	(4,475)	(10,292)	4,087

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

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

1. NATURE OF OPERATIONS

Cerrado Gold Inc. ("Cerrado" or "the Company") through its 100%-owned Brazilian subsidiaries Templewood Mineração e Participações Societárias Ltda ("Templewood") and Serra Alta Mineração Ltda. ("Serra Alta") owns the Monte de Carmo Gold Project ("MDC") in the State of Tocantins, Brazil. On March 16, 2020, Cerrado closed the US\$45 million acquisition of Minera Don Nicolas ("MDN") and its namesake mine in Santa Cruz, Argentina (see Note 4). Since acquiring MDN in March 2020, the Company is focused on increasing gold production and optimizing mine operations. The Company is also engaged in the evaluation of exploration and advanced development stage mineral resource opportunities, on an ongoing basis. The Company's head office, principal address and records office are located at 110 Yonge Street, Suite 501, Toronto-Dominion Centre, Toronto, Ontario, Canada, M5C 1T4.

The business of exploring for gold involves a high degree of risk and there can be no assurance that current or future exploration programs will result in the discovery of mineral reserves and the establishment of profitable operations. The Company's continued existence is dependent upon the preservation of its interests in its underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, social licensing requirements, currency exchange fluctuations and restrictions, and political uncertainty.

During the first half of 2020 and subsequent to June 30, 2020, the COVID-19 pandemic has had a material impact on the global economy, the scale and duration of which remain uncertain. To date, there has been significant volatility in commodity prices and foreign exchange rates, restrictions on the conduct of business in many jurisdictions, including travel restrictions, and supply chain disruptions. Depending on the duration and extent of the impact of COVID-19, this could materially impact the Company's results of operations, cash flows, financial position and its ability to access financing.

As at June 30, 2020 the Company had a cash balance of \$2,664. Our liquidity position is, however, sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting increased production targets, metal prices, foreign exchange rates, operational costs, and capital expenditures. If the Company's cash flow from operations is not sufficient to satisfy its requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado. Management expects that the Company's existing cash at June 30, 2020 together with cash from MDN operations and additional financing secured in September 2020 (See Note 24) will be sufficient to fund cash requirements in the ordinary course of business for a period of at least twelve months.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and follow the same accounting policies and methods of application as the annual consolidated financial statements of the Company for the year ended December 31, 2019, except as noted below under adoption of new accounting standards. In addition, the accounting policies have been expanded as a result of the acquisition of MDN to include the accounting for items discussed in note 3. The Interim Financial Statements do not contain all disclosures required by International Financial Reporting Standards ("IFRS") and accordingly should be read in conjunction with the 2019 annual consolidated financial statements and the notes thereto. The Interim Financial Statements were approved by the Company's Board of Directors on November 29, 2020.

The Interim Financial Statements have been prepared on a historical cost basis except for financial instruments, as set out in the accounting policies in note 3 of the 2019 annual consolidated financial statements.

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

(b) Functional and presentation currency

These financial statements are presented in thousands of U.S. dollars ("USD"). The functional currency of the Company is the USD, while the functional currency of the Company's Brazilian subsidiaries is the Brazilian Real ("BRL") and Argentinian MDN is the U.S. dollar ("USD"). These financial statements are presented in USD.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and by all Company entities.

(a) Basis of consolidation

Subsidiaries

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries:

- Minera Don Nicolas ("MDN");
- Templewood Mineração e Participações Societárias Ltda. ("Templewood");
- Serra Alta Participações Imobiliárias SA ("Serra Alta SA"); and
- Serra Alta Mineração Ltda. ("Serra Alta Mineração")

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(b) Use of estimates and judgments

The preparation of financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2019.

(c) Revenue

Revenue from the sale of goods to customers is measured at the fair value of the consideration received or receivable, net of treatment and refining charges. Revenue from the sale of by-products is included in revenue.

Sales revenue is recognized when control of the goods sold has been transferred to the buyer. Control is deemed to have passed to the customer when significant risks and rewards of the product has passed to the buyer, the Company has a present right to payment and physical possession of the product has been transferred to the buyer.

Sales of dore and certain other products are typically priced at the date of export. Under certain contracts, the sales prices may be subject to final adjustment up until the outturn at the refinery, based on quoted market prices during the period specified in the contract.

The Company only includes in the transaction price an amount which is not highly likely to be subject to significant subsequent revenue reversal. Within sales contracts with customers, separate performance obligations may arise pertaining to the shipping of goods sold. Where significant, costs and the transaction price are allocated on a relative stand-alone selling basis to any separate performance obligations and are recognized over the period of time the goods sold are shipped, on a gross basis.

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

(d) Deferred Revenue

Metal revenue subject to precious metal stream contracts

The Company entered into a streaming arrangement with a customer (the "Metals Streaming Agreement") pursuant to which, the Company received advanced consideration against the delivery of a portion of future gold metal production in reference to the Company's MDN mine. In addition to the advanced consideration, the Company will also receive a cash payment as metal is delivered to the customer. Refer to Note 13 for details on the Metals Streaming Agreement.

The Company recognized the advanced consideration as deferred revenue and recognizes the amounts in revenue as it satisfies its performance obligation to deliver metal to the customer over the life of the contract. In contracts for the delivery of gold and silver, the performance obligation is typically at the point in time when the metal is credited to the metal account for the customer. Following the crediting of gold and silver to the customer's metal account, the customer has legal title to, physical possession of, and the risks and rewards of ownership of the metal, and therefore, the ability to direct the use of, and obtain substantially all of the remaining benefits, from the metal.

The Company determines the amortization of deferred revenue to the consolidated statements of operations on a per unit basis. In streaming arrangements, the estimated total quantity of metal expected to be delivered to the customer over the term of the contract is used. Subsequent changes to expected deliveries result in an adjustment to revenue in the year of change and is retroactively adjusted for the new number of ounces expected to be delivered under the contract.

Where consideration is received in advance of the Company's performance of its obligation, there is an inherent financing component in the transaction. When the period between the receipt of consideration and revenue recognition is greater than one year, the Company determines whether the financing component is significant to the contract.

Where a contract is determined to have a significant financing component, the transaction price is adjusted to reflect the financing. The discount rate used in adjusting the promised amount of consideration is the rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. This rate is not subsequently adjusted for any other changes over the contract term.

The accretion of the interest expense is recognized in the finance expense line in the consolidated statements of operations, unless capitalized to assets under construction in accordance with the Company's policy on capitalized borrowing costs.

The Company estimates the current portion of deferred revenue based on quantities anticipated to be delivered under the contract over the next twelve months.

(f) Inventories

Inventories consist of stockpiles, in-process inventory, and supplies and consumables. Dore and all other saleable products are valued at the lower of cost and estimated net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the net realizable value is less than cost, the difference is charged to the consolidated statement of operations and comprehensive loss as an impairment.

Cost of production of inventory is determined on a weighted average cost. The cost of production includes direct costs associated with conversion of production inventory: material, labour, contractor expenses, and an attributable portion of production overheads and depreciation of all property, plant and equipment involved with the mining and production process.

Materials and supplies include consumable stores and spare parts used in operations. Appropriate allowances for damage, obsolescence and slow-moving items are recorded based on an identification process. Spare parts include spares that are regularly replaced, usually as part of a replacement programme (circulating spares). However, major spare parts on hand to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure and stand-by equipment are accounted for as property, plant and equipment and depreciated over the same period as the component they are associated with.

Supplies and consumables are valued at the lower of average cost and net realizable value. A regular review is undertaken to determine the extent of any provision for obsolescence.

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

Right-of-use assets

Contracts that convey the right to the Company to control the use of an identified asset for a period of time in exchange for consideration is accounted for as a lease, resulting in the recognition of a right-of-use ('ROU') asset at the commencement of the lease. The ROU asset is measured at cost and includes the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement dates, less any lease incentives received;
- any initial direct costs; and
- an estimate of costs to restore the underlying asset, and any site upon which it is located, to the condition required by the terms and conditions of the lease.

ROU assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Decommissioning and restoration provisions

The Company has provisions for decommissioning and restoration costs which include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning and restoration costs are a normal consequence of mining and the majority of decommissioning and restoration expenditures are incurred at the end of the life of mine. Although the ultimate cost to be incurred is uncertain, the Company estimates the respective costs based on engineering studies using current restoration standards and techniques.

Estimated decommissioning and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs of the closure plan.

Provisions for decommissioning and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Each period the Company reviews cost estimates and other assumptions used in the valuation of the obligation to reflect events, changes in circumstances and new information available. The principal factors that can cause expected cash flow to change are: changes in laws and regulations governing the protection of the environment, construction of new facilities, changes in estimated lives of operations, changes in the life-of-mine plan, and changing ore characteristics that impact required environmental protection measures. Monetary foreign currency-denominated obligations are translated at the exchange rates at the end of the reporting period.

The initial closure provision together with other movements in the provisions for decommissioning and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalized within property and equipment. These costs are then depreciated over the lives of the assets to which they relate.

The accretion applied in establishing the net present value of provisions is charged to profit or loss in each accounting period and recorded as a financing cost.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to profit or loss.

(r) Changes in accounting policy and disclosures

New and amended standards adopted by the Company

Amendment to IFRS 3 - Business Combinations

The amendment to IFRS 3 facilitates companies in assessing whether the activities and assets that they acquire under a transaction are the acquisition of a group of assets or a business. The amendment confirmed that a business must include inputs and process and clarified that the process must be substantive; and the inputs and process must together significantly contribute to creating outputs. In addition, the amendment narrowed the definition of a business and added an optional concentration test that can be performed to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

amendment was adopted by the Company prospectively effective January 1, 2020 and was applied in relation to the MDN acquisition at March 16, 2020 and the transaction was determined to be the acquisition of a business.

Standards and amendments issued but not yet effective or adopted

IAS 1 Presentation of Financial Statements

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. The amendment is not expected to materially affect the classification of liabilities on the Company's financial statements, however an assessment will be performed prior to the effective date of January 1, 2023.

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of adoption of this standard has not yet been determined.

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

4. ACQUISITION OF MINERA DON NICOLAS

On March 16, 2020 (the "Closing Date"), the Company entered into an Agreement to acquire MDN and its namesake operating mine and surrounding properties in Argentina. The Company acquired the MDN mine in Argentina to add an operating asset that will complement the Company's Monte do Carmo gold exploration project in Brazil. Under the terms of the agreement the Company paid the Compañia Inversora En Minas ("CIMINAS") and Compañia Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA") (together the "Sellers") an initial payment of \$15,000 at closing, with future payments of \$10,000 in 24 months, \$2,000 in 36 months, \$10,000 in 48 months and \$10,000 in 60 months from the Closing Date and will be payable from a sinking fund, to be set up by the Company. The future consideration payable amount was initially recorded at fair value of \$21,425. The payable amount is discounted using a rate of 12%, which is the Company's estimated weighted-average cost of capital. During the three and six months ended June 30, 2020, the discount was amortized by \$203 and \$825, respectively, which were included in finance costs.

In addition to the agreed upon payment of \$47,000, the Sellers are entitled to the following "Initial Bonus" amounts, 48 months from closing date, provided the terms of agreement as described are met;

- \$2,500 if Mineral Reserves in accordance with NI 43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by between 250,000 and 499,999 ounces of gold
- \$5,000 if Mineral Reserves in accordance with NI 43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by at least 500,000 ounces of gold

In addition to the above, the Sellers are entitled to a "Final Bonus" of \$5,000, 30 months from the final payment date, if Mineral reserves in accordance with NI43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by at least 750,000 ounces of gold.

The "Initial and Final Bonus" payment will not be payable to the Seller if the average LBMA gold price per ounce is below \$1,250 in the six months preceding the payment date as described.

As described above the "Initial and Final Bonus" is contingent upon meeting several criteria, including the completion of the NI43-101 report. These contingent payments are valued at \$Nil and are not included in the purchase price calculation below.

With the completion of the transaction, MDN has become a wholly owned subsidiary of Cerrado, and the Company is now the owner and operator of MDN, an open-pit gold mine in the province of Santa Cruz, Argentina.

The Company determined that the transaction represents a business combination under IFRS 3 Business Combinations ("IFRS 3"), with Cerrado identified as the acquirer and as such, the transaction has been accounted for using the acquisition method of accounting in accordance with IFRS 3. The total purchase price consideration of the acquisition was \$36,425.

Acquisition related transaction costs of \$467 were recorded in the Company's condensed consolidated interim statements of operation and comprehensive income in Q2 2020.

The table below presents the purchase price consideration and the Company's preliminary valuation of the assets acquired and liabilities assumed. In line with the requirements of IFRS 3, the Company has 12 months from the acquisition date to adjust the preliminary purchase price allocation should a material change arise that impacts the fair value of the assets and liabilities acquired. Final valuation of assets and liabilities are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. The preliminary allocation is subject to adjustment.

The major areas outstanding are the fair value of the property, plant and equipment and the provision for environmental liabilities and related deferred tax impact.

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

Purchase Price	
Cash paid	\$ 15,000
Fair value of consideration payable	21,425
	\$ 36,425

Purchase Price Allocation	
Cash and cash equivalents	\$ 632
Short-term investments	871
Trade and other receivables	1,646
Fiscal credit receivable	4,346
Inventories - current	7,965
Inventories - non-current	4,264
Other receivables	4,440
Property, plant and equipment	24,136
Total identifiable assets acquired	48,300
Trade and other payables	(7,927)
Payroll obligations	(1,426)
Tax obligations - current	(44)
Finance lease obligations - current	(359)
Loans payable - current	(24)
Finance lease obligations - non-current	(510)
Other liabilities - non-current	(221)
Provisions	(1,364)
Total identifiable liabilities assumed	(11,875)
Total identifiable net assets	\$ 36,425

The Company began consolidating the operating results, cash flows and net assets of MDN from March 16, 2020. As such, MDN contributed revenue of \$9,577, income before income taxes of \$517 to the Company's results in for the six-month period ended June 30, 2020. If the acquisition of MDN had taken place on January 1, 2020, pro forma total consolidated revenue and loss before income taxes for the Company would have been approximately \$18,168 and (\$6,182), respectively for the six months ended June 30, 2020.

As at the date of acquisition, MDN had approximately \$66 million of excess tax basis, the benefit of which has not been recognized in the purchase equation or these financial statements.

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

5. TRADE AND OTHER RECEIVABLES

	June 30 2020	December 31 2019
Current		
Trade receivables	\$ 1,624	\$ -
Sales tax and other statutory receivables	3,695	42
Other assets	91	10
	5,410	52
Non-current		
Sales tax and other statutory receivables	3,585	-
	3,585	-
	\$ 8,995	\$ 52

Current taxes receivable relates to recoverable withholding taxes paid in Brazil and refundable Harmonized Sales Tax (“HST”) paid in Canada. Non-current taxes receivable relates to the non-current portion of recoverable value added tax (“VAT”) in Argentina.

6. INVENTORIES

	June 30 2020
Ore stockpiles	\$ 1,040
In-circuit	1,183
Finished metal	3,669
Metal Inventories	\$ 5,892

The amount of depreciation included in metal inventories at June 30, 2020 was \$612.

	June 30 2020
Inventories	
Supplies and consumables	\$ 7,114
Less: non-current portion of supplies and consumables	(4,359)
	\$ 2,755

Long-term supplies and consumables represent materials and supplies that are expected to be used beyond the next 12 months.

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

7. PROPERTY, PLANT AND EQUIPMENT

	Note	Property, Plant and Equipment	Assets Under Construction	Computer and Office Equipment	Land and Building	Total
Cost						
December 31, 2019		-	-	-	105	105
Acquisition through business combination	4	20,331	3,782	-	23	24,136
Additions		690	1,105	-	-	1,795
Impairment loss		-	-	-	-	-
Reclassifications		-	-	-	-	-
Change in provision for environmental rehabilitation		159	-	-	-	159
Foreign currency translation		-	-	-	-	-
As at June 30, 2020		21,180	4,887	-	128	26,195
Accumulated depreciation and amortization						
December 31, 2019		-	-	-	34	34
Charge for the period		845	-	-	16	861
As at June 30, 2020		845	-	-	50	895
Net book value						
Balance, December 31, 2019		-	-	-	71	71
Balance, June 30, 2020		\$ 20,335	\$ 4,887	\$ -	\$ 78	\$ 25,300

8. EXPLORATION AND EVALUATION ASSETS

Monte do Carmo (MDC) Gold Project – Brazil

The Monte do Carmo Gold Project is located in the state of Tocantins, Brazil, immediately east of the town of Monte do Carmo. The Serra Alta Deposit is the main focus of exploration at the Monte do Carmo project.

The MDC project was acquired from Monte Sinai Mineracao Ltda. ("Monte Sinai") in April 2018. Liabilities assumed on acquisition relate to expenses incurred by Monte Sinai prior to the acquisition, are payable directly to Monte Sinai, have no fixed terms of repayment and bear no interest.

As per the terms of the MDC Acquisition Agreement dated April 20, 2018, the sellers of the project have the right to a payment of US\$500,000 if 1,000,000 oz of gold are identified, and a further US\$1,500,000 if an aggregate of 2,500,000 oz of gold are identified in a mineral resource estimate in accordance with NI 43-101. The Company has not measured or recognized a contingent liability in relation to the above payments.

The following is a summary of the capitalized costs of the Monte do Carmo Project and Minera Don Nicolas Mine's exploration and evaluation assets for the six months ended June 30, 2020 and December 31, 2019:

	Note	Monte do Carmo Gold Project	Minera Don Nicolas Mine	Total
Balance at January 1, 2020		\$ 13,607	\$ -	\$ 13,607
Acquisition through business combination	4	-	-	-
Net additions		456	245	701
Effect of movements in exchange rates		(3,634)	-	(3,634)
Balance at June 30, 2020		\$ 10,429	\$ 245	\$ 10,674

CERRADO GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

9. TRADE AND OTHER PAYABLES

	June 30 2020	December 31 2019
Current		
Trade payables	\$ 9,593	\$ 1,377
Accrued liabilities	260	591
Payroll and government remittances	1,439	319
Other liabilities	41	-
	\$ 11,333	\$ 2,287
Non-current		
Other liabilities	\$ 231	\$ 160
	231	160
	\$ 11,564	\$ 2,447

Other liabilities represent obligations to Company employees and principally include accrued year-end compensation costs.

10. LEASE OBLIGATIONS

	June 30 2020	December 31 2019
Total minimum lease payments	\$ 935	\$ 139
Effect of discounting	(110)	(25)
Present value of minimum lease payments	825	114
Less: current portion	(390)	(78)
	\$ 435	\$ 36
Minimum payments under leases		
Due no later than 1 year	463	88
Due later than 1 year less than 5 years	472	51
	\$ 935	\$ 139

The Company sub-leases an office space from a company with directors and officers in common.

11. PROVISIONS

Decommissioning and restoration

The Company's provision for environmental rehabilitation consists of costs accrued based on the best estimate of mine closure and reclamation activities that will be required at the MDN mine site upon completion of mining activity. These costs will largely be incurred on mine closure. These activities include costs for earthworks, including land re-contouring and re-vegetation, water treatment and demolition.

12. DEFERRED REVENUE

On March 13, 2020, the Company entered into the Metals purchase and sale agreement with Sprott Private Resource Streaming and Royalty Corp. ("Sprott") whereby the Company received an Initial Advance Payment of \$15,000 against delivery of 6.25% of payable gold and silver over the remainder of MDN's mine life (the "Metals Streaming Agreement").

In addition to the deposit payment, as gold and silver is delivered to Sprott, the Company receives cash payments of 20% of the daily gold and silver market price two days prior to the date of delivery.

This agreement includes a step-down option whereby the stream percentage will be reduced from 6.25% down to 2.5% upon certain production milestones being met. At any time within twelve months following the step-down, the Company has a one-

CERRADO GOLD INC.

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time buy-down option by further reducing the stream percentage from 2.5% to 1.25%. In the event that the buy-down option is exercised, the Company has to pay Sprott \$2,500 in immediately available funds.

The Company recorded the Initial Advance Payment received as deferred revenue and recognizes amounts in revenue as gold and silver is delivered to Sprott. The Company determines the amortization of deferred revenue on a per unit basis using the estimated total number of gold and silver ounces expected to be delivered to Sprott over the life of MDN mine. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months based on the mine plan.

Deferred revenue consists of: 1) initial cash deposit received by the Company for future delivery of payable gold and silver under the terms of the Metals Purchase and Sale Agreement, and 2) a significant financing component of the Metals Purchase and Sale Agreement resulting from the difference in the timing of the upfront consideration received and the promised goods delivered. As such, the Company recognizes interest expense at each reporting period and will accrete the deferred revenue balance to recognize the significant financing element that is part of the Metals Streaming Agreement. The interest rate of 17.02% is determined based on the rate implicit in the Metals Streaming Agreement at the date of inception.

The initial consideration received from the Metals Streaming Agreement is considered variable, subject to changes in the total gold and silver ounces to be delivered in the future. Changes to variable consideration will be reflected in the consolidated statement of comprehensive income and loss.

The following table summarizes deferred revenue:

Initial Gold Stream Advance Payment	\$	15,000
Amortization of derred revenue:		
Deferred revenue recognized		(281)
Finance costs on deferred revenue		801
Balance, June 30, 2020	\$	15,520

		June 30, 2020
Current portion	\$	2,546
Non-current portion		12,974
Total	\$	15,520

13. REVOLVING PREPAYMENT FACILITY

On March 12, 2020, the Company entered into an advance sales transaction pursuant to which, the Company received advanced consideration of \$5,000. The advanced consideration is accounted for as a financial liability to be repaid over four months. The facility may be immediately renewable upon full repayment. The final draw the Company may make is June 30, 2021 unless mutually agreed otherwise.

At June 30, 2020, the Company had drawn down a total \$5,000 and repaid a total \$1,333 under the revolving prepayment facility. As at June 30, 2020 the \$3,684 balance bears interest at the rate of 3 Month LIBOR + 5.85% until repaid.

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14. SHARE CAPITAL

Authorized share capital of the Company is comprised of an unlimited number of common and preferred shares, without par value.

	Number of shares	Issued Share Capital	Shares to be issued
Balance, December 31, 2018	37,502,705	\$ 12,726	\$ 50
Private placement	1,895,331	873	54
RSUs redeemed	753,335	339	-
Balance, December 31, 2019	40,151,371	\$ 13,938	\$ 104
Private placement	2,000,000	1,000	-
Settlement of shares to be issued	370,000	104	(104)
Shares issued for deferred management compensation	400,000	200	-
RSUS redeemed	3,686,659	1,809	-
Balance, June 30, 2020	46,608,030	\$ 17,051	\$ -

- (i) In January 2019, the Company completed a non-brokered private placement financing, pursuant to which the Company issued 1,895,331 common shares at \$0.45 per share for gross proceeds of US\$873.
- (ii) In January 2020, the Company completed a non-brokered private placement financing, pursuant to which the Company issued 2,000,000 common shares at \$0.50 per share for gross proceeds of \$1,000. Also, a total of 370,000 shares were issued in respect of \$104 previously received in cash and recorded as shares to be issued.
- (iii) In March 2020, the Company issued 400,000 common shares in lieu of management compensation accrued and unpaid since December 2018.

The weighted average number of shares outstanding used to calculate basic and diluted loss per share for the three and six months ended June 30, 2020 and 2019 is as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Basic	43,536,715	39,662,116	42,822,394	39,208,470
Dilutive effect of warrants	-	-	-	-
Dilutive effect of options	-	-	-	-
Dilutive effect of RSUs	-	-	-	-
	43,536,715	39,662,116	42,822,394	39,208,470

The determination of weighted average number of common shares for the purpose of diluted loss per Share excludes the following shares relating to warrants, options that were anti-dilutive for the periods below noted:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Anti-dilutive warrants	2,000,000	2,000,000	2,000,000	2,000,000
Anti-dilutive options	4,000,000	4,000,000	4,000,000	4,000,000
Anti-dilutive RSUs	6,000,004	1,506,665	6,820,006	1,506,665

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Notes to the Condensed Consolidated Interim Financial Statements

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15. WARRANTS

As at June 30, 2020 and December 31, 2019, warrants outstanding were as follows:

Expiry Date	June 30, 2020			December 31, 2019		
	Exercise Price (US\$)	Number of Warrants	Exercisable	Exercise Price (US\$)	Number of Warrants	Exercisable
October 3, 2021	\$0.20	2,000,000	2,000,000	\$0.20	2,000,000	2,000,000

At June 30, 2020, the weighted average remaining contractual life of the warrants was 1.26 years (December 31, 2019 – 0.76 years).

Warrants transactions are summarized as follows:

	June 30, 2020			December 31, 2019		
	Number of Warrants	Exercise Price (US\$)	Warrants	Number of Warrants	Exercise Price (US\$)	Warrants
Balance, beginning of period	2,000,000	\$0.20	\$ 60	2,000,000	\$0.20	\$ 60
Warrants granted	-	-	-	-	-	-
Warrants extended	-	-	20	-	-	-
Balance, end of period	2,000,000	\$0.20	\$ 80	2,000,000	\$0.20	\$ 60

On October 3, 2017, the Company issued an aggregate of 2,000,000 warrants to officers and directors of the Company. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of US\$0.20 per share on or before October 3, 2019. The estimated fair value of the warrants was deemed to be \$Nil. The value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 65%, a risk-free rate of 1.52% and an expected life of 1 year.

On September 11, 2018, the Company extended these warrants until October 3, 2020. The Company used the Black-Scholes option pricing model to fair value the warrant extension, which was estimated to be \$60. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 60%, and risk-free rate of 2.28%.

On June 24, 2020, the Company further extended these warrants until October 3, 2021. The Company used the Black-Scholes option pricing model to fair value the warrant extension, which was estimated to be \$20. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 65%, and risk-free rate of 0.26%.

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16. SHARE-BASED PAYMENT RESERVE

	June 30, 2020			December 31, 2019		
	Stock Options	Restricted share units	Share-based payment reserve	Stock Options	Restricted share units	Share-based payment reserve
Balance, beginning of period	\$ 1,000	\$ 422	\$ 1,422	\$ -	\$ -	\$ -
Options vested	-	-	-	1,000	-	1,000
RSUs vested	-	2,110	2,110	-	761	761
RSUs redeemed	-	(1,809)	(1,809)	-	(339)	(339)
Balance, end of period	\$ 1,000	\$ 723	\$ 1,723	\$ 1,000	\$ 422	\$ 1,422

Options

On February 27, 2019, the Company's shareholders approved the Stock Option Plan ("the Option Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase common shares of the Company. The Option Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Option Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

As at June 30, 2020 the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Expiry Date	June 30, 2020			December 31, 2019		
	Exercise Price (US\$)	Number of Stock Options	Exercisable	Exercise Price (US\$)	Number of Stock Options	Exercisable
October 3, 2024	\$0.45	4,000,000	4,000,000	\$0.45	4,000,000	4,000,000

At June 30, 2020, the weighted average remaining contractual life of the stock options was 3.66 years (December 31, 2019 – 4.16 years).

Stock option transactions are summarized as follows:

	June 30, 2020			December 31, 2019		
	Number of Stock Options	Exercise Price/Option (US\$)	Share-based payment reserve	Number of Stock Options	Exercise Price/Option (US\$)	Share-based payment reserve
Balance, beginning of period	4,000,000	\$0.45	\$ 1,000	-	-	\$ -
Options granted	-	-	-	4,000,000	\$0.45	1,000
Balance, end of period	4,000,000	\$0.45	\$ 1,000	4,000,000	\$0.45	\$ 1,000

Restricted Share Units ("RSUs")

On February 27, 2019, the Company's shareholders approved the Restricted Share Unit Plan (the "RSU Plan"), whereby RSUs may be granted to directors, officers, consultants or employees at the discretion of the Board of Directors. The RSU Plan provides for share unit awards (the "RSUs") to be granted by the Board of Directors to employees of the Company. An RSU is a unit representing the right to receive one common share issued from treasury. The RSU Plan provides for the issuance of RSUs to acquire up to 10% of the Company's issued and outstanding capital. The RSU Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of RSUs will increase as the Company's issued and outstanding share capital increases.

If the Company's shares are not listed and posted for trading on an Exchange, the number of RSUs awarded and their market price are determined and approved by the Board of Directors. The vesting requirements are established from time to time by the Board of Directors.

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As at June 30, 2020 and December 31, 2019 the Company had restricted share units enabling the holders to redeem common shares as follows:

	June 30, 2020			December 31, 2019		
	Number of RSUs Granted	Grant date fair value/RSU (US\$)	Number of RSUs Outstanding	Number of RSUs Granted	Grant date fair value/RSU (US\$)	Number of RSUs Outstanding
February 27, 2019	2,260,000	\$0.45	820,002	2,260,000	\$0.45	1,506,665
June 24, 2020	9,000,000	\$0.50	6,000,004	-	-	-
	11,260,000	\$0.49	6,820,006	2,260,000	\$0.45	1,506,665

As of June 30, 2020, there were 6,820,006 RSUs outstanding (December 31, 2019 – 1,506,665).

For the six months ended June 30, 2020, the Company recognized share-based payment expense relating to the vesting of RSUs of \$2,110 (December 31, 2019 - \$761).

Restricted share unit vesting transactions are summarized as follows:

	June 30, 2020			December 31, 2019		
	Number of RSUs Outstanding	Grant date fair value/RSU (US\$)	Share-based payment reserve	Number of RSUs Outstanding	Grant date fair value/RSU (US\$)	Share-based payment reserve
Balance, beginning of period	1,506,665	\$0.45	422	-	\$0.00	-
RSUs granted	9,000,000	\$0.50	-	2,260,000	\$0.45	-
RSUs Vested	-	\$0.50	2,110	-	\$0.45	761
RSUs Redeemed	(3,686,659)	\$0.49	(1,809)	(753,335)	\$0.45	(339)
Balance, end of period	6,820,006	\$0.49	723	1,506,665	\$0.45	422

Restricted Share Units ("RSUs") (continued)

(i) On February 27, 2019, the Company granted 2,260,000 Restricted Share Units ("RSUs"), subject to certain eligible participants under the Company's RSU Plan, including certain officers, directors, and employees.

The 2,260,000 RSUs granted will vest in accordance with the following schedule: (i) 33 1/3% immediately; (ii) 33 1/3% one year from the date of the grant; and (iii) 33 1/3% two years from the date of the grant.

(ii) On June 24, 2020, the Company granted 9,000,000 Restricted Share Units ("RSUs"), subject to certain eligible participants under the Company's RSU Plan, including certain officers, directors, and employees.

The 9,000,000 RSUs granted will vest in accordance with the following schedule: (i) 33 1/3% immediately; (ii) 33 1/3% one year from the date of the grant; and (iii) 33 1/3% two years from the date of the grant.

17. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Salaries and benefits	\$ 471	\$ 33	\$ 641	\$ 61
General and administrative	15	3	60	10
Professional fees	158	35	531	85
Consulting fees	151	23	216	46
Transaction costs	392	-	392	-
Office and other	201	20	538	32
Share-based compensation	2,025	105	2,130	1,550
Depreciation	9	8	17	17
	\$ 3,422	\$ 227	\$ 4,525	\$ 1,801

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18. FINANCE ITEMS

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Finance income				
Interest income	\$ -	\$ -	\$ (2)	\$ -
			(2)	-
Finance costs				
Accretion of future consideration payable	\$ 622	\$ -	\$ 825	\$ -
Accretion of deferred revenue	603	-	801	-
Interest on revolving prepayment facility	71	-	83	-
Finance fees and bank charges	80	1	132	3
Interest on finance lease	2	-	4	-
	1,378	1	1,845	3
Net finance cost	\$ 1,378	\$ 1	\$ 1,843	\$ 3

19. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as total equity plus debt. Total equity is comprised of issued capital stock, warrants, share-based payments reserve and accumulated deficit. Total debt is comprised of credit and revolving prepayment facilities. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its mineral exploration and evaluation activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended June 30, 2020 and year ended December 31, 2019.

	June 30 2020	December 31 2019
Equity	\$ 4,087	\$ 9,105
Debt	3,684	-
	\$ 7,771	\$ 9,105

CERRADO GOLD INC.

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20. FINANCIAL INSTRUMENTS

Fair value and carrying value of financial instruments:

The following represents the carrying value and fair value of the Company's financial instruments and non-financial derivatives:

Recurring measurements	June 30 2020	December 31 2019
Financial assets		
Amortised cost		
Cash	(i) 2,664	38
Short-term investments	(i) 27	-
Receivables and other assets	(i)(ii) 5,410	52
Total financial assets	\$ 8,101	\$ 90
Financial liabilities		
Amortised cost		
Trade and other payables	(i)(ii) \$ 11,333	\$ 2,287
Shareholder loans	144	648
Revolving prepayment facility	3,684	-
Total financial liabilities	15,161	2,935
Total financial asset (liability)	\$ 23,262	\$ 3,025

- (i) Cash, short-term investments, receivables and other assets, and trade and other payables are recorded at carrying value, which approximates fair value due to their short-term nature and generally negligible credit losses.
- (ii) Excludes tax and other statutory amounts.

Fair value hierarchy

The Company's financial assets and liabilities are recorded and measured as follows:

- a) The fair values for cash, receivables and other assets, trade and other payables, and other liabilities approximate carrying values due to the immediate or short-term maturities of these financial instruments and are classified as Level 1 in accordance with their fair value hierarchy.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels of the date of the event or change in circumstances that caused the transfer. During the six months ended June 30, 2020 and year ended December 31, 2019, the Company did not make any transfers.

21. FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its risk management objectives. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below. There have been no changes in the risks, objectives, policies and procedures during the six months ended June 30, 2020 and year ended December 31, 2019.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

At June 30, 2020, the Company had a cash balance of \$2,664 (December 31, 2019 - \$38), to settle current liabilities of \$19,190 (December 31, 2019 - \$4,467). The Company has working capital deficit of \$2,442 at June 30, 2020 (December 31, 2019 - working capital deficit of \$4,377) See Note 1 Basis of Presentation and Going Concern.

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Foreign Currency Risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received, and balances maintained by the Company are denominated in currencies other than the functional currency of the entity party to the transaction. As of June 30, 2020, the Company had net monetary assets (liabilities) totalling \$876 (2019 - \$435) denominated in Canadian dollar, \$79,549 (2019 - \$n/a) denominated in Argentine Peso and \$1,832 (2019 - \$2,533) denominated in Brazilian Real. The Company's sensitivity analysis suggests that for the six months ended a change in the absolute rate of exchange in the Canadian dollar by 1% would increase or decrease net loss by \$6 (2019 - \$3) and the Argentine Peso by 1% would increase or decrease net loss by \$11 (2019 - \$n/a). There is no impact on net loss from the Brazilian Real exchange rate. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by obtaining most of its estimated annual U.S. cash requirements and holding the remaining currency in U.S. dollars. The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Interest Rate Risk

The Company has interest-bearing debt (See Note 13). The Company has no short-term investments as at June 30, 2020, December 31, 2019 and 2018 and is not subject to any significant impact on the cash balance as a result of changes in interest rates.

Credit Risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentrating with respect to cash and amounts receivable is remote.

22. RELATED PARTY TRANSACTIONS AND BALANCES

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

(a) Compensation of key management personnel

	June 30 2020	June 30 2019
Management compensation	\$ 390	\$ 172
Share-based payments	1,397	359
	\$ 1,787	\$ 531

(b) Due to related parties

During the six months ended June 31, 2020 and 2019, Directors and Officers of the Company had extended loans to financing the working capital of the Company. The loans have no fixed terms of repayment, bear interest of 4.75% and are due on demand. As at June 30, 2020 amounts due to related parties in reference to these loans is \$144 (June 30, 2019 - \$404).

23. COMMITMENTS AND CONTINGENCIES

(a) Commitments

There are three royalty agreements that apply to the Company's Don Nicolás Mine, described as follows:

(i) A royalty payable to the province of Santa Cruz in the amount up to 3% of the metal value extracted from the mine. The value of the royalty is calculated based on the market value of metals contained in the commercial production from the mine, less the direct and/or operating costs required to commercialize the metals, not including any financial costs, amortization expense or any profit distribution.

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(ii) A 2% royalty on the refined product, payable to Royal Gold Inc. based on a royalty agreement enacted and updated on August 16, 2013. The royalty is applicable to all areas of the Company and its properties which are currently under production. The obligations under this royalty agreement are backed by a first mortgage granted to Royal Gold on a number of the Company's mineral properties owned in the province of Santa Cruz, named as follows: Syrah, La Paloma I, Micro I, Micro II, Mar III, Mar IV, Gol I, Gol II, Armadillo, Dorcón 3, Dorcón 4, Estrella I and Estrella II.

(iii) A royalty of \$3 per gold ounce, to a maximum of \$2 million payable to Yamana Limited based on an agreement executed on February 28, 2006. This royalty is applicable to all areas of the Company and its properties which are currently under production.

(a) Contingencies

By their nature, contingencies will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. The assessment of contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

The Company operates in countries where it may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to matters such as income and other taxes, duties and environmental matters. The Company is diligent, and exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review by the regulatory authorities and in connection with such reviews, disputes may arise with respect to the Company's interpretations about the amounts due and paid.

The Company may also be subject to various litigation actions. In-house counsel, outside legal advisors, and other subject matter experts assess the potential outcome of litigation and regulatory assessments. Accordingly, the Company establishes provisions for future disbursements considered probable.

As at June 30, 2020, the Company did not have any material provisions for litigation claims or regulatory assessments. Further, the Company does not believe claims or regulatory assessments, for which no provision has been recorded, will have a material impact on the financial position of the Company.

24. SUBSEQUENT EVENTS

Reverse takeover and Concurrent Financing Transaction

On August 4, 2020, the Company announced its agreement to go public through the mechanism of a reverse takeover ("RTO") using a publicly listed shell Company; BB1 Acquisition Corporation ("BB1"). This mechanism should allow the Company to become a publicly traded entity by the end of November 2020. BB1 will acquire all of the issued and outstanding securities of the Company (other than Company shares held by Company shareholders who exercise their dissent rights, if applicable) in consideration for the issuance of 46,608,030 post-consolidation BB1 Share, the issuance by BB1 of common share purchase warrants exercisable for up to 2,000,000 post-consolidation BB1 Shares, the issuance of options to acquire up to 4,000,000 post-consolidation BB1 shares and the issuance of 6,820,003 RSUs on a post-consolidation basis.

In connection with the announced RTO, on September 11, 2020 the Company completed a private placement (the "Concurrent Financing Transaction") of 8,845,750 special warrants at a price of \$0.80 per Special Warrant, for aggregate gross proceeds of \$7,077 (the "Concurrent Financing"). In connection with the Concurrent Financing Transaction, the Company incurred cash issuance costs of \$504. Haywood Securities Inc. (the "Agent") has been engaged to act as lead Agent in connection with the Concurrent Financing. The Company has granted the 505,115 Agent Options and 123,625 Finder's Warrants exercisable in whole or in part by the Agent at \$0.80. The net proceeds from the Concurrent Financing will be used to complete an Initial Preliminary Economic Assessment prepared in accordance with NI 43-101 based upon the current defined resources at MDC, complete an updated NI 43-101 mineral resource report for MDN, to undertake a new exploration drill program and associated metallurgical test work aimed at expanding the current resource and for general working capital purposes.

Minera Mariana Argentina S.A. Agreement

On October 28, 2020, the Company announced its agreement to enter into a Binding Letter of Intent ("LOI") with New Dimension Resources Ltd. ("New Dimension") to acquire 100% of its Argentine subsidiary Minera Mariana Argentina S.A. ("Minera Mariana") (the "Transaction"). Under the terms of the LOI, the Company will pay the purchase price of Cdn\$2.25 million payable in shares of the Company. The price and number of shares to be issued will be calculated based on the price of the Company's shares as determined in anticipation of the concurrent financing associated with its planned listing on the

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Toronto Stock Exchange or the TSX Venture Exchange via the announced business combination between BB1 Acquisition Corp and the Company on August 4, 2020. The Company has exclusivity to complete this Transaction.

Brokered Private Placement

On November 3, 2020 the Company and BB1 acquisition Corp. jointly announced that in connection with the previously announced transaction of BB1 on August 4, 2020, the Company has entered into an agreement with a syndicate of agents to undertake a brokered private placement of subscription receipts of the Company, on a best efforts basis and at a price to be determined in the context of the market, to raise gross proceeds of up to Cdn\$25 million.

**EXHIBIT “F” –
MD&A OF CERRADO FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

(Expressed in US dollars, except tables and otherwise noted)

2020/2019



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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Six Months Ended June 30, 2020
(Expressed in US dollars, except tables and otherwise noted)

INTRODUCTION

The following Management's Discussion & Analysis ("MD&A") dated November 29, 2020 is a review of the business activities and overview of financial position for Cerrado Gold Inc. ("Cerrado" or the "Company") for the three-month and six-month periods ended June 30, 2020 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three-month and six-month periods ended June 30, 2020 and annual audited consolidated financial statements for the year ended December 31, 2019 (the "Cerrado Financial Statements"), and the related notes attached thereto. The unaudited consolidated interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and include the financial statements of the Company and its subsidiaries, Templewood Mineracao Ltda, Serra Alta Participacoes SA, Serra Alta Mineracao Ltda, and Minera Don Nicolás S.A.

This MD&A also reports on items deemed significant that occurred between June 30, 2020 and the date on which the MD&A is approved by the Company's Board of Directors, which is November 29, 2020, inclusively.

The information provided in this MD&A and the unaudited consolidated interim financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

Unless otherwise indicated, all reference to "dollar" or the use of the symbol "\$" are to the United States dollar in this Management Discussion and Analysis.

FORWARD-LOOKING STATEMENT AND USE OF ESTIMATES

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") within the meaning of applicable Canadian securities legislation. All information contained in this news release, other than statements of current and historical fact, is forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "guidance", "scheduled", "estimates", "forecasts", "strategy", "target", "intends", "objective", "goal", "understands", "anticipates" and "believes" (and variations of these or similar words) and statements that certain actions, events or results "may", "could", "would", "should", "might" "occur" or "be achieved" or "will be taken" (and variations of these or similar expressions). Forward-looking information is also identifiable in statements of currently occurring matters which may continue in the future, such as "providing the Company with", "is currently", "allows/allowing for", "will advance" or "continues to" or other statements that may be stated in the present tense with future implications. All of the forward-looking information in this MD&A is qualified by this cautionary note. Detailed information regarding risks and uncertainties is provided in the Risk and Uncertainties section of the MD&A.

In preparing interim consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that affect the amounts of the assets, liabilities, and expenses reported in the consolidated financial statements.

Because the use of assumptions and estimates is inherent to the financial reporting process, the actual results of items subject to assumptions and estimates could differ from original assumptions and estimates.

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Six Months Ended June 30, 2020
(Expressed in US dollars, except tables and otherwise noted)

ITEM 1 - COMPANY OVERVIEW & BACKGROUND

Cerrado is a private gold mining and exploration company with assets in Argentina and Brazil. In Argentina, Cerrado is focused on its producing Minera Don Nicolás gold mine ("MDN") located in the mineral rich Deseado Massif in the province of Santa Cruz, Argentina. MDN has been in production since 2017 and has been ramping up to full capacity during 2018 and 2019. The Company acquired 100% of MDN on March 16, 2020 when the Company acquired 100% of the shares of Minera Don Nicolás S.A., the owners of the mine, from Compañía Inversora En Minas S.A. ("CIMINAS") and Compañía Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA").

The gold deposits at MDN are classified as an epithermal gold vein style of deposit typical of the region which is host to numerous large-scale gold operations. Cerrado has commenced a new exploration program to confirm the current resource base and to focus on expanding the mine life through further exploration on surface and at depth.

On April 20, 2018, the Company through its wholly-owned subsidiary Serra Alta Mineracao Ltda. ("Serra Alta") acquired from Monte Sinai Mineracao Ltda. ("Monte Sinai") the Monte do Carmo gold project ("MDC") located in the Tocantins State of Brazil for a total consideration of \$6.075 million satisfied by the issuance of 13,500,000 Cerrado common shares, and Advances to Monte Sinai amounting to \$1.267 million.

MDC consists of 13 exploration permits totaling 52,213 ha's in the state of Tocantins and 1 title in the state of Minas Gerais of 1,999 ha's. The property has access to excellent local infrastructural with limited artisanal activity on site and strong local support from the community. Regional investment in mineral exploration in the area, by others, is reported to have amounted to US\$4.7 million from 1985 through 1995, and over US\$20.0 million from 1996 to 2016 by various operators. Since the acquisition of MDC, Cerrado has undertaken various drilling and other exploration activities on site. To date, a Mineral Resource Estimate for the primary Serra Alta deposit, prepared in accordance with Canadian National Instrument 43-101 ("NI 43-101") with an effective date of December 5, 2018, has outlined an initial inferred mineral resource of 13.7 million tonnes, grading 1.85 g/t gold, for a contained gold resource of 813,000 oz. Continued exploration is planned at Serra Alta and the surrounding area with the objective to rapidly expand this mineral resource base.

ITEM 2 – SECOND QUARTER 2020 HIGHLIGHTS

Prior to the second quarter 2020 ("Q2/20"), on March 16, 2020, the Company completed the acquisition of Minera Don Nicolás S.A. and its namesake MDN operating mine and surrounding properties in Santa Cruz Province, Argentina. Cerrado entered into an agreement with CIMINAS and CIAPEXSA (together the "Sellers") in which under the terms of the transaction Cerrado paid the Sellers an initial payment of \$15.0 million at closing, with future payments of \$10.0 million in 24 months, \$2.0 million in 36 months, \$10.0 million in 48 months and \$10.0 million in 60 months from closing. The Sellers are also entitled to a performance bonus based upon an increase in Mineral Reserves in the future.

Mining at MDN commenced in late 2017 with the first shipment of doré exported in December 2017. Commercial production was declared in 2018 and throughout the remainder of the year and into 2019 the mine continued to ramp up towards nameplate capacity of 1000 tpd. Q2/20 represents Cerrado's first full operating quarter at MDN since its acquisition of the mine.

Operational Performance

Minera Don Nicolas

Operations at MDN slowed significantly during Q2/20 due to the severe restrictions imposed by the Argentine Government in March 2020 in response to the COVID-19 pandemic. These restrictions were based on social distancing principles and resulted in limiting the number of working staff and crews allowed on site such that the mine camp was forced to occupy one person per room during the shift roster resulting in a 50% decrease in personnel. This approach differed from normal times where a single room with two beds was used by two persons, a 'day shift' employee and a 'night shift' employee. Given the unknown transmission rate and methods of the virus, the extra caution was taken from the very onset of the pandemic which ensued throughout the whole of Q2/20. These restrictions reduced operating performance in the quarter as a result such as seeing reduced waste stripping and mining of the higher grade La Paloma region due to the reduced personnel on site.

MDN is a remote mining operation with a self-sustaining camp facility. The new restrictions caused a redistribution of housing to those required to be on site and forced all non-essential employees to stay at their residences on stand-by, and where possible, assume a "work-at-home" routine. The effects of the limited housing caused a 45% reduction in

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operational workforce, and given the nature of the processing plant operations, priority was given to all processing personnel. Mine operations adjusted to limited operation in the Cerro Oro and Coyote Open Pits and the re-handling of higher-grade stockpiles. Although in operation, the site continued to be restricted with consumable delivery, workforce roster rotations restricting the implementation of some of the operational improvements planned by Cerrado.

An onsite protocol was established, restricting entry and exit from the site without a proper medical affidavit and quarantine period. The installation of thermal body cameras was completed in strategic areas to ensure any individual that experienced early COVID-19 symptoms was observed.

Metal production at MDN in Q2/20 totalled 6,865 ozs of gold and 10,938 ozs of silver. Milled throughput for the quarter was 854 tonnes per day at an average grade of 2.57 g/t AuEq with gold processing recoveries of 91% and silver recoveries of 60%. The average gold head grade was 2.52 g/t and the silver head grade was 5.92 g/t.

The stringent restrictions put in place by the Argentine government in response to the COVID-19 pandemic has limited Cerrado's ability to fully implement various operational changes that are planned to see improved operational performance going forward such as increased ore sampling, a focus on grade control and reduced mining dilution. Cerrado continues to focus on bringing an increased focus to the mines operational performance as restrictions are lifted and access to the site improves allowing for additional operational upgrades to be implemented.

Operational Performance – Minera Don Nicolas

Cerrado acquired MDN as an operating mining asset in March 2020. Cerrado has not based its ongoing production decisions at the MDN Project based on its own NI 43-101 compliant minerals resource or reserve estimates, preliminary economic assessments, feasibility studies, or historical projects although without such reports Cerrado would have increased uncertainty and risk of economic viability. Cerrado's decision to continue the operations at levels determined by management as with other production-related decisions (related to mining and processing operations) is largely based upon Cerrado's own internal non-public company data, as well from technical reports by previous owners and operators and based on continuing exploration and mining work conducted by Cerrado and by geologists and engineers engaged by Cerrado. The results of this technical work are evident in the discovery and development of the MDN Project by previous owners and by Cerrado's ongoing work, and in the financial returns benefiting Cerrado since acquiring the MDN Project earlier this year.

Financial Performance

Minera Don Nicolas

During Q2/20, the Company generated net revenues of \$9.36 million as a result of the sale of 5,486 oz of gold and 8,627 oz of silver from MDN at an average realized price per gold ounce sold of \$1,682.

The Company generated earnings from mining operations of \$1.31 million in the quarter with a net loss and basic and diluted loss per share in Q2/20 of \$3.08 million and \$0.07 respectively, which included an adjustment of \$0.442 million on the valuation of metal inventory at acquisition.

Total Cash Costs per ounce of gold sold for Q2/20 at MDN were \$1,020 resulting in an average realized margin per ounce of gold sold of \$661.

The All-In Sustaining Cost ("AISC") in Q2/20 on a mine site basis at MDN was \$1,396 per ounce. As the Company continues to implement the first phase of operational improvements at the mine, the increased production combined with head-grade improvements is expected to substantially decrease overall unit costs.

Exploration

Minera Don Nicolas

Despite the restrictions in place during Q2/20, exploration work at Minera Don Nicolas included mapping, sampling and trenching of numerous targets with a focus on Baritina and its Chulengo (Paula Andrea) and Arco Iris areas to prioritize these targets for future planned diamond drilling at the property.

Reverse Circulation ("RC") drilling in the quarter was focused on in-pit ore control and infill drilling at both La Paloma and Martinetas which will contribute significantly to the updated Mineral Resource Estimate the Company plans to announce early in the fourth quarter 2020 and overall mine performance. Also contributing to the updated Mineral

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Resource Estimate is the remodeling and reinterpreting of historical drill data never used for the purpose of mineral resource identification, which is expected to support resource growth and extended mineralization in known zones. On October 20, 2020, the Company completed a Technical Report supporting the updated Mineral Resource Estimate at Minera Don Nicolas. The report was prepared by SRK Consulting (Canada) ("SRK") in accordance with NI 43-101.

Monte do Carmo Project

As a result of the COVID-19 pandemic and limited cash resources, the Company was forced to delay planned exploration work at Monte do Carmo in Brazil in Q2/20. Despite this set back, the Company remained active throughout the quarter advancing the Preliminary Economic Assessment ("PEA") for the Serra Alta deposit. The Company contracted G21 in Brazil to complete the PEA, that will be prepared in accordance with NI 43-101, with the goal of demonstrating the robust economic potential that has been indicated at Monte do Carmo. A team of geologist remains active at site reviewing historical data and conducting structural analysis for the purpose of the PEA.

Cerrado made further progress in Brazil this quarter with the issuance of the last application to exploration permit pending by the National Mining Agency. Receipt of this permit means exploration titles for all 13 concessions held by Cerrado in Brazil are now currently in good order.

ITEM 3 – SUBSEQUENT EVENTS

Reverse Takeover and Concurrent Financing Transaction

On August 4, 2020, the Company announced its agreement to go public through the mechanism of a reverse takeover ("RTO") using a publicly listed shell Company; BB1 Acquisition Corporation ("BB1"). This mechanism should allow the Company to become a publicly traded entity by the end of November 2020. BB1 will acquire all of the issued and outstanding securities of the Company (other than Company shares held by Company shareholders who exercise their dissent rights, if applicable) in consideration for the issuance of 46,608,030 post-consolidation BB1 Share, the issuance by BB1 of common share purchase warrants exercisable for up to 2,000,000 post-consolidation BB1 Shares, the issuance of options to acquire up to 4,000,000 post-consolidation BB1 shares and the issuance of 6,820,003 RSUs on a post-consolidation basis.

In connection with the announced RTO, on September 11, 2020 the Company completed a private placement (the "Concurrent Financing Transaction") of 8,845,750 special warrants at a price of \$0.80 per Special Warrant, for aggregate gross proceeds of \$7.077 million (the "Concurrent Financing"). In connection with the Concurrent Financing Transaction, the Company incurred cash issuance costs of \$0.504 million. Haywood Securities Inc. (the "Agent") has been engaged to act as lead Agent in connection with the Concurrent Financing. The Company has granted the 505,115 Agent Options and 123,625 Finder's Warrants exercisable in whole or in part by the Agent at \$0.80. The net proceeds from the Concurrent Financing will be used to complete an Initial Preliminary Economic Assessment prepared in accordance with NI 43-101 based upon the current defined resources at MDC, complete an updated NI 43-101 mineral resource report for MDN, to undertake a new exploration drill program at MDC and associated metallurgical test work aimed at expanding the current resource and for general working capital purposes.

Minera Mariana Argentina S.A. Agreement

On October 28, 2020, the Company announced its agreement to enter into a Binding Letter of Intent ("LOI") with New Dimension Resources Ltd. ("New Dimension") to acquire 100% of its Argentine subsidiary Minera Mariana Argentina S.A. ("Mineral Mariana") (the "Transaction"). The Transaction is expected to close on or around November 30, 2020. The acquisition will add 379,000 ounces of gold and 6 million ounces of silver (Indicated) and 42,000 ounces of gold and 401,000 ounces of silver (Inferred) directly adjacent to MDN's Escondido Deposit on its northern border. Under the terms of the LOI, the Company will pay the purchase price of Cad \$2.25 million payable in shares of the Company. The price and number of shares to be issued will be calculated based on the price of the Company's shares as determined in anticipation of the concurrent financing associated with its planned listing on the Toronto Stock Exchange or the TSX Venture Exchange via the announced business combination between BB1 Acquisition Corp and the Company on August 4, 2020. The Company has exclusivity to complete this Transaction.

On November 3, 2020 the Company and BB1 acquisition Corp. jointly announced that in connection with the previously announced transaction of BB1 on August 4, 2020, the Company has entered into an agreement with a syndicate of agents to undertake a brokered private placement of subscription receipts of the Company, on a best efforts basis and at a price to be determined in the context of the market, to raise gross proceeds of up to Cdn\$25 million.

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Brokered Private Placement

On November 3, 2020 the Company and BB1 acquisition Corp. jointly announced that in connection with the previously announced transaction of BB1 on August 4, 2020, the Company has entered into an agreement with a syndicate of agents to undertake a brokered private placement of subscription receipts of the Company, on a best efforts basis and at a price to be determined in the context of the market, to raise gross proceeds of up to Cdn\$25 million.

ITEM 4 – OUTLOOK

In Argentina, Cerrado remains focused on undertaking various operational improvement initiatives at MDN expected to add significant short-term benefits with very limited capital, supporting the investment thesis for the acquisition of the operation.

These initiatives will focus on enhanced dilution control activities tightening in pit ore control processes to increase the average head-grades delivered to the mill and improve recovery rates while sustaining the mill throughput rate at its design capacity of 1,000 tpd. In addition, the Company plans to recommence exploration work that has been on hold for the better part of three years with the goal of increasing the overall resource base to extend the overall mine life. Management believes significant exploration potential exists at the property to extend the mine life through the identification of additional mineralization in current open pit mining areas as well as underground. Current production has been limited to open pit operations where most mines in the region have evolved from open pit to underground. Cerrado will also investigate the potential to increase production by way of processing the significant amounts of low-grade stockpiles via heap leaching in the future as is seen at nearby operations.

On October 18, 2020, the Company completed and filed a Technical report entitled, "Independent Technical Report for the Minera Don Nicolás ("MDN") Gold Project, Santa Cruz, Argentina", supporting the updated Mineral Resource Estimate, and the first resource update since 2012 at MDN. The Technical Report dated September 25, 2020 has an effective date of August 31, 2020 and was prepared by SRK Consulting (Canada) Inc. ("SRK") in accordance with NI 43-101 and Form 43-101F1.

Highlights from the Mineral Resource Estimate include:

- Resources are on an "as purchased" basis and do not include any additional ounces added by Cerrado Gold.
- M & I Resources of 1,126,200 tonnes grading 5.49 g Au/t and 8.37 g Ag/t for 198,808 ozs Au and 241,903 oz Ag.
- Inferred Resources of 4,663,700 tonnes grading 2.33 g Au/t and 4.78 g Ag/t for 348,693 ozs Au and 320,118 oz Ag.
- Don Nicolás Operation consists of nine separate deposits and 12 high priority targets.
- The property contains numerous opportunities to expand resources and extend mine life via further drilling in surrounding areas such as the Baritina, Chulengo and Goleta areas, as well as drilling at depth for underground resources.
- Property encompasses over 272,000 hectares and is located within the highly prolific Deseado Massif region, home to several multi-million-ounce deposits including Cerro Vangaurdia (Anglo Gold), Cerro Negro (Newmont GoldCorp), Cerro Moro (Yamana).

A summary of the updated Mineral Resource Estimate is set out in the table below:

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Category	Quantity tonne	Grade		Metal	
		Au gpt	Ag gpt	Au Oz	Ag oz
Open Pit** Cut-off 0.3 g/t gold					
Measured	249,400	4.32	5.50	34,668	44,100
Indicated	820,600	5.77	9.61	152,237	183,126
Measured and Indicated	1,070,000	5.43	8.39	186,905	227,226
Inferred	4,108,400	1.59	3.75	210,476	195,252
Underground** Cut-off 3.0 g/t gold					
Measured	0	0.00	0.00	0	0
Indicated	56,200	6.59	8.12	11,903	14,677
Measured and Indicated	56,200	6.59	8.12	11,903	14,677
Inferred	555,300	7.74	8.41	138,217	124,867
Combined Mining					
Measured	249,400	4.32	5.50	34,668	44,100
Indicated	876,800	5.82	9.48	164,140	197,803
Measured and Indicated	1,126,200	5.49	8.37	198,808	241,903
Inferred	4,663,700	2.33	4.78	348,693	320,118

Notes:

*- Mineral resources are reported in relation to a conceptual pit shell. Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. All composites have been capped where appropriate.

** - Open pit mineral resources are reported at a cut-off grade of 0.3 g/t gold for the open pit portion and 3.0 g/t gold for the underground deposits. Cut-off grades are based on a price of US\$1,550 per ounce of gold and gold recoveries of 95 percent at Martinetas and 88 percent at La Paloma, without considering revenues from other metals.

This updated Mineral Resource Estimate for MDN provides an initial base-case resource that supports the Company's strong outlook for current gold production and provides a baseline from which to build a strategic exploration program from to achieve targeted resource growth.

The Company acquired the mine for its significant overall growth potential as MDN comprises one of the largest land packages in the prolific Santa Cruz province in Argentina. While the two main mining areas are of major focus, there are numerous unexploited greenfield and brownfield opportunities that warrant follow up as indicated by exploration work to date. There are at least 12 advanced stage targets that need additional drilling as well as 48 other targets that need mapping, sampling and trenching. Prioritizing and testing of these targets will be included in the proposed drill program at the project.

Subsequent to the quarter, in July 2020, Argentine Government COVID-19 regulations regarding staffing levels slightly loosened, however, strict protocols remain in place and the Company expects impacts to production to ensue in the third quarter 2020.

On October 14, 2020, Cerrado announced the results of a Preliminary Economic Assessment ("PEA") on the current Mineral Resource Estimate for the Serra Alta deposit at its MDC gold project in Brazil. The results of the PEA demonstrate robust economics with an after-tax NPV_{8%} of \$377 million and IRR of 76%. The final PEA Technical Report being completed by GE21 Consultoria Mineral Ltda ("GE21"), will be prepared in accordance with NI 43-101.

Results of the PEA highlight the significant potential Cerrado anticipates at the MDC gold project. The Serra Alta deposit is the first of 5 analogue deposits Cerrado is developing and while current resources remain relatively modest in scale, the completion of the PEA underscores the extremely robust economics that should only improve as the resources continue to grow with further drilling.

Highlights and key assumptions of the results include:

- Long Term Gold Price US\$1,550
- 7 Year annual production targeted at approx. 103,000 ounces gold
- Initial Capex US\$110 million (including US\$25 million contingency)
- Total after-tax free cash flow estimated US\$78 million per annum (Cumulative US\$548 million)
- Average Cash Costs of US\$480.95/oz; Avg AISC US\$498/oz
- Potential to be amongst lowest 10% of AISC cost mines in the world

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- Upside potential from continued drilling & resource expansion

A summary of the PEA results is as follows:

PEA Summary Table		
All Figures in US\$ unless otherwise noted		
NPV 8% After Tax	\$ millions	\$377
NPV 5% After Tax	\$ millions	\$432
IRR After Tax	%	76.4
Long Term gold price	US\$/oz Au	\$1,550
Initial Capex	\$ millions	\$110
Sustaining LOM Capital	\$ millions	1.6
LOM average annual Production	koz	103.5
LOM Annual Tonnes mined	MM tonnes	1.888
LOM Stripping Ratio	waste:ore	7.79:1
Opex	\$/t	\$26.39
Avg Cash Cost	US\$/oz Au	\$480
Avg LOM AISC	US\$/oz Au	\$498
Royalties	%	3%
Life of Mine	years	7
Payback	years	1.5
Mine closure provision	\$ millions	\$11.25

The PEA is based on the current Mineral Resource Estimate completed by MICON International Limited, and prepared in accordance with NI 43-101, with an effective date of December 5, 2018 which is outlined in the table below. It should be noted that mineral resources which are not mineral reserves do not have demonstrated economic viability.

Mining Method / Cut-off	Domain	Tonnes (kt)	Grade (Au g/t)	Metal Content (Au oz, '000)
Open Pit @ 0.49 g/t Au Cut-off	N1	2,865	1.43	132
	N2	7,594	1.72	420
	S1	2,602	2.43	203
	S2	172	1.22	7
	Subtotal	13,234	1.79	762
Underground @ 1.5 g/t Au Cut-off	All	405	3.92	51
Pit and Underground	Total	13,639	1.85	813

The PEA summarized in this document is intended to provide only an initial, high level review of the project potential and design options. The PEA mine plan and economic model include numerous assumptions and the use of Inferred Mineral Resources. Inferred Mineral Resources are considered to be too speculative to be used in an economic analysis except as allowed for by Canadian Securities Administrators' NI 43-101 in PEA studies. There is no guarantee the project economics described herein will be achieved.

On October 15, 2020, Cerrado announced the commencement of the 2020 drill program at MDC. The program will focus on the Serra Alta deposit and is expected to consist of approximately 17,000 metres of drilling utilizing 4 drills aimed at significantly expanding the total ounces in the current Mineral Resource Estimate on the deposit. Cerrado expects the drill program to be completed by March 2021 and followed by an updated Mineral Resource Estimate.

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Assuming the results of this drill program are in line with the Company's expectations of the project, we would expect to commence a second phase drill program in the second half of 2021 to test the other similar analogous deposit targets along strike such as Capitaó, 5 km to the south, Fartura and Ferradura, 2 and 5 kms to the northwest respectively.

During the first half of 2020 and subsequent to June 30, 2020, the COVID-19 pandemic has had a material impact on the global economy, the scale and duration of which remain uncertain. To date, there has been significant volatility in commodity prices and foreign exchange rates, restrictions on the conduct of business in many jurisdictions, including travel restrictions, and supply chain disruptions. Depending on the duration and extent of the impact of COVID-19, this could materially impact both MDN in Argentina and MDC in Brazil and the Company's operating results, cash flows, financial position and its ability to access financing.

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ITEM 5 – DISCUSSION OF OPERATIONS

The following table provides a summary of the Company's key operating information and statistics for the three months ended June 30, 2020 and the period from March 16, 2020 to June 30, 2020 at MDN. As such, the figures below do not include results from the Don Nicolas mine for the period prior to the acquisition date (March 16, 2020).

Selected Operating and Financial Information

*Figures do not include results from the Don Nicolas mine operations for the period prior to the acquisition date (March 16, 2020)

Key Operating Information	Unit	Three months ended June 30, 2020	Six months ended June 30, 2020 (*)
Operating Data			
Ore Mined	tonnes	57.56	59.65
Waste Mined	tonnes	841.14	862.51
Total Mined	tonnes	917.08	940.53
Strip Ratio	waste/ore	14.61	14.46
Mining rate	tpd	10.08	9.31
Ore Milled	tonnes	77.75	80.82
Head Grade Au	g/t	2.52	2.46
Head Grade Ag	g/t	5.92	5.70
Recovery Au	%	91%	91%
Recovery Ag	%	60%	60%
Mill Throughput	tpd	854	834
Gold Ounces Produced	oz	6,865	6,865
Silver Ounces Produced	oz	10,938	10,938
Gold Ounces Sold	oz	5,486	5,486
Silver Ounces Sold	oz	8,627	8,627
Average realized price and Average realized margin			
Metal Sales	000's \$	9,364	9,364
Cost of Sales	000's \$	8,054	8,054
Gross Margin from Mining Operations	000's \$	1,310	1,310
Average realized price per gold ounce sold	(1) \$/oz	1,682	1,682
Total Cash Cost per gold ounce sold	(1) \$/oz	1,020	1,020
Average realized margin per gold ounce sold	(1) \$/oz	661	661
AISC - Minera Don Nicolas	(1) \$/oz	\$1,396	\$1,404

(1) This is a non-IFRS performance measure, see non-IFRS Performance Measures

(*) Includes key operating information and statistics for the period from March 16, 2020 to June 30, 2020 at Minera Don Nicolas

Financial	Unit	Three months ended June 30, 2020	Six months ended June 30, 2020 (*)
Total revenue	000's \$	9,364	9,364
Mine operating expenses	000's \$	8,054	8,054
Income (loss) from mining operations	000's \$	1,310	1,310
Net income (loss)	000's \$	(3,081)	(5,487)
Adjusted EBITDA	(1) 000's \$	2,010	(609)
Operating cash flow before movements in working capital	(1) 000's \$	-	14,572
Operating cash flow	000's \$	-	14,332
Cash and cash equivalents	000's \$	2,664	2,664
Working capital surplus (deficiency)	000's \$	(2,442)	(2,442)
Capital Expenditures	000's \$	1,470	1,470

(1) This is a non-IFRS performance measure, see non-IFRS Performance Measures

(*) Includes key operating information and statistics for the period from March 16, 2020 to June 30, 2020 at Minera Don Nicolas

The Company recognizes revenue from provisional invoicing once all the performance obligations have been fulfilled and control is transferred to the customer. Final metal pricing occurs according to the quotational period stated in the

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offtake agreement and changes in metal prices during the quotational period may have a significant impact on the financial results of the Company.

Three months ended June 30, 2020

During Q2/20, the Company produced 6,865 gold ounces and 10,938 silver ounces. Ore milled in the quarter was 77.75 kt with a mill throughput rate of 854 tpd.

Head grades for the quarter were 2.52 g/t gold and 5.92 g/t silver with gold recoveries of 91% and silver recoveries of 60%.

Revenues in Q2/20 amounted to \$9.36 million related to the sale of 5,486 ozs of gold and 8,627 ozs of silver at an average realized price of \$1,682 per ounce of gold.

Mine operating expenses amounted to \$8.05 million resulting in earnings from mining operations for the quarter of \$1.31 million.

In Q2/20, the Company incurred general and administrative expenses of \$3.42 million primarily consisting of a non-recurring non-cash expense of \$2.03 million for share-based compensation.

Adjusted EBITDA for Q2/20 was \$2.01 million reflecting the Company's capacity to generate earnings from operations before taking into account management's financing decisions, share based compensation, costs of consuming capital assets, and management's estimate of their useful life.

Net loss and basic and diluted loss per share for the three months ended June 30, 2020 was \$3.08 million and \$0.07 respectively. This is compared to the net loss and basic and diluted loss per share of \$0.24 million and \$0.01 respectively for the three months ended June 30, 2019, when the Company had no income from operations and net loss was associated only with general and administrative expenses, finance items and foreign exchange.

Total Cash Costs per ounce of gold sold for Q2/20 at MDN were \$1,020 resulting in an average realized margin per ounce of gold sold of \$661. The All-In Sustaining Cost ("AISC") in Q2/20 on a mine site basis at MDN was \$1,396 per ounce and \$2,018 per ounce on a consolidated basis.

As the Company continues to implement the first phase of operational improvements at the mine, the increased production combined with head-grade improvements is expected to substantially improve the Company's profitability through higher production levels combined with higher grade ore vis improved dilution controls. Current regulations in place by the Argentine government in relation to the COVID-19 pandemic restrict the required labour to operate the mine efficiently and effectively hindering anticipated normal production levels. These regulations are expected to remain in place during the following quarter.

Six months ended June 30, 2020 (including the period from March 16 to June 30, 2020 relating to MDN).

The six month period ending June 30, 2020 ("H1/20") includes the period from January 1, 2020 to March 15, 2020 in which Cerrado only held ownership in the MDC exploration project only, and the period from March 16, 2020 to June 30, 2020 in which the Company transitioned to an operating Company with the acquisition and addition of Minera Don Nicolas to its asset portfolio.

H1/20 MDN operating results only account for the additional 16 operating days prior to the end of Q2/20 that Cerrado owned the mine. As such the only operating results in H1/20 that differ from Q2/20 is the milled throughput of 80.82 kt (77.75 kt - Q2/20), mill throughput of 834 tpd (854 tpd - Q2/20), and average head grades of 2.46 g/t gold (2.52 g/t gold - Q2/20) and 5.70 g/t silver (5.92 g/t silver - Q2/20).

In H1/20 net loss and basic and diluted loss per share were \$5.49 million and \$0.13 respectively (\$1.82 million and \$0.05 - H1/19) resulting primarily from the higher general and administrative expenses of \$4.53 million (\$3.42 million - Q2/20), finance item expense of \$1.84 million (\$1.38 million - Q2/20) and foreign exchange expenses of \$0.47 million (\$0.37 million - Q2/20).

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ITEM 6 - LIQUIDITY & CAPITAL RESOURCES

At June 30, 2020, the Company had an accumulated deficit of \$10.29 million, an increase from \$4.81 million at December 31, 2019, which has been funded primarily by the issuance of equity.

Working capital deficit at June 30, 2020 was \$2.44 million. Working capital is expected to improve as the Company is able to increase cash from operations as operational efficiencies are implemented at MDN and trade payables are reduced.

The Company's cash and cash equivalents balance at June 30, 2020 was \$2.66 million. This is an increase from the last stated cash and cash equivalents balance of \$0.04 million at December 31, 2019. Our liquidity position is, however, sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting increased production targets, metal prices, foreign exchange rates, operational costs, and capital expenditures. If the Company's cash flow from operations is not sufficient to satisfy its requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado. Management expects that the Company's existing cash at June 30, 2020 together with cash from MDN operations and additional financing secured in September 2020 (See Subsequent events note) will be sufficient to fund cash requirements in the ordinary course of business for a period of at least twelve months.

Cash Flows

Cash provided from operating activities during the six months ended June 30, 2020 of \$14.33 million was primarily due to the advance payment of \$15.0 million from the metals purchase and sale agreement with Sprott Private Resource Streaming and Royalty Corp. the Company entered into on March 13, 2020. (see note 12 in the Cerrado Financial Statements).

Cash used in investing activities during period was \$16.69 million and primarily consisted of the net cash payment of \$13.5 million made by Cerrado as part of the Minera Don Nicolas S.A acquisition. (see note 6 in the Cerrado Financial Statements)

Cash generated by financing activities during the six months ended June 30, 2020 was \$4.96 million and consisted primarily of the cash inflow related to an advanced sales transaction occurring on March 12, 2020, in which the Company received an advanced consideration of \$5.0 million in exchange for future quarterly physical deliveries of gold and silver concentrates from MDN. At June 30, 2020, the Company had drawn down a total \$5.0 million and repaid a total \$1.33 million under the revolving prepayment facility. The \$3.68 million balance remaining at this time bears interest at the rate of 3 Month LIBOR + 5.85% until repaid. (see note 13 in the Cerrado Financial Statements)

The Company's cash and liquidity position is, however, sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting production targets, metal prices, foreign exchange rates, operational costs, capital expenditures and the success of the above noted operational initiatives. If the Company's cash flow from operations is not sufficient to satisfy its requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

Following the quarter, the Company completed a private placement financing for gross proceeds of \$7.077 million (see Subsequent Events section in this document). With the proceeds from the private placement financing along with the revolving prepayment facility and cash generated from operations at MDN, management believes the Company to have sufficient funds for future cash requirements and debt obligations in the ordinary course of business for a period of at least twelve months from June 30, 2020.

The Company is dependent on external financing to fund its mineral exploration and evaluation activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended June 30, 2020 and year ended December 31, 2019.

(Expressed in \$000's)

	June 30 2020	December 31 2019
Equity	\$ 4,087	\$ 9,105
Debt	3,684	-
	\$ 7,771	\$ 9,105

Commitments and Contingencies

There are three royalty agreements that apply to the Company's Don Nicolás Mine, described as follows:

(i) A royalty payable to the province of Santa Cruz in the amount up to 3% of the metal value extracted from the mine. The value of the royalty is calculated based on the market value of metals contained in the commercial production from the mine, less the direct and/or operating costs required to commercialize the metals, not including any financial costs, amortization expense or any profit distribution.

(ii) A 2% royalty on the refined product, payable to Royal Gold Inc. based on a royalty agreement enacted and updated on August 16, 2013. The royalty is applicable to all areas of the Company and its properties which are currently under production. The obligations under this royalty agreement are backed by a first mortgage granted to Royal Gold on a number of the Company's mineral properties owned in the province of Santa Cruz, named as follows: Syrah, La Paloma I, Micro I, Micro II, Mar III, Mar IV, Gol I, Gol II, Armadillo, Dorcón 3, Dorcón 4, Estrella I and Estrella II.

(iii) A royalty of \$3 per gold ounce, to a maximum of \$2 million payable to Yamana Limited based on an agreement executed on February 28, 2006. This royalty is applicable to all areas of the Company and its properties which are currently under production.

As at June 30, 2020, the Company did not have any material provisions for litigation claims or regulatory assessments. Further, the Company does not believe claims or regulatory assessments, for which no provision has been recorded, will have a material impact on the financial position of the Company.

As at June 30, 2020, the Company had the following contractual commitments.

(Expressed in \$000's)

	Payments due by period			Total
	<1 years	1-5 years	5> years	
Operating commitments (i)	\$ 79	\$ 354	\$ -	\$ 433
Leases (i)	463	472	-	935
MDN acquisition payments (i)	-	32,000	-	32,000
Revolving prepayment facility (i)	3,684	-	-	3,684
Environmental rehabilitation provision (i)	175	-	2,810	2,985
	\$ 4,401	\$ 32,826	\$ 2,810	\$ 40,037

ITEM 7 – CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common and preferred shares, where each common share provides the holder with one vote.

As of November 29, 2020, the total number of common shares outstanding or issuable pursuant to other outstanding securities is as follows:

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Common Shares		Number
Outstanding	(i)	46,884,021
Issuable upon exercise of Cerrado Special Warrants	(ii)	8,845,750
Issuable upon exercise of Finder's Warrants and Agent Options	(ii)	628,740
Issuable upon exercise of Cerrado Options	(iii)	4,000,000
Issuable upon exercise of Cerrado Warrants	(iv)	2,000,000
Issuable upon redemption of Cerrado RSUs	(v)	7,263,337
Diluted common shares		69,621,848

- (i) In January 2020, the Company completed a non-brokered private placement financing, pursuant to which the Company issued 2,000,000 common shares at \$0.50 per share for gross proceeds of \$1,000,000. Also, a total of 370,000 shares were issued in respect of \$104,000 previously received in cash and recorded as shares to be issued.
- (ii) In connection with the announced Reverse takeover ("RTO") transaction with BB1 (see subsequent events note), on September 11, 2020 the Company completed a private placement (the "Concurrent Financing Transaction") of 8,845,750 special warrants at a price of US\$0.80 per Special Warrant, for aggregate gross proceeds of \$7,076,000 (the "Concurrent Financing").
- In connection with the Concurrent Financing Transaction, the Company granted Haywood Securities Inc. (the "Agent") 123,625 Finder's Warrants and 505,115 Agent Options exercisable at \$0.80.
- (iii) There were 4,000,000 stock options under the Company's share plan outstanding to directors and officers with an exercise price of \$0.45 and expiring on February 27, 2024.
- (iv) There were 2,000,000 common share purchase warrants with an exercise price of \$0.20 and expiring on October 3, 2021.
- (v) There were 7,263,337 RSUs outstanding pursuant to RSUs granted on February 27, 2019, June 24, 2020, September 14, 2020 and November 13, 2020.

Cerrado has not issued any preferred shares.

ITEM 8 - OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2020, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

ITEM 9 - RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

(a) Compensation of key management personnel

(Expressed in \$000's)

	June 30 2020	June 30 2019
Management compensation	\$ 390	\$ 172
Share-based payments	1,397	359
	\$ 1,787	\$ 531

(b) Due to related parties

During the six months ended June 31, 2020 and 2019, Directors and Officers of the Company had extended loans to financing the working capital of the Company. The loans have no fixed terms of repayment, bear interest of 4.75% and

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are due on demand. As at June 30, 2020 amounts due to related parties in reference to these loans is \$0.144 million (June 30, 2019 - \$0.404 million).

ITEM 10 - PROPOSED TRANSACTIONS

Refer to Subsequent Events note.

ITEM 11 - ACQUISITION OF MINERA DON NICOLAS

On March 16, 2020 (the "Closing Date"), the Company entered into an Agreement to acquire MDN and its namesake operating mine and surrounding properties in Argentina. Under the terms of the agreement the Company paid the Compania Inversora En Minas ("CIMINAS") and Compania Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA") (together the "Sellers") an initial payment of \$15.0 million at closing, with future payments of \$10,000 in 24 months, \$2.0 million in 36 months, \$10.0 million in 48 months and \$10.0 million in 60 months from the Closing Date and will be payable from a sinking fund, to be set up by the Company. The future consideration payable amount was initially recorded at fair value of \$21.425 million. The payable amount is discounted using a rate of 12%, which is the Company's estimated weighted-average cost of capital. During the three and six months ended June 30, 2020, the discount was amortized by \$0.203 million and \$0.825 million, respectively, which were included in finance costs.

In addition to the agreed upon payment of \$47.0 million, the Sellers are entitled to the following "Initial Bonus" amounts, 48 months from closing date, provided the terms of agreement as described are met;

- \$2.5 million if Mineral Reserves in accordance with NI43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by between 250,000 and 499,999 ounces of gold
- \$5.0 million if Mineral Reserves in accordance with NI43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by at least 500,000 ounces of gold

In addition to the above, the Sellers are entitled to a "Final Bonus" of \$5.0 million, 30 months from the final payment date, if Mineral reserves in accordance with NI43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by at least 750,000 ounces of gold.

The "Initial and Final Bonus" payment will not be payable to the Seller if the average LBMA gold price per ounce is below \$1.250 million in the six months preceding the payment date as described.

As described above the "Initial and Final Bonus" is contingent upon meeting several criteria, including the completion of the NI 43-101 report. These contingent payments are valued at \$Nil and are not included in the purchase price calculation below.

With the completion of the transaction, MDN has become a wholly owned subsidiary of Cerrado, and the Company is now the owner and operator of MDN, an open-pit gold mine in the province of Santa Cruz, Argentina.

The Company determined that the transaction represents a business combination under IFRS 3 Business Combinations ("IFRS 3"), with Cerrado identified as the acquirer and as such, the transaction has been accounted for using the acquisition method of accounting in accordance with IFRS 3. The total purchase price consideration of the acquisition was \$36.425 million.

Acquisition related transaction costs of \$0.467 million were recorded in the Company's condensed consolidated interim statements of operation and comprehensive income in Q2 2020.

The table below presents the purchase price consideration and the Company's preliminary valuation of the assets acquired and liabilities assumed. In line with the requirements of IFRS 3, the Company has 12 months from the acquisition date to adjust the preliminary purchase price allocation should a material change arise that impacts the fair value of the assets and liabilities acquired. Final valuation of assets and liabilities are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. The preliminary allocation is subject to adjustment.

The major areas outstanding are the fair value of the property, plant and equipment and the provision for environmental liabilities and related deferred tax impact.

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(Expressed in \$000's)

Purchase Price	
Cash paid	\$ 15,000
Fair value of consideration payable	21,425
	\$ 36,425

Purchase Price Allocation	
Cash and cash equivalents	\$ 632
Short-term investments	871
Trade and other receivables	1,646
Fiscal credit receivable	4,346
Inventories - current	7,965
Inventories - non-current	4,264
Other receivables	4,440
Property, plant and equipment	24,136
Total identifiable assets acquired	48,300

Trade and other payables	(7,927)
Payroll obligations	(1,426)
Tax obligations - current	(44)
Finance lease obligations - current	(359)
Loans payable - current	(24)
Finance lease obligations - non-current	(510)
Other liabilities - non-current	(221)
Provisions	(1,364)
Total identifiable liabilities assumed	(11,875)
Total identifiable net assets	\$ 36,425

The Company began consolidating the operating results, cash flows and net assets of MDN from March 16, 2020. As such, MDN contributed revenue of \$9.577 million, income before income taxes of \$0.517 million to the Company's results in for the six-month period ended June 30, 2020. If the acquisition of MDN had taken place on January 1, 2020, pro forma total consolidated revenue and loss before income taxes for the Company would have been approximately \$18.168 million and (\$6.182 million), respectively for the six months ended June 30, 2020.

As at the date of acquisition, MDN had approximately \$66 million of excess tax basis, the benefit of which has not been recognized in the purchase equation or these financial statements.

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ITEM 12 - CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

Refer to Note 2 of the Cerrado Financial Statements for the year ended December 31, 2019.

ITEM 13 - CHANGES IN ACCOUNTING POLICIES

Refer to Note 3 of the Cerrado Financial Statements for the period ended June 30, 2020.

ITEM 14 - NON-IFRS PERFORMANCE MEASURES

The non-IFRS performance measures presented do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be directly comparable to similar measures presented by other issuers.

Non-IFRS reconciliation of Adjusted EBITDA

EBITDA is a non-IFRS measure that represents an indication of the Company's continuing capacity to generate earnings from operations before taking into account management's financing decisions, share based compensation, and costs of consuming capital assets, and management's estimate of their useful life. EBITDA comprises revenue less operating expenses before interest expense (income), property, plant and equipment amortization and depletion, and income taxes. Adjusted EBITDA has been included in this document. Under IFRS, entities must reflect in compensation expense the cost of share-based payments. In the Company's circumstances, share-based payments involve a significant accrual of amounts that will not be settled in cash but will be settled by the issuance of shares in exchange for cash. EBITDA and adjusted EBITDA do not have any standardized meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA and adjusted EBITDA exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA and adjusted EBITDA differently. As such, the Company has made an entity specific adjustment to EBITDA for these expenses. The Company has also made an entity-specific adjustment to the foreign currency exchange (gain)/loss.

The following table provides a reconciliation of net income (loss) to adjusted EBITDA:

Adjusted EBITDA	Unit	Three months ended June 30, 2020	Six months ended June 30, 2020
Net income (loss)	000's \$	(3,081)	(5,487)
<i>Adjusted for:</i>			
Depreciation	000's \$	874	882
Metal inventory adjustment	000's \$	442	(442)
Finance items	000's \$	1,378	1,843
Share-based payments	000's \$	2,025	2,130
Foreign currency exchange gain/loss	000's \$	372	465
Income taxes	000's \$	-	-
Adjusted EBITDA	000's \$	\$2,010	(\$609)

(*) Includes key operating information and statistics for the period from March 16, 2020 to June 30, 2020 at Minera Don Nicolas

Total cash costs

Total cash costs is a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. Cerrado Gold reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance.

Total cash costs include production costs such as mining, processing, refining and site administration, less share-based compensation and net of silver sales divided by gold ounces sold to arrive at total cash costs per gold ounce sold. The measure also includes other mine related costs incurred such as mine standby costs and current inventory write downs. Production costs are exclusive of depreciation. Production costs include the costs associated with providing the royalty in-kind ounces. Other companies may calculate this measure differently.

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Average realized price and Average realized margin

Average realized price and average realized margin per ounce sold are used by management and investors to better understand the gold price and margin realized throughout a period.

Average realized price is calculated as metal sales per the statement of comprehensive earnings and includes realized gains and losses on gold derivatives, less silver sales, per ounce sold. Average realized margin represents average realized price per gold ounce sold less total cash costs per ounce sold.

Average realized price and Average realized margin		Three months ended June 30, 2020	Six months ended June 30, 2020 (*)
Metal sales	000's \$	9,364	9,364
Less: Silver sales	000's \$	(138)	(138)
Revenues from gold sales	000's \$	9,226	9,226
Gold ounces sold	oz	5,486	5,486
Average realized price per gold ounce sold	\$/oz	1,682	1,682
Less: Total cash costs per gold ounce sold	\$/oz	(1,020)	(1,020)
Average realized margin per gold ounce sold	\$/oz	\$661	\$661

(*) Includes key operating information and statistics for the period from March 16, 2020 to June 30, 2020 at Minera Don Nicolas

All-in Sustaining Costs

All-in Sustaining Costs per gold payable ounces includes mine direct operating costs (mining, administration and other mine related costs incurred) as well as refining and freight costs, royalties, corporate G&A and sustaining capital costs, less by-product credits, divided by gold payable ounces sold. The measure does not include depreciation, depletion, amortization and reclamation expenses.

The following table provides a reconciliation of direct operating costs and All-in Sustaining Costs to mine operating expenses, as reported in the Company's consolidated statement of income (loss) for the three and six months ended June 30, 2020:

Direct operating cost		Three months ended June 30, 2020	Six months ended June 30, 2020 (*)
Mine operating expenses (from consolidated financial statements)	000's \$	8,054	8,054
Deduct: Depreciation in production	000's \$	(865)	(865)
Total cash costs (including royalties)	000's \$	7,189	7,189
Deduct: Royalties and production taxes	000's \$	(1,453)	(1,453)
Direct operating costs	000's \$	\$5,736	\$5,736

(*) Includes key operating information and statistics for the period from March 16, 2020 to June 30, 2020 at Minera Don Nicolas

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AISC per Au payable pound sold	Unit	Three months ended June 30, 2020	Six months ended June 30, 2020 (*)
Gold ounces sold	oz	5,486	5,486
Total Cash Cost Reconciliation			
Direct operating costs	000's \$	5,736	5,736
Deduct: Silver sales	000's \$	(138)	(138)
Total Cash Costs	000's \$	5,598	5,598
Total cash costs per ounce sold	\$/oz	\$1,020	\$1,020
All-In Sustaining Costs (AISC) Reconciliation.			
Total Cash Costs	000's \$	5,598	5,598
Add: Sustaining Capital Expenditures	000's \$	609	651
Add: Royalties and production taxes	000's \$	1,453	1,453
Total All-in Sustaining Costs - Minera Don Nicolas	000's \$	\$7,660	\$7,702
All-In Sustaining Costs per Ounce Sold - Minera Don Nicolas	\$/oz	\$1,396	\$1,404

(*) Includes key operating information and statistics for the period from March 16, 2020 to June 30, 2020 at Minera Don Nicolas

- (1) If the Company were to include Corporate G&A expenses, AISC / Au oz would be \$2,018 and \$2,226 for the 3 and 6 months ended June 30, 2020, respectively, noting that the 6 months period ended June 30, 2020 is not representative of the time the Company owned and operated the mine since March 16, 2020.

Additional Non-IFRS measures

The Company uses other financial measures, the presentation of which is not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. The following other financial measures are used:

- Operating cash flows before movements in working capital - excludes the movement from period-to-period in working capital items including trade and other receivables, prepaid expenses, deposits, inventories, trade and other payables and the effects of foreign exchange rates on these items.

The terms described above do not have a standardized meaning prescribed by IFRS, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. The Company's management believes that their presentation provides useful information to investors because cash flows generated from operations before changes in working capital excludes the movement in working capital items. This, in management's view, provides useful information of the Company's cash flows from operations and are considered to be meaningful in evaluating the Company's past financial performance or its future prospects. The most comparable IFRS measure is cash flows from operating activities.

ITEM 15 - RISKS & UNCERTAINTIES

The Company's is subject to significant risks, challenges, and uncertainties, similar to other mineral exploration, development and productions, due to the nature of the mining industry. These risks and uncertainties include, but are not limited to the following:

Limited Operating History

The Company has a limited history of operating and generating earnings from operations. The Company's continued operation will be dependent upon its ability to generate operating revenues and to procure additional financing.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Cerrado's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial

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rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Resources and Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Cerrado will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Dependence on Minera Don Nicolas

While the Company holds and may invest in additional mining and exploration projects in the future, the Don Nicolas mine is currently the Company's only producing asset, providing all of the Company's operating revenue and cash flows. Consequently, a delay or any difficulty encountered in the operations at the Minera Don Nicolas would materially and adversely affect the financial condition and financial sustainability of the Company. Any adverse changes or developments, such as, but not limited to, the inability to successfully complete other work programs or expansions, obtain financing on commercially suitable terms, or hire suitable personnel and mining contractors, may have a material adverse effect on the Company's financial performance, results of operations and liquidity. In addition, the results of operations of the Company could be materially and adversely affected by any events which cause the mine to operate at less than optimal capacity, including, among other things, equipment failure or shortages of spares, consumables and reagents, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure to produce expected amounts of gold.

Uncertainty of Resource Estimates

The Company has engaged internal and expert independent technical consultants to advise it on, among other things, Mineral Resources, geotechnical, metallurgy and project engineering. The Company believes that these experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. If, however, the work conducted by, and the Mineral Resource estimates of these experts are ultimately found to be incorrect or inadequate in any material respect, such events could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

The Mineral Resource Estimate with respect to the Monte Do Carmo project in Brazil are based on limited information acquired through historical drilling conducted by outside third parties as well as from drilling completed by Cerrado. No assurance can be given that anticipated tonnages and grades will be achieved or that the indicated level of recovery or economic value will be realized.

No Defined Mineral Reserves

The Company has not defined any Mineral Reserves on its concessions at the Monte Do Carmo project in Brazil or at the Don Nicolas mine in Argentina and there can be no assurance that any of the concessions under exploration contain commercial quantities of any minerals. Even if commercial quantities of minerals are identified, there can be no assurance that the Company will be able to exploit the resources or, if the Company is able to exploit them, that it will do so on a profitable basis. Substantial expenditures may be required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; ongoing costs of production; and availability and cost of additional funding.

Metal Price Risk

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Six Months Ended June 30, 2020
(Expressed in US dollars, except tables and otherwise noted)

The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals contained in a deposit will be such that the Company's properties can be mined at a profit. The Company is particularly exposed to the risk of movement in the price of gold. Declining market prices for gold could have a material effect on the Company's profitability.

Competition and Agreements with Other Parties

The mining industry is competitive in all its phases. The Company will compete with numerous other participants in the search for the acquisition of mineral properties, in the marketing of mineral resources, technical capacity and for financial resources. Their competitors include mining companies that have substantially greater financial resources, staff and facilities than those of the Company, as the case may be. The Company's ability to increase resources in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of mineral resources include price and methods and reliability of delivery.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

Regulatory

The nature of operating in an emerging country, such as Brazil and Argentina, increases the Company's regulatory risk profile. Cerrado's current and future mining operations including but not limited to exploration, development, production, pricing, marketing and transportation are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

The Company's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary approvals, licenses and permits that may be required to carry out exploration and development at its projects. A failure to obtain such approval on a timely basis or material conditions imposed by such authority in connection with the approval would materially affect the prospects of the Company.

Environmental

All phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of resources or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Permits and Licenses

The Company is required to maintain approvals, licenses and permits from various governmental authorities in order to conduct its business. Such approvals, licenses and permits are complex and time consuming to obtain and, depending on the location of the project, may involve multiple governmental agencies.

In addition, the receipt, duration, amendment or renewal of such approvals, licenses and permits are subject to many variables outside the Company's control, including potential legal challenges from various stakeholders such as environmental groups, non-governmental organizations, community groups or other claimants. The requirements to obtain or maintain such licenses and permits are constantly subject to change. The costs and delays associated with obtaining the necessary permits, consents, authorizations and agreements required for the Company's operations may

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Six Months Ended June 30, 2020
(Expressed in US dollars, except tables and otherwise noted)

stop or materially delay or restrict it from proceeding with the development of an exploration project or the operation or further development of an existing mine, resulting in a material adverse impact on its business, financial condition and results of operations.

Substantial Capital Requirements & Liquidity

The Company may have to make substantial capital expenditures for the acquisition, exploration, development and production of mineral resources in the future. There can be no assurance that such capital will be available or, if available, will be on reasonable terms.

Issuance of Debt

From time to time Cerrado may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that Cerrado may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, civil unrest and political instability, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability. The Company will maintain insurance to protect against certain other risks in such amounts as it considers reasonable. However, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Title Matters

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

Future Financing Requirements

The development and exploration of Cerrados' properties may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Cerrado.

With the acquisition of producing Minera Don Nicolas, the Company is reliant on the expected cash flows from operations of the mine to fund its current and future liabilities. There can be no assurance that operating cash flow or any additional financing will be sufficient for any unexpected development or other costs for the mine.

The amount and timing of raising additional capital, which may involve debt or equity, or a combination of both, may be materially impacted by the economic climate in the capital markets. As a result, the cost and availability of any debt and or equity financing may be restricted. Accordingly, there can be no assurance that the Company will be able to raise sufficient funds to satisfy its contractual obligations or to further explore and develop its projects, as applicable, upon terms acceptable to the Company, or at all.

CERRADO GOLD INC.

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Dilution

The Company grants stock options and registered share units under its share-based compensation plan. Holders are given an opportunity to profit from an increase in the market price of the Company's common shares with a resulting dilution in the interest of shareholders. The holders of stock options and registered share units may exercise such securities at a time when the Company may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. The increase in the number of common shares in the market, if all of part of these outstanding rights were exercised, and the possibility of sales of these additional shares may have a negative effect on the price of the Company's common shares.

In addition, the Company may need to raise additional financing in the future through the issuance of additional equity securities. If the Company raises additional funding by issuing additional equity securities, such financings may substantially dilute the interests of shareholders of the Company and reduce the value of their investment in the Company's securities.

Reliance on Management

Shareholders of the Company will be dependent on the management of the Company in respect of the administration and management of all matters relating to the Company and its properties and operations. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result and other persons would be required to manage and operate the Company.

Conflicts of Interest

Certain directors and officers of the Company are also directors and officers of other reporting issuers involved in mineral exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Company, as the case may be, and as officers and directors of such other companies.

Possible Failure to Realize Anticipated Benefits of Future Acquisitions

The Company may complete acquisitions to strengthen its position in the mineral exploration industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own.

Currency Risk

Currency Risk By virtue of the location of its operations and exploration activities, the Company incurs costs and expenses in a number of currencies other than the Canadian dollar. The Company has historically raised and expects to continue to raise capital through equity financings principally in Canadian dollars, while the majority of its operating and capital costs are incurred in Argentine Pesos and Brazilian Real, giving rise to potential significant foreign currency translation and transaction exposure which could have a material adverse impact upon the Company.

Unfavourable Economic Conditions

The Company's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could strain our suppliers, possibly resulting in supply disruption, or cause delays in payments for our services by third-party payors. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current or future economic climate and financial market conditions could adversely impact our business.

COVID-19 and Other Health Crisis

The current COVID-19 pandemic and any future emergence of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations and the operations of its suppliers, contractors and service providers and the ability to obtain financing and maintain necessary liquidity, the demand for and ability to transport the Company's products and its ability to advance its projects and other growth initiatives. Travel bans may also adversely impact the Company's operations and the ability of the Company to advance its projects. In particular, should any employees or consultants of the Company become infected with COVID-19, it could have a material negative impact on the Company's operations and prospects.

The outbreak of COVID-19 and the resulting global upheavals have caused significant volatility in commodity prices. The outbreak and its declaration as a global pandemic is causing companies and governments around the world to

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Six Months Ended June 30, 2020
(Expressed in US dollars, except tables and otherwise noted)

impose sweeping restrictions on the movement of people and goods, including social distancing measures and restrictions on group gatherings and isolation and quarantine requirements, closure of business and government offices, travel advisories and travel restrictions. The duration of these measures, and the related business, social and government disruptions and financial impact cannot be reasonably estimated at this time. The Company cannot estimate whether or to what extent these measures, and the resulting impacts may adversely impact the Company's business, financial condition and results of operations.

ITEM 16 - MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this MD&A and the Consolidated Financial Statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the unaudited interim consolidated financial statements.

Additional Information

Additional information relating to the Company can also be found on the Company's website www.cerradogold.com.

ITEM 17 - TECHNICAL INFORMATION

All technical information contained herein has been reviewed and approved by Robert A. Campbell, M.Sc, P.Geo, an officer and director of the Company. Mr. Campbell is a "qualified person" within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

**EXHIBIT “G” –
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CERRADO FOR THE
YEARS ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31,
2017**



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 and 2017
(Expressed in US dollars)



KPMG LLP
Bay Adelaide Centre
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Cerrado Gold Inc.

Opinion

We have audited the consolidated financial statements of Cerrado Gold Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2019, December 31, 2018, and December 31, 2017
- the consolidated statements of operations and comprehensive loss for the years ended December 31, 2019, December 31, 2018 and December 31, 2017
- the consolidated statements of changes in equity for the years ended December 31, 2019, December 31, 2018 and December 31, 2017
- the consolidated statements of cash flows for the years ended December 31, 2019, December 31, 2018 and December 31, 2017
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019, December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis included in the filing statement.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Handwritten signature of KPMG LLP in black ink, with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

November 29, 2020

CERRADO GOLD INC.
Consolidated Statements of Financial Position
As at December 31, 2019, 2018 and 2017
(Expressed in US dollars)

As at	Note	December 31, 2019	December 31, 2018	December 31, 2017
ASSETS				
Current				
Cash		\$ 38,072	\$ 80,672	\$ 1,984,602
Receivables and other assets	5	51,504	68,851	80,180
Total current assets		89,576	149,523	2,064,782
Non-current				
Property, plant and equipment	6	71,441	-	-
Advances to Monte Sinai	7	-	-	414,120
Exploration and evaluation assets	7 & 8	13,606,555	12,983,446	-
Total assets		13,767,572	13,132,969	2,478,902
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Trade and other payables	9	2,287,066	1,547,583	133,964
Due to Monte Sinai	7	1,454,142	1,497,678	-
Due to related parties	17	647,740	119,844	139,668
Lease obligations	10	78,208	-	-
Total current liabilities		4,467,156	3,165,105	273,632
Non-current				
Lease obligations	10	35,725	-	-
Due to Monte Sinai	7	160,041	192,132	-
Total liabilities		4,662,922	3,357,237	273,632
Shareholders' equity				
Share capital	11	13,938,221	12,726,321	2,533,347
Shares to be issued	11	104,000	50,000	50,000
Warrants	12	60,000	60,000	-
Share-based payments reserve	13	1,421,865	-	-
Accumulated other comprehensive income		(1,614,468)	(1,150,443)	(45,529)
Deficit		(4,804,968)	(1,910,146)	(332,548)
Total shareholders' equity		9,104,650	9,775,732	2,205,270
Total liabilities and shareholders' equity		\$ 13,767,572	\$ 13,132,969	\$ 2,478,902

Nature of Operations (Note 1), Commitments and Contingencies (Notes 7 & 18), and Subsequent Events (Note 21)

APPROVED AND AUTHORIZED ON BEHALF OF THE BOARD:

Signed "Mark Brennan"
Director

Signed: "Stephen Shefsky"
Director

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

CERRADO GOLD INC.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2019, 2018 and 2017
(Expressed in US dollars)

	Note	Year ended		
		December 31, 2019	December 31, 2018	December 31, 2017
GENERAL AND ADMINISTRATIVE EXPENSES				
Exploration and evaluation expenditures		-	1,122,522	233,686
Management compensation		288,412	13,029	-
Professional fees		123,423	81,679	35,078
Transaction fees		462,083	-	-
Consulting fees		135,882	103,536	14,158
Office and general		48,943	99,476	44,609
Share-based payments	12	1,760,866	60,000	-
Depreciation and amortization	6	34,189	-	-
(LOSS) BEFORE OTHER EXPENSE (INCOME)		(2,853,798)	(1,480,242)	(327,531)
OTHER EXPENSE (INCOME) ITEMS				
Finance items		5,548	100,723	2,007
Loss (gain) on foreign exchange		35,476	(3,367)	3,010
(LOSS) BEFORE INCOME TAXES		(2,894,822)	(1,577,598)	(332,548)
Income taxes	20	-	-	-
Net (loss) income for the period		\$ (2,894,822)	\$ (1,577,598)	\$ (332,548)
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss				
Translation adjustment		(464,025)	(1,104,914)	(45,529)
Total comprehensive (loss) income		\$ (3,358,847)	\$ (2,682,512)	\$ (378,077)
Basic and diluted (loss) earnings per share				
Basic		(0.07)	(0.08)	(0.14)
Diluted		(0.07)	(0.08)	(0.14)
Weighted average number of shares outstanding				
Basic	11	39,550,097	19,948,177	2,386,644
Diluted	11	39,550,097	19,948,177	2,386,644

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

CERRADO GOLD INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in US dollars)

	Note	December 31, 2019	Year ended December 31, 2018	December 31, 2017
OPERATING ACTIVITIES				
Net (loss) for the period		\$ (2,894,822)	\$ (1,577,598)	\$ (332,548)
Add (deduct) the following items				
Depreciation	7	34,189	-	-
Share based payments	15	1,760,866	60,000	-
Operating cash flows before changes in working capital		(1,099,767)	(1,517,598)	(332,548)
Changes in non-cash working capital				
Receivables and other assets		(9,575)	-	(71,299)
Trade and other payables		858,658	52,492	124,041
Total changes in non-cash working capital		849,083	52,492	52,742
Net cash flows (used in) operating activities		(250,684)	(1,465,106)	(279,806)
INVESTING ACTIVITIES				
Advances to Monte Sinai	7	-	-	(415,928)
Investment in exploration and evaluation assets	8	(1,142,885)	(4,261,086)	-
Net cash flows (used in) investing activities		(1,142,885)	(4,261,086)	(415,928)
FINANCING ACTIVITIES				
Loans from related parties	11	545,627	518,217	152,497
Repayments to related parties		(15,254)	(524,810)	(12,219)
Private placements, net of share issue costs	13	926,899	4,122,974	2,583,347
Net cash flows provided by financing activities		1,457,272	4,116,381	2,723,625
Effect of exchange rates on cash		(106,303)	(294,119)	(43,289)
Increase (decrease) in cash		(42,600)	(1,903,930)	1,984,602
Cash, beginning of period		80,672	1,984,602	-
Cash, end of period		38,072	80,672	1,984,602

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

CERRADO GOLD INC.

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in thousands of US dollars)

	Note	Number of shares	Issued Share Capital	Shares to be issued	Warrants	Share-based payments reserve	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2016		-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Founders shares	11	2,000,000	200	-	-	-	-	-	200
Private placement	11	12,777,500	2,533,147	50,000	-	-	-	-	2,583,147
Loss for the year		-	-	-	-	-	(332,548)	-	(332,548)
Foreign currency translation adjustment		-	-	-	-	-	-	(45,529)	(45,529)
Balance, December 31, 2017		14,777,500	\$2,533,347	\$50,000	\$0	\$ -	(\$332,548)	(\$45,529)	\$2,205,270
Shares issued as consideration for acquisition of Monte do Carmo project	7	13,500,000	6,075,000	-	-	-	-	-	6,075,000
Private placement	11	9,225,205	4,117,974	-	-	-	-	-	4,117,974
Extension of warrants	12	-	-	-	60,000	-	-	-	60,000
Loss for the year		-	-	-	-	-	(1,577,598)	-	(1,577,598)
Foreign currency translation adjustment		-	-	-	-	-	-	(1,104,914)	(1,104,914)
Balance, December 31, 2018		37,502,705	\$12,726,321	\$50,000	\$60,000	\$ -	(\$1,910,146)	(\$1,150,443)	\$9,775,732
Private placement	11	1,895,331	872,899	54,000	-	-	-	-	926,899
Share-based payments - Options issued and vested	13	-	-	-	-	1,000,000	-	-	1,000,000
Share-based payments - RSUs	13	-	-	-	-	760,866	-	-	760,866
RSUs redeemed	13	753,335	339,001	-	-	(339,001)	-	-	-
Loss for the year		-	-	-	-	-	(2,894,822)	-	(2,894,822)
Foreign currency translation adjustment		-	-	-	-	-	-	(464,025)	(464,025)
Balance, December 31, 2019		40,151,371	\$13,938,221	\$104,000	\$60,000	\$1,421,865	(\$4,804,968)	(\$1,614,468)	\$9,104,650

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

CERRADO GOLD INC.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2019, 2018 and 2017
(Expressed in US dollars, except otherwise noted)

1. NATURE OF OPERATIONS

Cerrado Gold Inc. (“Cerrado” or “the Company”) is incorporated under the Ontario Business Corporations Act and had no transactions prior to October 2017. Cerrado, through its 100%-owned Brazilian subsidiaries Templewood Mineração e Participações Societárias Ltda. (“Templewood”), Serra Alta Participações Imobiliárias SA (“Serra Alta SA”), and Serra Alta Mineração Ltda. (“Serra Alta Mineração”) owns the Monte de Carmo Gold Project in the State of Tocantins, Brazil. On March 16, 2020, Cerrado closed the acquisition of Minera Don Nicolas (“MDN”) and its namesake mine in Santa Cruz, Argentina (See Note 21). The Company is also engaged in the evaluation of exploration and advanced development stage mineral resource opportunities, on an ongoing basis. The Company’s head office, principal address and records office are located at 110 Yonge Street, Suite 501, Toronto-Dominion Centre, Toronto, Ontario, Canada, M5C 1T4.

The Company is subject to risks and challenges similar to other companies in a comparable stage of operation, exploration and development. These risks include, but are not limited to, losses, successfully raising financing through debt or equity markets and the successful operation and development of its mineral property interests.

During the first half of 2020 the COVID-19 pandemic has had a material impact on the global economy, the scale and duration of which still remain uncertain. To date, there has been significant volatility in commodity prices and foreign exchange rates, restrictions on the conduct of business in many jurisdictions, including travel restrictions, and supply chain disruptions. Depending on the duration and extent of the impact of COVID-19, this could materially impact the Company’s results of operations, cash flows, financial position and its ability to access financing.

As at June 30, 2020 the Company had a cash balance of \$2,664. Our liquidity position is, however, sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting increased production targets, metal prices, foreign exchange rates, operational costs, and capital expenditures. If the Company’s cash flow from operations is not sufficient to satisfy its requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado. Management expects that the Company’s existing cash at June 30, 2020 together with cash from MDN operations and additional financing secured in September 2020 (See Note 21) will be sufficient to fund cash requirements in the ordinary course of business for a period of at least twelve months.

2. BASIS OF PRESENTATION

(a) Statement of compliance and First-time adoption of IFRS:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively “IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Company did not present financial statements for previous periods and these are the Company’s first consolidated financial statements prepared in accordance with IFRS, and as such are prepared in accordance with the provision of *IFRS 1 – First time Adoption of International Financial Reporting Standards*

As noted in Note 1 the Company did not have any transactions prior to October 2017 since their incorporation, and as such they have not included an opening balance sheet as of January 1, 2017, upon adoption.

These consolidated financial statements were approved for issuance by the Board of Directors on November 29, 2020.

(b) Functional and presentation currency:

The functional currency of Cerrado is the US dollar (“USD”), while the functional currency of the Company’s Brazilian subsidiaries is the Brazilian Real (“BRL”). These consolidated financial statements are presented in US dollars (“USD”).

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(c) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis.

The accounting policies set out in Note 3 have been applied consistently by the Company and its subsidiaries in preparing the consolidated financial statements for the years ended December 31, 2019, 2018 and 2017, including IFRS 16, Leases which was adopted upon adoption of IFRS 1, and applied the exemption for short term leases as permitted by the standard. As permitted by the exemption in IFRS 1, the Company elected to apply the provisions of IFRS 9 in the year of adoption of IFRS (2017).

(d) Use of accounting estimates and judgements:

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Company reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that the Company believes to be reasonable under the circumstances. Revisions to accounting estimates are recognized prospectively in the period in which the estimates are revised and in any future periods affected.

The following are significant judgements and estimates impacting the consolidated financial statements:

- *Mineral reserves and resources* - the Company estimates mineral reserves and resources to determine future recoverable mine production based on assessment of geological, engineering and metallurgical analyses, estimates of future production costs, capital costs and reclamation costs, as well as long term commodity prices and foreign exchange rates. There are numerous uncertainties inherent in estimating mineral reserves and resources, including many factors beyond the Company's control. The estimates are based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body and interpreting this data requires complex geological judgements. Changes in mineral reserve or resource estimates may impact the allocation of purchase price allocations, the carrying value of exploration and evaluation assets and depreciation and depletion.
- *Tax provisions* - management makes estimates in determining the measurement and recognition of deferred tax assets and liabilities recorded on the consolidated balance sheets. The measurement of deferred tax assets and deferred tax liabilities is based on tax rates that are expected to apply in the period that the asset is realized or liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood of taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability to realize the net deferred tax assets recorded at the balance sheet date could be affected. At the end of each reporting period, management reassesses the period that assets are expected to be realized or liabilities are settled and the likelihood of taxable income in future periods in order to support and adjust the deferred tax assets and deferred tax liabilities recognized on the consolidated balance sheets.

Business combinations and asset acquisitions

When the Company makes an acquisition, it first determines whether the assets acquired and liabilities assumed constitute a business, in which case the acquisition requires accounting as a business combination. Management applies judgement in determining whether the acquiree is capable of being conducted and managed for the purpose of providing a return, considering the inputs of the acquiree and processes applied to those inputs that have the ability to create outputs.

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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and by all Company entities.

(a) Basis of consolidation:

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries:

- Templewood Mineração e Participações Societárias Ltda. ("Templewood");
- Serra Alta Participações Imobiliárias SA ("Serra Alta SA"); and
- Serra Alta Mineração Ltda. ("Serra Alta Mineração")

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(b) Business combinations and goodwill:

The Company applies the acquisition method of accounting to business combinations, whereby goodwill is measured at the acquisition date as the excess fair value of the consideration transferred including the recognized amount of any non-controlling interests in the acquiree as compared to the fair value of the net assets acquired. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statement of operations and comprehensive loss. The assessment of fair values on acquisition includes those mineral reserves and resources that are able to be reliably measured. In determining these fair values, management must also apply judgement in areas including future cash flows, metal prices, exchange rates and appropriate discount rates.

The consideration transferred is the aggregate of the fair values at the date of acquisition of the assets transferred, the liabilities incurred or assumed, and the equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related costs are recognized in the consolidated statement of operations and comprehensive loss as incurred, unless they relate to issue of debt or equity securities. Where applicable, the consideration transferred includes any asset or liability resulting from a contingent consideration arrangement, which is measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS.

After initial recognition, any goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units ("CGUs") that are expected to benefit from the synergies of the combination, irrespective of whether any assets or liabilities of the acquiree are assigned to those units. Goodwill is allocated to the lowest level at which it is monitored for internal management purposes and is not larger than an operating segment before aggregation. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the determination of any gain or loss on disposal.

Goodwill is not amortized but is tested for impairment annually and whenever there is an indication of impairment. If any such indication exists, the recoverable amount of the CGU is estimated in order to determine the extent of the impairment, if any.

(c) Translation of foreign currencies:

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which that entity operates (its functional currency). The functional currency of the Canadian parent company is the USD and the functional currency of the Brazilian subsidiary companies is BRL.

Management determines the functional currency of each subsidiary as the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the respective functional currencies of the entity at exchange rates in effect at the transaction dates.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the period end exchange rate. Non-monetary assets and liabilities measured at fair value are

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translated using the exchange rates at the date when fair value was determined. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using exchange rates that were in effect at the transaction dates.

Foreign currency gains and losses arising on period-end revaluations are recognized in the consolidated statement of operations and comprehensive loss.

Foreign operations

For the purpose of the consolidated financial statements, assets and liabilities of entities that have functional currencies other than the US dollar are translated to US dollars at the reporting date using the exchange rate on that date. Revenue and expenses are translated at monthly average exchange rates that approximate those in effect at the transaction dates. Differences arising from these foreign currency translations are recognized in OCI and presented within equity in the foreign currency translation reserve. When a foreign operation is disposed, the relevant exchange differences accumulated in the foreign currency translation reserve are transferred to the consolidated statement of operations and comprehensive loss as part of the profit or loss on disposal.

Net investment in a foreign operation

Foreign currency gains and losses arising on translation of a monetary item receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are considered to form part of a net investment in the foreign operation. Such gains and losses are recognized in OCI and presented within equity in the foreign currency translation reserve.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents have maturities of three months or less at the date of acquisition. Interest earned is included in other income on the consolidated statement of operations and comprehensive loss.

Amounts that are restricted from being used for at least twelve months after the reporting date are classified as non-current assets and presented in restricted cash on the consolidated balance sheets. Changes in restricted cash balances are classified as investing activities on the consolidated statements of cash flows.

(e) Exploration and evaluation expenditures:

Exploration and evaluation activity begins when the Company obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility, and the assessment of commercial viability of an identified resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties and the costs of the Company's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

Exploration and evaluations costs are capitalized. These costs include acquisition of rights to explore, exploration drilling, carrying costs of unproved properties, and any other activities relating to the evaluation of technical feasibility and commercial viability of extracting mineral resources. Cash flows associated with exploration and evaluation assets are classified as investing activities in the consolidated statements of cash flows.

Administrative and other general overhead costs associated with finding specific mineral resources are capitalized. Administrative and overhead costs are expensed if they do not qualify for capitalization as an E&E asset. The following costs may qualify for inclusion as an E&E asset:

- Payroll-related costs attributable to personnel working directly on a specific project, including the costs of employee benefits and share-based compensation for such personnel;
- Certain management costs if the management roles are specific to a project;
- Fees paid to contractors involved in a particular project;
- Legal or other professional costs specific to the project – i.e. costs in respect of obtaining certain permits and certifications; and
- General office overheads for an office that is set up specifically to support E&E activities.

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Exploration and evaluation assets are transferred to assets under construction within property, plant and equipment once the Company determines that probable future economic benefits will be generated as a result of the expenditures. The Company's determination of probable future economic benefit is based on management's evaluation of the technical feasibility and commercial viability of the geological properties of a given ore body based on information obtained through evaluation activities, including metallurgical testing, resource and reserve estimates and the economic assessment of whether the ore body can be mined economically. Tools that may be used to determine this include a preliminary feasibility study, confidence in converting resources into reserves and the probability that the property could be developed into a mine site. At that time, the property is considered to enter the development phase, and subsequent development costs are capitalized.

(f) Property, plant and equipment:

The Company measures items of property, plant and equipment at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an item of property, plant and equipment includes its purchase price or construction costs, including import duties and non-refundable purchase taxes, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The initial cost of property, plant and equipment also includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Capitalization of costs ceases once an asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. At this time, depreciation commences. For a new mine, this occurs upon commencement of commercial production. Any revenue earned in the process of preparing an asset to be capable of operating in the manner intended by management is included in the cost of the constructed asset. Any other incidental revenue earned prior to commencement of commercial production is recognized in the consolidated statement of operations and comprehensive loss.

Carrying amounts of property, plant and equipment, including depreciated to their estimated residual value over the estimated useful lives of the assets or the estimated life of the related mine or plant, if shorter. Where components of an asset have different useful lives, depreciation is calculated on each separate component. Components may be physical or non-physical, including the cost of regular major inspections and overhauls required in order to continue operating an item of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Upon derecognition of an item of property, plant and equipment, the difference between its carrying value and net sales proceeds, if any, is presented as a gain or loss in other operating income or expense in the consolidated statement of operations and comprehensive loss.

(g) Impairment of non-financial assets:

At the end of each reporting period, the Company reviews the carrying amounts of property, plant and equipment and exploration and evaluation assets to determine whether there is any indication of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset in order to determine the extent of the impairment loss, if any. The Company generally assesses impairment at the level of CGUs, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of cash inflows from other assets.

The Company allocates exploration and evaluation assets to CGUs based on their operating segment, geographic location and management's intended use for the property. Exploration and evaluation assets are allocated to CGUs separate from those containing producing or development-phase assets, except where exploration and evaluation assets have the potential to significantly affect the future production of producing or development-phase assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount of the asset or CGU is made. The recoverable amount is the higher of the fair value less costs of disposal and value in use:

- i. Fair value less costs of disposal is the amount obtainable from the sale of the asset or CGU in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Fair value for mineral assets is often determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate that reflects current

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market assessments of the time value of money and the risks specific to the asset to arrive at a net present value of the asset.

- ii. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset or CGU in its present form and its eventual disposal, discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use calculations apply assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value, and consequently the value in use calculation is likely to give a different result to a fair value calculation.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

(h) Provisions:

Provisions are recognized when the Company or its subsidiaries has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are recognized in the consolidated financial statements, if estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote.

(i) Financial Instruments:

Non-derivative financial instruments are initially recognized at fair value plus, in the case of a financial asset or financial liability not measured at fair value through profit or loss, directly attributable transaction costs. Measurement in subsequent periods depends on the financial instrument's classification. The Company determines the classification of its financial instruments and non-financial derivatives at initial recognition.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheets when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The classification of financial assets is based on the results of the contractual characteristics test and the business model assessment which will result in the financial asset being classified as either: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI").

(i) Non-derivative financial instruments:

Amortized cost

Cash and Receivables other assets are classified as and measured at amortized cost and are carried at amortized cost using the effective interest rate method, less impairment losses, if any.

Non-derivative financial liabilities

Accounts payable and due to Monte Sinai are initially recognised at FVTPL and subsequently accounted for at amortized cost, using the effective interest rate method.

(ii) Fair values of financial instruments:

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available.

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For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models.

The Company applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques use significant observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), or valuations are based on quoted prices for similar instruments; and
- Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

An analysis of fair values of financial instruments is provided in note 15.

(iii) Derecognition of financial instruments:

The Company derecognizes financial assets when the contractual rights to the cash flows from the assets expire, or when the Company transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes financial liabilities when its contractual obligations are discharged, cancelled or expire or when its terms are modified and the cash flows of the modified liability are substantially different.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(j) **Taxation:**

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

The Company is subject to income taxes in multiple jurisdictions. The Company recognizes liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Deferred Tax

Deferred tax is recognized using the balance sheet method in respect of temporary differences at the balance sheet date between the tax basis of assets and liabilities, and their carrying amounts for financial reporting purposes.

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Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Judgement is required in determining whether deferred tax assets are recognized on the consolidated balance sheets. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood of taxable profit in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability to realize the net deferred tax assets recorded at the balance sheet date could be affected.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred taxes relating to items recognized outside profit or loss (whether in other comprehensive income or directly in equity) are recognized outside profit or loss and not in the consolidated income statements. Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax.

(k) Loss per share:

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which currently consist of stock options and RSUs granted to employees and warrants.

When calculating earnings per share for periods where the Company has a loss, Cerrado's calculation of diluted earnings per share excludes any incremental shares from the assumed conversion of stock options, RSUs, and warrants as they would be anti-dilutive.

(l) Share Capital and Reserves:

Transaction costs

Transaction costs directly attributable to equity transactions are recognized as a deduction from equity.

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Share-based payment reserve

Share-based payment reserve is used for equity-settled share-based payments and includes amounts for stock options and RSUs granted, vested and not exercised.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations. Exchange differences arising from the translation of the financial statements of foreign operations form part of the net investment in the foreign operation. Translation gains and losses remain in the reserve until disposal of all or a portion of the foreign operation.

(m) Share-based payments:

The Company maintains a Restricted Share Unit ("RSU") and stock option plan for employees, directors, and other qualified individuals.

Equity-settled transactions, which include RSUs and stock options, are measured by reference to their fair value at the grant date. The fair value for RSUs is determined using the estimated fair value of the common shares at the grant date. The fair value for stock options is determined using a Black-Scholes option pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the expected average life of options. The Company believes this model adequately captures the substantive features of the option awards and are appropriate to calculate their fair values. The fair value determined for both RSUs and stock options at grant date is recognized over the vesting period in accordance with the vesting terms and conditions, with a corresponding increase to share-based payment reserve.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 13. The fair value determined at the grant date of the equity-settled share-based payments is expensed in profit or loss over the vesting period in accordance with vesting terms and conditions, with a corresponding increase to share-based payment reserve. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest, if any.

(n) Leases

In preparing the first IFRS financial statements, a first-time adopter selects the accounting policies based on IFRS Standards that are effective as at the first annual reporting date and may include the early adoption of new standards or interpretations.

As part of the first-time adoption of IFRS, the Company adopted IFRS 16, Leases ("IFRS 16") effective January 1, 2017. This standard revises the definition of leases and requires companies to bring most leases on-balance sheet, recognizing new assets and liabilities. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability.

A first-time adopter of IFRS that is a lessee may apply the following approach to all its leases at the date of transition (subject to the application of practical expedients):

- measure the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition;
- measure the ROU asset, on a lease-by-lease basis, at either:
 - its carrying amount as if the new standard had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of transition to IFRS; or
 - an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS; and
- apply IAS 36 to the ROU asset at the date of transition to IFRS.

The Company applied the practical expedients included in IFRS 1 in relation of the exemptions to recognize leases with the following criteria:

- Leases of low dollar value will continue to be expensed as incurred.
- Applied the exemption not to recognize ROU assets and liabilities for leases with less than 12 months of lease term.

As such there were no adjustments recorded upon adoption of IFRS 1 on the date of transition.

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Leases recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then an asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is assessed to contain a lease, a lease liability is recognized representing the present value of cash flows estimated to settle the contract, discounted using the discount rate implicit in the lease, or if that is not available, a discount rate which would be required if the underlying asset was acquired through a financing arrangement. The Company will also recognize a right-of-use asset ("ROU") that will generally be equal to the lease obligation at adoption. The ROU is subsequently amortized over the life of the contract.

The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

CERRADO GOLD INC.

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4. CHANGES IN ACCOUNTING POLICIES

New standards and interpretations adopted

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23"). The interpretation seeks to provide guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. On January 1, 2019 the Company adopted IFRIC 23, which did not have any effect on the Company's financial statements.

New standards and interpretations not yet adopted

Amendment to IFRS 3 - Business Combinations

The amendment to IFRS 3 clarifies the definition of a business and includes an optional concentration test to determine whether an acquired set of activities and assets is a business. This amendment is in effect January 1, 2020 and will be treated prospectively. The Company will apply these amendments to future acquisition transactions.

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements provide a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. The Company will adopt IAS 1 on January 1, 2020 and we do not expect the change to have impact on the consolidated financial statements disclosures.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1), which clarifies the guidance on whether a liability should be classified as either current or non-current.

The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

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5. RECEIVABLES AND OTHER ASSETS

	December 31, 2019	December 31, 2018	December 31, 2017
Taxes receivable	\$ 41,900	\$ 44,321	\$ -
Prepays and deposits	4,404	19,330	69,980
Other assets	5,200	5,200	10,200
	<u>\$ 51,504</u>	<u>\$ 68,851</u>	<u>\$ 80,180</u>

Taxes receivable relates to recoverable withholding taxes paid in Brazil and refundable Harmonized Sales Tax ("HST") in Canada.

6. PROPERTY, PLANT AND EQUIPMENT

	Land and Building
Cost	
January 1, 2019	\$ 105,630
Additions	-
As at December 31, 2019	<u>105,630</u>
Accumulated depreciation	
January 1, 2019	-
Charge for the period	34,189
As at December 31, 2019	<u>34,189</u>
Net book value	
Balance, January 1, 2019	105,630
Balance, December 31, 2019	<u>\$ 71,441</u>

(i) Represents the balance on adoption of IFRS 16 in connection with the recognition of office lease right-of-use assets (See Note 4). Prior to January 1, 2019 the Company did not recognize any property, plant and equipment.

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7. ACQUISITION OF MONTE DO CARMO PROJECT

On April 20, 2018 (the "Acquisition Date"), the Company through its wholly-owned subsidiary Serra Alta Mineração Ltda. ("Serra Alta Mineração") acquired from Monte Sinai Mineração Ltda. ("Monte Sinai") the Monte do Carmo Gold Project in Brazil for a total consideration of \$7,341,672 satisfied by the issuance of 13,500,000 Cerrado common shares valued at US\$0.45 per share for a total estimated value of \$6,075,000, and Advances to Monte Sinai amounting to \$1,266,672. Upon closing of the transaction Monte Sinai owns approximately 30% of the issued and outstanding share of Cerrado as such Monte Sinai is considered a related party. Additionally, former Management were appointed as Directors of Cerrado.

The Company determined that this transaction was an asset acquisition. The acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based on their estimated fair values at the date of acquisition. Refer to the table below for details.

	April 20, 2018	
Fair value of Cerrado common shares	\$	6,075,000
Advances to Monte Sinai		1,266,672
Total consideration	\$	7,341,672
Summary of purchase price allocation:		
Assets:		
Exploration and evaluation assets	\$	11,396,363
Total assets		11,396,363
Liabilities:		
Current liabilities		4,054,691
Total liabilities		4,054,691
Net identifiable assets acquired	\$	7,341,672

The terms of the Acquisition Agreement provide for a 2% net smelter return royalty granted to the former owners of the project. The royalty can be reacquired by Cerrado for US\$2.0 million.

As per the terms of the Acquisition Agreement, the sellers of the project have the right to a payment of US\$500,000 if 1,000,000 oz of gold are identified, and a further US\$1,500,000 if an aggregate of 2,500,000 oz of gold are identified in a mineral resource estimate in accordance with NI 43-101. The Company has not measured or recognized a contingent liability in relation to the above royalty or payments.

Advances to Monte Sinai as of December 31, 2017 represented payments advanced to Monte Sinai relating to the liabilities assumed as above during 2017 before closing of the acquisition agreement on April 20, 2018 ("the net assets acquisition date"). A total of \$1,266,672 were recorded as part of the consideration on the day of the acquisition of the net assets.

The liabilities assumed on acquisition relate to expenses incurred by Monte Sinai prior to the acquisition, are payable directly to Monte Sinai, have no fixed terms of repayment and bear no interest.

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8. EXPLORATION AND EVALUATION ASSETS

Monte do Carmo Gold Project – Brazil

The Company, through Serra Alta Mineração, holds a 100% interest in the Monte do Carmo Project, located in the state of Tocantins, Brazil, immediately east of the town of Monte do Carmo.

The following is a summary of the capitalized costs of Monte do Carmo Project's exploration and evaluation assets for the years ended December 31, 2019 and 2018:

	Monte do Carmo Project	
December 31, 2017	\$	-
Additions:		
Mining rights acquired		11,396,392
Geology		158,480
Exploration costs		2,386,768
Professional and labour		227,533
Employee salary and benefits		229,226
Other		68,085
Effect of foreign exchange translation		(1,483,038)
December 31, 2018		12,983,446
Additions:		
Geology		15,126
Exploration costs		495,439
Professional and labour		337,486
Employee salary and benefits		238,492
Other		10,288
Effect of foreign exchange translation		(473,722)
December 31, 2019	\$	13,606,555

9. TRADE AND OTHER PAYABLES

	December 31, 2019	December 31, 2018	December 31, 2017
Trade payables	\$ 1,377,058	\$ 1,232,795	\$ 120,755
Accrued liabilities	590,759	78,801	-
Payroll and government remittances	319,249	235,987	13,209
	\$ 2,287,066	\$ 1,547,583	\$ 133,964

10. LEASE OBLIGATIONS

	December 31, 2019
Total minimum lease payments	\$ 138,842
Effect of discounting	(24,909)
Present value of minimum lease payments	113,933
Less: current portion	(78,208)
	35,725
Minimum payments under leases	
Due no later than 1 year	87,910
Due later than 1 year less than 5 years	50,932
	\$ 138,842

The above lease represents the sub-lease of an office space from a company with directors and officers in common (Note 17).

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11. SHARE CAPITAL

Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares

	Notes	Number of shares	Issued Share Capital	Shares to be issued
Balance, December 31, 2016		-	\$ -	\$ -
Founders shares	(i)	2,000,000	200	-
Private placement, net of issue costs	(ii)	12,777,500	2,533,147	50,000
Balance, December 31, 2017		14,777,500	\$ 2,533,347	\$ 50,000
Shares issued as consideration for investment in Serra Alta	7	13,500,000	6,075,000	-
Private placement, net of issue costs	(iii)	9,225,205	4,117,974	-
Balance, December 31, 2018		37,502,705	\$ 12,726,321	\$ 50,000
Private placement, net of issue costs	(iv)	1,895,331	872,899	54,000
RSUs redeemed	13	753,335	339,001	-
Balance, December 31, 2019		40,151,371	\$ 13,938,221	\$ 104,000

- (j) In October 2017, the Company issued 2,000,000 common shares (“Founders Shares”) for a nominal value of \$0.0001 per share, and 2,000,000 warrants (“Founders Warrants”) for an incidental value to directors and officers of the Company (See Note 12).
- (ii) In November 2017, the Company completed a non-brokered private placement financing, pursuant to which the Company issued 12,777,500 common shares at US\$0.20 per share for gross proceeds of \$2,555,500.
- (iii) In June 2018, the Company completed a non-brokered private placement financing, pursuant to which the Company issued 9,225,205 common shares at US\$0.45 per share for gross proceeds of \$4,151,342.
- (iv) In January 2019, the Company completed a non-brokered private placement financing, pursuant to which the Company issued 1,495,331 common shares at \$0.45 per share and 400,000 common shares at \$0.50 per share for gross proceeds of \$872,899.

Subsequent to December 31, 2019, in January 2020 the Company completed a non-brokered private placement financing, pursuant to which the Company issued 2,000,000 common shares at \$0.50 per share for gross proceeds of \$1,000,000. Also, a total of 370,000 shares were issued in respect of \$104,000 previously received in cash and recorded as shares to be issued. Refer to note 21 – Subsequent events for further details on additional financial completed in September 2020.

The weighted average number of shares outstanding used to calculate basic and diluted earnings (loss) per share for the years ended December 31, 2019, 2018 and 2017 is as follows:

Weighted Average Number of Shares Outstanding	Year ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Basic	39,550,097	19,948,177	2,386,644
Dillutive effect of warrants	-	-	-
Dillutive effect of options	-	-	-
Dilutive effect of RSUs	-	-	-
	39,550,097	19,948,177	2,386,644

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The determination of weighted average number of common shares for the purpose of diluted (Loss) per Share excludes the following shares relating to warrants, options that were anti-dilutive for the periods below noted:

	Year ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Anti-dilutive warrants	2,000,000	2,000,000	2,000,000
Anti-dilutive options	4,000,000	-	-
Anti-dilutive RSUs	1,506,665	-	-

12. WARRANTS

As at December 31, 2019, 2018 and 2017, warrants outstanding were as follows:

Expiry Date	December 31, 2019			December 31, 2018			December 31, 2017		
	Exercise Price (US\$)	Number of Warrants	Exercisable	Exercise Price (US\$)	Number of Warrants	Exercisable	Exercise Price (US\$)	Number of Warrants	Exercisable
October 3, 2020	\$0.20	2,000,000	2,000,000	\$0.20	2,000,000	2,000,000	\$0.20	2,000,000	2,000,000

At December 31, 2019, the weighted average remaining contractual life of the warrants was 0.76 years (December 31, 2018 – 1.76 years).

Warrants transactions are summarized as follows:

	December 31, 2019			December 31, 2018			December 31, 2017		
	Number of Warrants	Exercise Price (US\$)	Warrants	Number of Warrants	Exercise Price (US\$)	Warrants	Number of Warrants	Exercise Price (US\$)	Warrants
Balance, beginning of period	2,000,000	\$0.20	\$ 60,000	2,000,000	\$0.20	\$ -	-	-	-
Warrants granted	-	-	-	-	-	-	2,000,000	\$0.20	\$ -
Warrants extended	-	-	-	-	\$0.20	\$ 60,000	-	-	-
Balance, end of period	2,000,000	\$0.20	\$ 60,000	2,000,000	\$0.20	\$ 60,000	2,000,000	\$0.20	\$ -

In October 2017, the Company issued an aggregate of 2,000,000 warrants to officers and directors of the Company. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of US\$0.20 per share on or before October 3, 2019. The estimated fair value of the warrants was deemed to be \$Nil. The value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 65%, a risk-free rate of 1.52% and an expected life of 1 year.

In September 2018, the Company extended these warrants until October 3, 2020. The Company used the Black-Scholes option pricing model to fair value the warrant extension, which was estimated to be \$60,000 and recognized as shared-based compensation. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 60%, and risk-free rate of 2.28%. On June 24, 2020, the Company further extended these warrants until October 3, 2021.

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13. SHARE-BASED PAYMENT RESERVE

	December 31, 2019		
	Stock Options	Restricted share units	Share-based payment reserve
Balance, beginning of period	\$ -	\$ -	\$ -
Options vested	1,000,000	-	1,000,000
RSUs vested	-	760,866	760,866
RSUs redeemed	-	(339,001)	(339,001)
Balance, end of period	\$ 1,000,000	\$ 421,865	\$ 1,421,865

Options

On February 27, 2019, the Company's Board of Directors approved the Stock Option Plan ("the Option Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase common shares of the Company. The Option Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Option Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

As at December 31, 2019 the Company had outstanding stock options enabling the holders to acquire common shares as follows:

	December 31, 2019		
Expiry Date	Exercise Price (US\$)	Number of Stock Options	Exercisable
February 27, 2024	\$0.45	4,000,000	4,000,000

At December 31, 2019, the weighted average remaining contractual life of the stock options was 4.16 years.

Stock option transactions are summarized as follows:

	December 31, 2019		
	Number of Stock Options	Exercise Price/Option (US\$)	Share-based payment reserve
Balance, beginning of period	-	-	\$ -
Options granted	4,000,000	\$0.45	1,000,000
Balance, end of period	4,000,000	\$0.45	\$ 1,000,000

The value of the options was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 67%, a risk-free rate of 1.79% from comparable listed companies and an expected life of 5 years.

Restricted Share Units ("RSUs")

On February 27, 2019, the Company's Board of Directors approved the Restricted Share Unit Plan (the "RSU Plan"), whereby RSUs may be granted to directors, officers, consultants or employees at the discretion of the Board of Directors. The RSU Plan provides for share unit awards (the "RSUs") to be granted by the Board of Directors to employees of the Company. An RSU is a unit representing the right to receive one common share issued from treasury. The RSU Plan provides for the issuance of RSUs to acquire up to 10% of the Company's issued and outstanding capital. The RSU Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of RSUs will increase as the Company's issued and outstanding share capital increases.

If the Company's shares are not listed and posted for trading on an Exchange, the number of RSUs awarded and their market price are determined and approved by the Board of Directors. The vesting requirements are established from time to time by the Board of Directors.

On February 27, 2019, the Company granted 2,260,000 Restricted Share Units ("RSUs"), subject to certain eligible participants under the Company's RSU Plan, including certain officers, directors, and employees. The 2,260,000 RSUs granted will vest in accordance with the following schedule: (i) 33 1/3% immediately; (ii) 33 1/3% one year from the date of the grant; and (iii) 33 1/3% two years from the date of the grant.

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As at December 31, 2019 and 2018 the Company had restricted share units enabling the holders to redeem common shares as follows:

	December 31, 2019		
	Number of RSUs Granted	Grant date fair value/RSU (US\$)	Number of RSUs Outstanding
February 27, 2019	2,260,000	\$0.45	1,506,665

As of December 31, 2019, there were 1,506,665 RSUs outstanding (2018 – Nil).

For the year ended December 31, 2019, the Company recognized share-based payment expense relating to the vesting of RSUs of \$760,866 (2018 - \$Nil). The RSUs were valued based on recent share issuances.

Restricted share unit vesting transactions are summarized as follows:

	December 31, 2019		
	Number of RSUs Outstanding	Grant date fair value/RSU (US\$)	Share-based payment reserve
Balance, beginning of period	-	-	\$ -
RSUs granted	2,260,000	\$0.45	-
RSUs Vested	-	\$0.45	760,866
RSUs Redeemed	(753,335)	\$0.45	(339,001)
Balance, end of period	1,506,665	\$0.45	\$ 421,865

Subsequent to December 31, 2019 on June 24, 2020, the Company granted 9,000,000 Restricted Share Units (“RSUs”), subject to certain eligible participants under the Company’s RSU Plan, including certain officers, directors, and employees.

The 9,000,000 RSUs granted will vest in accordance with the following schedule: (i) 33 1/3% immediately; (ii) 33 1/3% one year from the date of the grant; and (iii) 33 1/3% two years from the date of the grant.

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14. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as total equity plus debt. Total equity is comprised of issued capital stock, warrants, share-based payments reserve and accumulated deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018	December 31, 2017
Equity	9,104,650	9,775,732	2,205,270
Debt	-	-	-
	9,104,650	9,775,732	2,205,270

15. FINANCIAL INSTRUMENTS

Fair value and carrying value of financial instruments:

The following represents the carrying value and fair value of the Company's financial instruments and non-financial derivatives:

Recurring measurements		December 31, 2019	December 31, 2018	December 31, 2017
Financial assets				
Amortised cost				
Cash	(i)	38,072	80,672	1,984,602
Receivables and other assets	(i)(ii)	9,604	24,530	80,180
Total financial assets		47,676	105,202	2,064,782
Financial liabilities				
Amortised cost				
Trade and other payables	(i)(ii)	2,287,066	1,547,583	133,964
Due to related parties	(ii)	647,740	119,844	139,668
Due to Monte Sinai	(ii)	1,614,183	1,689,810	-
Total financial liabilities		4,548,989	3,357,237	273,632
Net financial asset (liability)		(4,501,313)	(3,252,035)	1,791,150

- (i) Cash, receivables and other assets, and trade and other payables are recorded at carrying value, which approximates fair value due to their short-term nature and generally negligible credit losses.
- (ii) Excludes tax and other statutory amounts.

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16. FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its risk management objectives. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below. There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2019 and 2018.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

At December 31, 2019, the Company had a cash balance of \$38,072 (December 31, 2018 - \$80,672), to settle current liabilities of \$4,467,156 (December 31, 2018 - \$3,165,105). The Company has a working capital deficit of \$4,377,580 at December 31, 2019 (December 31, 2018 – working capital deficit of \$3,015,582).

Foreign Currency Risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received, and balances maintained by the Company are denominated in currencies other than the functional currency of the entity party to the transaction. As of December 31, 2019, the Company had net monetary assets (liabilities) totalling (\$1,171,813) (December 31, 2018 – (\$225,438); December 31, 2017 – (\$30,246)) denominated in Canadian dollars. The Company's sensitivity analysis suggests that for the year ended December 31, 2019 a change in the absolute rate of exchange in the Canadian dollar by 1% would increase or decrease net loss by \$15,220 (December 31, 2018 - \$3,075; December 31, 2017 - \$379). The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by obtaining most of its estimated annual U.S. cash requirements and holding the remaining currency in U.S. dollars. The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Interest Rate Risk

The Company has no interest-bearing debt. The Company has no short-term investments as at December 31, 2019, 2018 and 2017 and is not subject to any significant impact on the cash balance as a result of changes in interest rates.

Credit Risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentrating with respect to cash and amounts receivable is remote.

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17. RELATED PARTY TRANSACTIONS AND BALANCES

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

(a) Compensation of key management personnel

	December 31, 2019	December 31, 2018	December 31, 2017
Management compensation	\$ 379,651	\$ 111,565	\$ 9,099
Share-based payments	1,421,583	60,000	-
	\$ 1,801,234	\$ 171,565	\$ 9,099

(b) Due to related parties

During the years ended December 31, 2019 and 2018, Directors and Officers of the Company had extended loans to finance the working capital of the Company. The loans have no fixed terms of repayment, bear interest of 4.75% and are due on demand. As at December 31, 2019, amounts due to related parties in reference to these loans is \$647,740 (2018 - \$119,844; 2017 – \$139,668).

18. COMMITMENTS AND CONTINGENCIES

By their nature, contingencies will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. The assessment of contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

Cerrado operates in countries where it may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to matters such as income and other taxes, duties and environmental matters. The Company is diligent, and exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review by the regulatory authorities and in connection with such reviews, disputes may arise with respect to the Company's interpretations about the amounts due and paid.

The Company may also be subject to various litigation actions. In-house counsel, outside legal advisors, and other subject matter experts assess the potential outcome of litigation and regulatory assessments. Accordingly, the Company establishes provisions for future disbursements considered probable.

As at December 31, 2019, the Company did not have any material provisions for litigation claims or regulatory assessments. Further, the Company does not believe claims or regulatory assessments, for which no provision has been recorded, will have a material impact on the financial position of the Company.

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19. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash transactions:

During the years ended December 31, 2019, 2018 and 2017, the Company entered into the following non-cash financing activities which are not reflected in the consolidated statements of cash flows:

- In April 2018, the Company issued 13,500,000 common shares with a fair value of \$6,075,000 as consideration for its acquisition of the Monte do Carmo Gold Project (see Note 7).

20. INCOME TAXES

(a) Tax rate reconciliation

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of 26.5% (December 31, 2018 – 26.5%, December 31, 2017 – 26.5%) were as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Income(loss) before income taxes	(2,894,822)	(1,577,598)	(332,548)
Tax expense/(recovery) at statutory rates	(767,128)	(418,063)	(88,125)
Foreign tax rate differential	(594)	(625)	(874)
Share-based compensation	466,629	-	-
Other non-deductible expenses/(non-taxable income)	118,043	2,944	3,962
Unrecognized/(recognized) temporary differences	183,050	415,744	85,037
Current income tax expense	-	-	-

(b) Deferred income tax balances

The Company has approximately \$1,182,000 (December 31, 2018 - \$458,000; December 31, 2017 - \$156,000) of non-capital losses in Canada which under certain circumstances can be used to reduce taxable income for future years. These losses expire from 2037 to 2039. Other tax pools in Canada totalling \$63,000 (December 31, 2018 - \$38,000; December 31, 2017 - \$18,000) do not expire.

The Company also has approximately \$ 1,507,000 (December 31, 2018 - \$961,000; December 31, 2017 - \$76,000) of tax losses in Brazil, which under certain circumstances can be used to reduce taxable income for future years. The losses do not expire. Other tax pools in Brazil totalling \$7,956,000 (December 31, 2018 - \$8,753,000; December 31, 2017 - \$91,000) do not expire.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

CERRADO GOLD INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2019, 2018 and 2017
(Expressed in US dollars, except otherwise noted)

21. SUBSEQUENT EVENTS

Acquisition of Minera Don Nicolas

On March 16, 2020 (the "Closing Date"), the Company entered into an Arrangement Agreement to acquire MDN and its namesake operating mine and surrounding properties in Argentina. Under the terms of the agreement the Company paid the Compania Inversora En Minas ("CIMINAS") and Compañia Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA") (together the "Sellers") an initial payment of \$15.0 million at closing, with future payments of \$10.0 million in 24 months, \$2.0 million in 36 months, \$10.0 million in 48 months and \$10.0 million in 60 months from the Closing Date and will be payable from a sinking fund, to be set up by the Company. The future consideration payable amount was initially recorded at fair value of \$21.425 million. The payable amount is discounted using a rate of 12%, which is the Company's estimated weighted-average cost of capital. During the three and six months ended June 30, 2020, the discount was amortized by \$0.203 million and \$0.825 million, respectively, which were included in finance costs.

In addition to the agreed upon payment of \$47.0 million, the Sellers are entitled to the following "Initial Bonus" amounts, 48 months from closing date, provided the terms of agreement as described are met;

- \$2.5 million if Mineral Reserves in accordance with NI43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by between 250,000 and 499,999 ounces of gold
- \$5.0 million if Mineral Reserves in accordance with NI43-101 technical report, exceed closing Mineral Reserves of 215,200 ounces of gold by at least 500,000 ounces of gold

In addition to the above, the Sellers are entitled to a "Final Bonus" of \$5.0 million, 30 months from the final payment date, if Mineral reserves in accordance with NI43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by at least 750,000 ounces of gold.

The "Initial and Final Bonus" payment will not be payable to the Seller if the average LBMA gold price per ounce is below \$1,250 in the six months preceding the payment date as described.

As described above the "Initial and Final Bonus" is contingent upon meeting several criteria, including the completion of the NI43-101 report. These contingent payments are valued at \$Nil and are not included in the purchase price calculation below.

With the completion of the transaction, MDN has become a wholly owned subsidiary of Cerrado, and the Company is now the owner and operator of MDN, an open-pit gold mine in the province of Santa Cruz, Argentina.

The Company determined that the transaction represents a business combination under IFRS 3 Business Combinations ("IFRS 3"), with Cerrado identified as the acquirer and as such, the transaction has been accounted for using the acquisition method of accounting in accordance with IFRS 3. The total purchase price consideration of the acquisition was \$36,425.

Acquisition related transaction costs of \$0.467 million were recorded in the Company's condensed consolidated interim statements of operation and comprehensive income in Q2 2020.

The table below presents the purchase price consideration and the Company's preliminary valuation of the assets acquired and liabilities assumed. In line with the requirements of IFRS 3, the Company has 12 months from the acquisition date to adjust the preliminary purchase price allocation should a material change arise that impacts the fair value of the assets and liabilities acquired. Final valuation of assets and liabilities are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. The preliminary allocation is subject to adjustment.

The major areas outstanding are the fair value of the property, plant and equipment and the provision for environmental liabilities and related deferred tax impacts.

CERRADO GOLD INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2019, 2018 and 2017
(Expressed in US dollars, except otherwise noted)

(Expressed in \$000's)

Purchase Price	
Cash paid	\$ 15,000
Fair value of consideration payable	21,425
	\$ 36,425

Purchase Price Allocation

Cash and cash equivalents	\$ 632
Short-term investments	871
Trade and other receivables	1,646
Fiscal credit receivable	4,346
Inventories - current	7,965
Inventories - non-current	4,264
Other receivables	4,440
Property, plant and equipment	24,136
Total identifiable assets acquired	48,300

Trade and other payables	(7,927)
Payroll obligations	(1,426)
Tax obligations - current	(44)
Finance lease obligations - current	(359)
Loans payable - current	(24)
Finance lease obligations - non-current	(510)
Other liabilities - non-current	(221)
Provisions	(1,364)
Total identifiable liabilities assumed	(11,875)
Total identifiable net assets	\$ 36,425

The Company began consolidating the operating results, cash flows and net assets of MDN from March 16, 2020. As such, MDN contributed revenue of \$9.577 million, income before income taxes of \$0.517 million to the Company's results in for the six-month period ended June 30, 2020. If the acquisition of MDN had taken place on January 1, 2020, pro forma total consolidated revenue and loss before income taxes for the Company would have been approximately \$18.168 million and (\$6.182 million), respectively for the six months ended June 30, 2020.

As at the date of acquisition, MDN had approximately \$66 million of excess tax basis, the benefit of which has not been recognized in the purchase equation or these financial statements.

Reverse takeover and Concurrent Financing Transaction

On August 4, 2020, the Company announced its agreement to go public through the mechanism of a reverse takeover ("RTO") using a publicly listed shell Company, BB1 Acquisition Corporation ("BB1"). BB1 will acquire all of the issued and outstanding securities of the Company (other than Company shares held by Company shareholders who exercise their dissent rights, if applicable) in consideration for the issuance of 46,608,030 post-consolidation BB1 Share, the issuance by BB1 of common share purchase warrants exercisable for up to 2,000,000 post-consolidation BB1 Shares, the issuance of options to acquire up to 4,000,000 post-consolidation BB1 shares and the issuance of 6,820,003 RSUs on a post-consolidation basis.

In connection with the announced RTO, on September 11, 2020 the Company completed a private placement (the "Concurrent Financing Transaction") of 8,845,750 special warrants at a price of US\$0.80 per Special Warrant, for aggregate gross proceeds of \$7,077,000 (the "Concurrent Financing"). In connection with the Concurrent Financing Transaction, the Company incurred issuance costs of \$503,900. The Company has granted Haywood Securities Inc. (the "Agent") 123,625 Finder's Warrants and 505,115 Agent Options exercisable at US\$0.80. The net proceeds from the Concurrent Financing will be used to complete an Initial Preliminary Economic Assessment prepared in accordance with NI 43-101 based upon the current defined resources at MDC, complete an updated NI 43-101 mineral resource report for MDN, to undertake a new exploration drill program and associated metallurgical test work aimed at expanding the current resource and for general working capital purposes.

CERRADO GOLD INC.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in US dollars, except otherwise noted)

Minera Mariana Argentina S.A. Agreement

On October 28, 2020, the Company announced its agreement to enter into a Binding Letter of Intent (“LOI”) with New Dimension Resources Ltd. (“New Dimension”) to acquire 100% of its Argentine subsidiary Minera Mariana Argentina S.A. (“Minera Mariana”) (the “Transaction”). Under the terms of the LOI, the Company will pay the purchase price of Cdn\$2.25 million payable in shares of the Company. The price and number of shares to be issued will be calculated based on the price of the Company’s shares as determined in anticipation of the concurrent financing associated with its planned listing on the Toronto Stock Exchange or the TSX Venture Exchange via the announced business combination between BB1 Acquisition Corp and the Company on August 4, 2020. The Company has exclusivity to complete this Transaction.

Brokered Private Placement

On November 3, 2020 the Company and BB1 acquisition Corp. jointly announced that in connection with the previously announced transaction of BB1 on August 4, 2020, the Company has entered into an agreement with a syndicate of agents to undertake a brokered private placement of subscription receipts of the Company, on a best efforts basis and at a price to be determined in the context of the market, to raise gross proceeds of up to Cdn\$25 million.

**EXHIBIT “H” –
MD&A OF CERRADO FOR THE YEARS ENDED DECEMBER 31, 2019, DECEMBER
31, 2018 AND DECEMBER 31, 2017**



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Expressed in US dollars, except otherwise noted)

2017-2019



CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in US dollars, except otherwise noted)

INTRODUCTION

The following Management's Discussion & Analysis ("MD&A") dated November 29, 2020 is a review of the business activities and overview of, financial position for Cerrado Gold Inc. ("Cerrado" or the "Company") for the years ended December 31, 2019, 2018 and 2017 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2019, 2018 and 2017 (the "Cerrado Financial Statements"), and the related notes attached thereto. The audited Consolidated Financial Statements for the years then ended are prepared in accordance with International Financial Reporting Standards ("IFRS") and include the financial statements of the Company and its subsidiaries, Templewood Mineracao Ltda, Serra Alta Participacoes SA, and Serra Alta Mineracao Ltda.

This MD&A also reports on items deemed significant that occurred between December 31, 2019 and the date on which the MD&A is approved by the Company's Board of Directors, which is November 29, 2020, inclusively.

The information provided in this MD&A and the audited consolidated financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

Unless otherwise indicated, all reference to "dollar" or the use of the symbol "\$" are to the United States dollar in this Management Analysis and Discussion.

FORWARD-LOOKING STATEMENT AND USE OF ESTIMATES

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") within the meaning of applicable Canadian securities legislation. All information contained in this news release, other than statements of current and historical fact, is forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "guidance", "scheduled", "estimates", "forecasts", "strategy", "target", "intends", "objective", "goal", "understands", "anticipates" and "believes" (and variations of these or similar words) and statements that certain actions, events or results "may", "could", "would", "should", "might" "occur" or "be achieved" or "will be taken" (and variations of these or similar expressions). Forward-looking information is also identifiable in statements of currently occurring matters which may continue in the future, such as "providing the Company with", "is currently", "allows/allowing for", "will advance" or "continues to" or other statements that may be stated in the present tense with future implications. All of the forward-looking information in this MD&A is qualified by this cautionary note. Detailed information regarding risks and uncertainties is provided in the Risk and Uncertainties section of the MD&A.

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that affect the amounts of the assets, liabilities, and expenses reported in the consolidated financial statements.

Because the use of assumptions and estimates is inherent to the financial reporting process, the actual results of items subject to assumptions and estimates could differ from original assumptions and estimates.

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in US dollars, except otherwise noted)

ITEM 1 - COMPANY OVERVIEW & BACKGROUND

Cerrado is a private gold mining and exploration company with assets in Argentina and Brazil. In Argentina, Cerrado is focused on its producing Don Nicolás gold mine ("MDN") located in the mineral rich Deseado Massif in the province of Santa Cruz, Argentina. MDN has been in production since 2017 and has been ramping up to full capacity during 2018 and 2019. The Company acquired 100% of MDN on March 16, 2020 when the Company acquired 100% of the shares of Minera Don Nicolas S.A., the owner of the mine, from Compañía Inversora Argentina Para La Exportacion S.A. ("Ciapexsa").

The gold deposits at MDN are classified as an epithermal gold vein style of deposit typical of the region which is host to numerous large-scale gold operations. Cerrado has commenced a new exploration program to confirm the current resource base and to focus on expanding the mine life through further exploration on surface and at depth.

On April 20, 2018, the Company through its wholly-owned subsidiary Serra Alta Mineracao Ltda. ("Serra Alta") acquired from Monte Sinai Mineracao Ltda. ("Monte Sinai") the Monte do Carmo gold project ("MDC" of "the Project") located in the Tocantins State of Brazil for a total consideration of \$6,075,000 satisfied by the issuance of 13,500,000 Cerrado common shares.

MDC consists of 13 exploration permits totaling 52,213 ha's in the state of Tocantins and 1 title in the state of Minas Gerais of 1,999 ha's. The property has access to excellent local infrastructural with limited artisanal activity on site and strong local support from the community. Regional investment in mineral exploration in the area, by others, is reported to have amounted to US\$4.7 million from 1985 through 1995, and over US\$20.0 million from 1996 to mid 2017 by various operators. Since the acquisition of MDC, Cerrado has undertaken various drilling and other exploration activities on site. To date, a Mineral Resource Estimate for the primary Serra Alta deposit, prepared in accordance with Canadian National Instrument 43-101 ("NI 43-101") with an effective date of December 5, 2018, has outlined an initial inferred mineral resource of 13.7 million tonnes, grading 1.85 g/t gold, for a contained gold resource of 813,000 oz. Continued exploration is planned at Serra Alta and the surrounding area with the objective to rapidly expand this mineral resource base.

The Company is also engaged in the evaluation of producing and advanced development stage mineral resource opportunities on an ongoing basis.

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in US dollars, except otherwise noted)

ITEM 2 - ANNUAL CORPORATE HIGHLIGHTS

For the years ended December 31, 2019, 2018 and 2017, the Company's primary focus was on the acquisition and exploration of its 100% owned MDC project located in Tocantins State, Brazil. Throughout this period the Company's business activities included raising funds for exploration work at MDC for the purpose of identifying, expanding and defining resources at the property and completing a maiden Mineral Resource Estimate for MDC.

	December 31, 2019	December 31, 2018	December 31, 2017
Total Assets	13,767,572	13,132,969	2,478,902
Exploration and evaluation assets	13,606,555	12,983,446	-
Net loss	(2,894,822)	(1,577,598)	(332,548)

2017 Highlights

On September 25, 2017, Cerrado, under its previous corporate name, Templewood Capital Inc. and through its wholly owned Brazilian subsidiary, Templewood Mineração e Participações Societárias Ltda., signed a Letter of Intent ("LOI") with Monte Sinai Mineração Ltda. ("Monte Sinai") to acquire the exploration titles, mining rights, land property, and infrastructure for MDC from Monte Sinai.

The LOI included an agreement to fund and carry on with the planned exploration work at MDC from the date the LOI was entered into. As such, in late 2017, Cerrado drilled 16 holes totalling 1,573 metres at the Project with significant intercepts encountered in 7 of the holes.

On October 3, 2017, the Company issued 2,000,000 common shares ("Founders Shares") for a nominal value of US\$0.0001 per share, and 2,000,000 warrants ("Founders Warrants") for an incidental value to directors and officers of the Company. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of US\$0.20 per share on or before October 3, 2021.

On November 1, 2017, Cerrado completed a non-brokered private placement financing issuing 12,775,000 common shares at \$0.20 per share for gross proceeds of \$2,555,500. The funds were used for the exploration work carried out within the year as well as General and Administrative purposes.

2018 Highlights

In January 2018, the Company commenced additional drilling at MDC, focused solely on the Serra Alta deposit. This program included 31 diamond drill holes totalling 3,368 metres with the goal of expanding mineralization in this zone for the purpose of completing a maiden Mineral Resource Estimate for the deposit.

On April 20, 2018, the Company, through its wholly-owned subsidiary Serra Alta Mineração Ltda. ("Serra Alta Mineração"), completed the acquisition of MDC from Monte Sinai for a total consideration of \$7,341,672 satisfied by the issuance of 13,500,000 Cerrado common shares valued at \$0.45 per share for a total estimated value of \$6,075,000, and advances to Monte Sinai amounting to \$1,266,672. The Company determined that this transaction was an asset acquisition.

The acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based on their estimated fair values at the date of acquisition. Refer to the table below for details.

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019, 2018 and 2017
(Expressed in US dollars, except otherwise noted)

		April 20, 2018
Fair value of Cerrado common shares	\$	6,075,000
Advances to Monte Sinai		1,266,672
Total consideration	\$	7,341,672
Summary of purchase price allocation:		
Assets:		
Exploration and evaluation assets	\$	11,396,363
Total assets		11,396,363
Liabilities:		
Current liabilities		4,054,691
Total liabilities		4,054,691
Net identifiable assets acquired	\$	7,341,672

The terms of the acquisition provide for a 2% net smelter return royalty granted to the former owners of the project. The royalty can be reacquired by Cerrado for \$2.0 million.

As per the terms of the acquisition, the sellers of the project have the right to a payment of \$500,000 if 1,000,000 oz of gold are identified, and a further \$1,500,000 if an aggregate of 2,500,000 oz of gold are identified in a mineral resource estimate in accordance with NI 43-101. The Company has not measured or recognized a contingent liability in relation to the above royalty or payments.

Advances to Monte Sinai as of December 31, 2017 represent payments advanced to Monte Sinai relating to the liabilities assumed as above during 2017 before closing of the acquisition agreement on April 20, 2018. A total of \$1,266,672 was recorded as part of the consideration on the day of the acquisition of the net assets. The liabilities assumed on acquisition relate to expenses incurred by Monte Sinai prior to the acquisition, are payable directly to Monte Sinai, have no fixed terms of repayment and bear no interest.

In April 2018, the Company completed a Technical Report entitled "NI 43-101 Technical Report on the Monte Do Carmo Project, Tocantins State, Brazil", dated April 23, 2018, with an effective date of April 11, 2018. The report was part of the due diligence conducted with respect to the acquisition of the project and intended to confirm Cerrado's perceived exploration potential and focus on the Serra Alta deposits while recommending an exploration program and associated budget based on a detailed historical review of the Project.

On June 1, 2018, the Company completed a non-brokered private placement financing issuing 9,225,205 common shares at \$0.45 per share for gross proceeds of \$4,151,342. The funds were to fund the acquisition of MDC and the ongoing exploration work at Serra Alta.

2019 Highlights

In January 2019, the Company completed a non-brokered private placement financing issuing 1,495,331 common shares at \$0.45 per share, and 400,000 common shares at \$0.50 per share for gross proceeds of \$872,899.

On April 19, 2019, the Company completed the maiden Mineral Resource Estimate for the Serra Alta deposit at MDC. The Technical Report entitled "A Mineral Resource Estimate for the Serra Alta Deposit at The Monte Do Carmo Project, Tocantins State, Brazil" supporting the resource was prepared in accordance with Canadian National Instrument 43-101 with a report date of April 3, 2019 and an effective date of December 5, 2018.

The report outlines a high-grade, shallow, open pittable Inferred Mineral Resource Estimate of 813,000 ozs of gold at a grade of 1.85 g/t gold and from 18,000 metres of drilling, demonstrating a finding cost less than \$5 per ounce.

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019, 2018 and 2017
(Expressed in US dollars, except otherwise noted)

Inferred Mineral Resource Estimate for the Serra Alta Deposit at the Monte Do Carmo Project
Effective December 5, 2018

Mining Method / Cut-off	Domain	Tonnes (kt)	Grade (Au g/t)	Metal Content (Au oz, '000)
Open Pit @ 0.49 g/t Au Cut-off	N1	2,865	1.43	132
	N2	7,594	1.72	420
	S1	2,602	2.43	203
	S2	172	1.22	7
	Subtotal	13,234	1.79	762
Underground @ 1.5 g/t Au Cut-off	All	405	3.92	51
Pit and Underground	Total	13,639	1.85	813

ITEM 3 - SUBSEQUENT EVENTS

Acquisition of Minera Don Nicolas

On March 16, 2020, the Company completed the acquisition of Minera Don Nicolas S.A. and its namesake MDN operating gold mine and surrounding properties in Santa Cruz Province, Argentina. Cerrado through an agreement with Compañía Inversora En Minas S.A. ("CIMINAS") and Compañía Inversora Argentina para La Exportacion S.A. ("CIAPEXSA") (together the "Sellers"). Under the terms of the agreement Cerrado paid the Sellers an initial payment of US\$15.0 million at closing, with future payments of \$10.0 million in 24 months, \$2.0 million in 36 months, \$10.0 million in 48 months and US\$10.0 million in 60 months from closing and will be payable from a sinking fund, to be set up by the Company and will be payable from a sinking fund, to be set up by the Company. The Sellers are also entitled to a performance bonus based upon an increase in reserves in the future.

With the completion of the transaction, MDN has become a wholly owned subsidiary of Cerrado, and the Company is now the owner and operator of MDN, an open-pit gold mine in the province of Santa Cruz, Argentina.

The Company determined that the transaction represents a business combination under IFRS 3 Business Combinations ("IFRS 3"), with Cerrado identified as the acquirer and as such, the transaction has been accounted for using the acquisition method of accounting in accordance with IFRS 3. The total purchase price consideration of the acquisition was \$36.425 million.

Acquisition related costs of \$0.467 million were recorded in the Company's condensed consolidated interim statements of operation and comprehensive income in Q2 2020.

The table below presents the purchase price consideration and the Company's preliminary allocation of the purchase price to the assets acquired and liabilities assumed. In line with the requirements of IFRS 3, the Company has 12 months from the acquisition date to adjust the preliminary purchase price allocation should a material change arise that impacts the fair value of the assets and liabilities acquired.

Final valuation of assets and liabilities are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. The preliminary allocation is subject to adjustment.

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in US dollars, except otherwise noted)

(Expressed in \$000's)

Purchase Price	
Cash paid	\$ 15,000
Fair value of consideration payable	21,425
	\$ 36,425

Purchase Price Allocation	
Cash and cash equivalents	\$ 632
Short-term investments	871
Trade and other receivables	1,646
Fiscal credit receivable	4,346
Inventories - current	7,965
Inventories - non-current	4,264
Other receivables	4,440
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Provisions	(1,364)
Total identifiable liabilities assumed	(11,875)
Total identifiable net assets	\$ 36,425

The Company began consolidating the operating results, cash flows and net assets of MDN from March 16, 2020. As such, MDN contributed revenue of \$9.577 million, income before income taxes of \$0.517 million to the Company's results in for the six-month period ended June 30, 2020. If the acquisition of MDN had taken place on January 1, 2020, pro forma total consolidated revenue and loss before income taxes for the Company would have been approximately \$18.168 million and (\$6.182 million), respectively for the six months ended June 30, 2020.

As at the date of acquisition, MDN had approximately \$66 million of excess tax basis, the benefit of which has not been recognized in the purchase equation or these financial statements.

Reverse takeover and Concurrent Financing Transaction

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In connection with the announced RTO, on September 11, 2020 the Company completed a private placement (the "Concurrent Financing Transaction") of 8,845,750 special warrants at a price of US\$0.80 per Special Warrant, for aggregate gross proceeds of \$7,077,000 (the "Concurrent Financing"). In connection with the Concurrent Financing Transaction, the Company incurred issuance costs of \$503,900. The Company has granted Haywood Securities Inc. (the "Agent") 123,625 Finder's Warrants and 505,115 Agent Options exercisable at \$0.80. The net proceeds from the Concurrent Financing will be used to complete an Initial Preliminary Economic Assessment prepared in accordance with NI 43-101 based upon the current defined resources at MDC, complete an updated NI 43-101 mineral resource report for MDN, to undertake a new exploration drill program and associated metallurgical test work aimed at expanding the current resource and for general working capital purposes.

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019, 2018 and 2017
(Expressed in US dollars, except otherwise noted)

Minera Mariana Argentina S.A. Agreement

On October 28, 2020, the Company announced its agreement to enter into a Binding Letter of Intent ("LOI") with New Dimension Resources Ltd. ("New Dimension") to acquire 100% of its Argentine subsidiary Minera Mariana Argentina S.A. ("Minera Mariana") (the "Transaction"). Under the terms of the LOI, the Company will pay the purchase price of Cdn\$2.25 million payable in shares of the Company. The price and number of shares to be issued will be calculated based on the price of the Company's shares as determined in anticipation of the concurrent financing associated with its planned listing on the Toronto Stock Exchange or the TSX Venture Exchange via the announced business combination between BB1 Acquisition Corp and the Company on August 4, 2020. The Company has exclusivity to complete this Transaction.

Brokered Private Placement

On November 3, 2020 the Company and BB1 acquisition Corp. jointly announced that in connection with the previously announced transaction of BB1 on August 4, 2020, the Company has entered into an agreement with a syndicate of agents to undertake a brokered private placement of subscription receipts of the Company, on a best efforts basis and at a price to be determined in the context of the market, to raise gross proceeds of up to Cdn\$25 million.

ITEM 4 - RESULTS OF OPERATIONS

For all three years ended December 31, 2019, 2018 and 2017, Cerrado was considered an exploration-stage company and did not generate revenues or cash flows from operations, as such it financed its corporate expenses and the exploration of MDC through the issuance of share capital.

Net loss for 2019 was \$2,894,822, compared to a net loss in 2018 of \$1,577,598 and in 2017 of \$332,548.

The largest item contributing to these losses in 2018 and 2017 was attributed to exploration and evaluation expenditures being expensed prior to the completion of the acquisition of MDC on April 20, 2018. Exploration and evaluation expenditures incurred after April 20, 2018 are capitalized as exploration and evaluation assets in the Company's statement of financial position.

The increase in general and administrative expenses in 2019 was largely a result of \$1,760,866 in share-based compensation from issued options and restricted share units, as well as \$462,083 in transaction costs incurred in connection with the aforementioned acquisition of MDN in Argentina.

	Note	Year ended		
		December 31, 2019	December 31, 2018	December 31, 2017
GENERAL AND ADMINISTRATIVE EXPENSES				
Exploration and evaluation expenditures		-	1,122,522	233,686
Management compensation		288,412	13,029	-
Professional fees		123,423	81,679	35,078
Transaction fees		462,083	-	-
Consulting fees		135,882	103,536	14,158
Office and general		48,943	99,476	44,609
Share-based payments	12	1,760,866	60,000	-
Depreciation and amortization	6	34,189	-	-
(LOSS) BEFORE OTHER EXPENSE (INCOME)		(2,853,798)	(1,480,242)	(327,531)
OTHER EXPENSE (INCOME) ITEMS				
Finance items		5,548	100,723	2,007
Loss (gain) on foreign exchange		35,476	(3,367)	3,010
(LOSS) BEFORE INCOME TAXES		(2,894,822)	(1,577,598)	(332,548)
Income taxes	20	-	-	-
Net (loss) income for the period		\$ (2,894,822)	\$ (1,577,598)	\$ (332,548)
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss				
Translation adjustment		(484,025)	(1,104,914)	(45,529)
Total comprehensive (loss) income		\$ (3,358,847)	\$ (2,682,512)	\$ (378,077)
Basic and diluted (loss) earnings per share				
Basic		(0.07)	(0.08)	(0.14)
Diluted		(0.07)	(0.08)	(0.14)
Weighted average number of shares outstanding				
Basic	11	39,550,097	19,948,177	2,386,644
Diluted	11	39,550,097	19,948,177	2,386,644

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ITEM 5 - LIQUIDITY & CAPITAL RESOURCES

The Company's consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Liquidity

The Company's cash balance at year end was \$38,072 for 2019, \$80,672 for 2018 and \$1,984,602 for 2017. The Company's cash position for these three years was mainly supported by three private placement financings that took place in each of the three years for total gross proceeds of \$7,579,610. Cash management over this three-year period was considered sufficient to fund the limited amount of exploration and development work the Company carried out in order to fulfill its obligation to maintain property rights on the MDC project.

Working capital deficit for 2019 was \$4,377,580 (2018 – working capital deficit of \$3,015,582). In 2017 the Company ended the year with positive working capital of \$1,791,150 mainly the result of the timing of the private placement financing closing in November 2017, prior to the acquisition of MDC completed in April 2018. Working capital deficits in 2018 and 2019 resulted from cash spent and a build up in trade payables as a result of the increase in exploration work at MDC, a position common to mineral exploration companies.

At June 30, 2020 the Company has a cash balance of \$2.664 million. Our liquidity position is, however, sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting increased production targets, metal prices, foreign exchange rates, operational costs, and capital expenditures. Management expects that the Company's existing cash at June 30, 2020 together with cash from MDN operations and additional financing secured in September 2020 (See Subsequent events note) will be sufficient to fund cash requirements in the ordinary course of business for a period of at least twelve months. If the Company's cash flow from operations is not sufficient to satisfy its requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado.

Capital Resources

The Company defines capital as total equity plus debt. Total equity is comprised of issued capital stock, warrants, share-based payments reserve and accumulated deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

	December 31, 2019	December 31, 2018	December 31, 2017
Equity	9,104,650	9,775,732	2,205,270
Debt	-	-	-
	9,104,650	9,775,732	2,205,270

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2019, 2018 and 2017. Subsequent to this reporting period, the equity raised through the private placement and the acquisition of MDN, the company will no longer rely 100% on financing its operating budget on the ability to raise and access capital but also on cash generated from operations at the mine.

Contractual Obligations and Commitments

By their nature, contingencies will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. The assessment of contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

CERRADO GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Cerrado operates in countries where it may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to matters such as income and other taxes, duties and environmental matters. The Company is diligent, and exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review by the regulatory authorities and in connection with such reviews, disputes may arise with respect to the Company's interpretations about the amounts due and paid.

The Company may also be subject to various litigation actions. In-house counsel, outside legal advisors, and other subject matter experts assess the potential outcome of litigation and regulatory assessments. Accordingly, the Company establishes provisions for future disbursements considered probable.

As at December 31, 2019, the Company did not have any material provisions for litigation claims or regulatory assessments. Further, the Company does not believe claims or regulatory assessments, for which no provision has been recorded, will have a material impact on the financial position of the Company.

As at December 31, 2019, the Company had the following contractual commitments.

(Expressed in \$000's)

	Payments due by period			Total
	<1 years	1-5 years	5> years	
Leases (i)	88	51	-	139

(i) Reported on an undiscounted basis

ITEM 6 – CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common and preferred shares, where each common share provides the holder with one vote.

As of November 29, 2020 the total number of common shares outstanding or issuable pursuant to other outstanding securities is as follows:

Common Shares	Number
Outstanding (i)	46,884,021
Issuable upon exercise of Cerrado Special Warrants (ii)	8,845,750
Issuable upon exercise of Finder's Warrants and Agent Options (ii)	628,740
Issuable upon exercise of Cerrado Options (iii)	4,000,000
Issuable upon exercise of Cerrado Warrants (iv)	2,000,000
Issuable upon redemption of Cerrado RSUs (v)	7,263,337
Diluted common shares	69,621,848

(i) In January 2020, the Company completed a non-brokered private placement financing, pursuant to which the Company issued 2,000,000 common shares at \$0.50 per share for gross proceeds of \$1,000,000. Also, a total of 370,000 shares were issued in respect of \$104,000 previously received in cash and recorded as shares to be issued.

(ii) In connection with the announced Reverse takeover ("RTO") transaction with BB1 (see subsequent events note), on September 11, 2020 the Company completed a private placement (the "Concurrent Financing Transaction") of 8,845,750 special warrants at a price of US\$0.80 per Special Warrant, for aggregate gross proceeds of \$7,076,000 (the "Concurrent Financing").

In connection with the Concurrent Financing Transaction, the Company granted Haywood Securities Inc. (the "Agent") 123,625 Finder's Warrants and 505,115 Agent Options exercisable at \$0.80.

(iii) There were 4,000,000 stock options under the Company's share plan outstanding to directors and officers with an exercise price of \$0.45 and expiring on February 27, 2024.

(iv) There were 2,000,000 common share purchase warrants with an exercise price of \$0.20 and expiring on October 3, 2021.

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- (v) There were 7,263,337 RSUs outstanding pursuant to RSUs granted on February 27, 2019, June 24, 2020, September 14, 2020 and November 13, 2020.

Cerrado has not issued any preferred shares.

ITEM 7 - OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

ITEM 8 - RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

(a) Compensation of key management personnel

	December 31, 2019	December 31, 2018	December 31, 2017
Management compensation	\$ 379,651	\$ 111,565	\$ 9,099
Share-based payments	1,421,583	60,000	-
	\$ 1,801,234	\$ 171,565	\$ 9,099

(b) Due to related parties

During the years ended December 31, 2019 and 2018, Directors and Officers of the Company had extended loans to finance the working capital of the Company. The loans have no fixed terms of repayment, bear interest of 4.75% and are due on demand. As at December 31, 2019, amounts due to related parties in reference to these loans is \$647,740 (2018 - \$119,844; 2017 - \$139,668).

ITEM 9 - PROPOSED TRANSACTIONS

Refer to the aforementioned Subsequent Events note.

ITEM 10 - CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

The preparation of the consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Judgments and estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the consolidated financial statements.

The critical judgments and estimates applied in the preparation of the Company's Financial Statements are consistent with those applied and disclosed in Notes 3 to the Company's consolidated financial statements for the year ended December 31, 2019, 2018 and 2017 including:

- business combinations and goodwill
- tax provisions

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ITEM 10 - CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Statement of compliance and first-time adoption of IFRS

These are the Company's first annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). In these financial statements, The Company has consistently applied the accounting policies used in the preparation of its opening IFRS balance sheet at January 1, 2017 throughout all periods presented, as if these policies had always been in effect.

ITEM 11 - RISKS & UNCERTAINTIES

The Company's is subject to significant risks, challenges, and uncertainties, similar to other mineral exploration, development and productions, due to the nature of the mining industry. These risks and uncertainties include, but are not limited to the following:

Limited Operating History

The Company's continued operation will be dependent upon its ability to generate operating revenues and to procure additional financing.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Cerrado's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Resources and Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Cerrado will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Dependence on Minera Don Nicolas

While the Company holds and may invest in additional mining and exploration projects in the future, the Don Nicolas mine is currently the Company's only producing asset, providing all of the Company's operating revenue and cash flows. Consequently, a delay or any difficulty encountered in the operations at the Minera Don Nicolas would materially and adversely affect the financial condition and financial sustainability of the Company. Any adverse changes or developments, such as, but not limited to, the inability to successfully complete other work programs or expansions, obtain financing on commercially suitable terms, or hire suitable personnel and mining contractors, may have a material adverse effect on the Company's financial performance, results of operations and liquidity. In addition, the results of operations of the Company could be materially and adversely affected by any events which cause the mine to operate at less than optimal capacity, including, among other things, equipment failure or shortages of spares, consumables and reagents, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure to produce expected amounts of gold.

Uncertainty of Resource Estimates

The Company has engaged internal and expert independent technical consultants to advise it on, among other things, Mineral Resources, geotechnical, metallurgy and project engineering. The Company believes that these experts are

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competent and that they have carried out their work in accordance with all internationally recognized industry standards. If, however, the work conducted by, and the Mineral Resource estimates of these experts are ultimately found to be incorrect or inadequate in any material respect, such events could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

The Mineral Resource Estimate with respect to the Monte Do Carmo project in Brazil are based on limited information acquired through historical drilling conducted by outside third parties as well as from drilling completed by Cerrado. No assurance can be given that anticipated tonnages and grades will be achieved or that the indicated level of recovery or economic value will be realized.

No Defined Mineral Reserves

The Company has not defined any Mineral Reserves on its concessions at the Monte Do Carmo project in Brazil or at the Don Nicolas mine in Argentina and there can be no assurance that any of the concessions under exploration contain commercial quantities of any minerals. Even if commercial quantities of minerals are identified, there can be no assurance that the Company will be able to exploit the resources or, if the Company is able to exploit them, that it will do so on a profitable basis. Substantial expenditures may be required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; ongoing costs of production; and availability and cost of additional funding.

Metal Price Risk

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals contained in a deposit will be such that the Company's properties can be mined at a profit. The Company is particularly exposed to the risk of movement in the price of gold. Declining market prices for gold could have a material effect on the Company's profitability.

Competition and Agreements with Other Parties

The mining industry is competitive in all its phases. The Company will compete with numerous other participants in the search for the acquisition of mineral properties, in the marketing of mineral resources, technical capacity and for financial resources. Their competitors include mining companies that have substantially greater financial resources, staff and facilities than those of the Company, as the case may be. The Company's ability to increase resources in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of mineral resources include price and methods and reliability of delivery.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

Regulatory

The nature of operating in an emerging countries, such as Brazil and Argentina, increases the Company's regulatory

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risk profile. Cerrado's current and future mining operations including but not limited to exploration, development, production, pricing, marketing and transportation are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

The Company's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary approvals, licenses and permits that may be required to carry out exploration and development at its projects. A failure to obtain such approval on a timely basis or material conditions imposed by such authority in connection with the approval would materially affect the prospects of the Company.

Environmental

All phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of resources or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Permits and Licenses

The Company is required to maintain approvals, licenses and permits from various governmental authorities in order to conduct its business. Such approvals, licenses and permits are complex and time consuming to obtain and, depending on the location of the project, may involve multiple governmental agencies.

In addition, the receipt, duration, amendment or renewal of such approvals, licenses and permits are subject to many variables outside the Company's control, including potential legal challenges from various stakeholders such as environmental groups, non-governmental organizations, community groups or other claimants. The requirements to obtain or maintain such licenses and permits are constantly subject to change. The costs and delays associated with obtaining the necessary permits, consents, authorizations and agreements required for the Company's operations may stop or materially delay or restrict it from proceeding with the development of an exploration project or the operation or further development of an existing mine, resulting in a material adverse impact on its business, financial condition and results of operations.

Substantial Capital Requirements & Liquidity

The Company may have to make substantial capital expenditures for the acquisition, exploration, development and production of mineral resources in the future. There can be no assurance that such capital will be available or, if available, will be on reasonable terms.

Issuance of Debt

From time to time Cerrado may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that Cerrado may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

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Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, civil unrest and political instability, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability. The Company will maintain insurance to protect against certain other risks in such amounts as it considers reasonable. However, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Title Matters

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

Future Financing Requirements

The development and exploration of Cerrados' properties may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Cerrado.

With the acquisition of producing Minera Don Nicolas, the Company is reliant on the expected cash flows from operations of the mine to fund its current and future liabilities. There can be no assurance that operating cash flow or any additional financing will be sufficient for any unexpected development or other costs for the mine.

The amount and timing of raising additional capital, which may involve debt or equity, or a combination of both, may be materially impacted by the economic climate in the capital markets. As a result, the cost and availability of any debt and or equity financing may be restricted. Accordingly, there can be no assurance that the Company will be able to raise sufficient funds to satisfy its contractual obligations or to further explore and develop its projects, as applicable, upon terms acceptable to the Company, or at all.

Dilution

The Company grants stock options and registered share units under its share-based compensation plan. Holders are given an opportunity to profit from an increase in the market price of the Company's common shares with a resulting dilution in the interest of shareholders. The holders of stock options and registered share units may exercise such securities at a time when the Company may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. The increase in the number of common shares in the market, if all of part pf these outstanding rights were exercised, and the possibility of sales of these additional shares may have a negative effect on the price o the Company's common shares.

In addition, the Company may need to raise additional financing in the future through the issuance of additional equity securities. If the Company raises additional funding by issuing additional equity securities, such financings may substantially dilute the interests of shareholders of the Company and reduce the value of their investment in the Company's securities.

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Reliance on Management

Shareholders of the Company will be dependent on the management of the Company in respect of the administration and management of all matters relating to the Company and its properties and operations. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result and other persons would be required to manage and operate the Company.

Conflicts of Interest

Certain directors and officers of the Company are also directors and officers of other reporting issuers involved in mineral exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Company, as the case may be, and as officers and directors of such other companies.

Price Volatility of Publicly Traded Securities

In recent years and especially in the recent months, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

Possible Failure to Realize Anticipated Benefits of Future Acquisitions

The Company may complete acquisitions to strengthen its position in the mineral exploration industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own.

Currency Risk

Currency Risk By virtue of the location of its operations and exploration activities, the Company incurs costs and expenses in a number of currencies other than the Canadian dollar. The Company has historically raised and expects to continue to raise capital through equity financings principally in Canadian dollars, while the majority of its operating and capital costs are incurred in Argentine Pesos and Brazilian Real, giving rise to potential significant foreign currency translation and transaction exposure which could have a material adverse impact upon the Company.

Unfavourable Economic Conditions

The Company's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could strain our suppliers, possibly resulting in supply disruption, or cause delays in payments for our services by third-party payors. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current our future economic climate and financial market conditions could adversely impact our business.

COVID-19 and Other Health Crisis

The current COVID-19 pandemic and any future emergence of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations and the operations of its suppliers, contractors and service providers and the ability to obtain financing and maintain necessary liquidity, the demand for and ability to transport the Company's products and its ability to advance its projects and other growth initiatives. Travel bans may also adversely impact the Company's operations and the ability of the Company to advance its projects. In particular, should any employees or consultants of the Company become infected with COVID-19, it could have a material negative impact on the Company's operations and prospects.

The outbreak of COVID-19 and the resulting global upheavals have caused significant volatility in commodity prices. The outbreak and its declaration as a global pandemic is causing companies and governments around the world to

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impose sweeping restrictions on the movement of people and goods, including social distancing measures and restrictions on group gatherings and isolation and quarantine requirements, closure of business and government offices, travel advisories and travel restrictions. The duration of these measures, and the related business, social and government disruptions and financial impact cannot be reasonably estimated at this time. The Company cannot estimate whether or to what extent these measures, and the resulting impacts may adversely impact the Company's business, financial condition and results of operations.

ITEM 12 - MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this MD&A and the Consolidated Financial Statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

ITEM 13 - TECHNICAL INFORMATION

All technical information contained herein has been reviewed and approved by Robert A. Campbell, M.Sc, P.Geo, an officer and director of the Company. Mr. Campbell is a "qualified person" within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

**EXHIBIT “T” –
INTERIM FINANCIAL STATEMENTS OF MDN FOR THE PERIOD FROM
JANUARY 1, 2020 – MARCH 15, 2020**

Minera Don Nicolás S.A.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

As of March 16, 2020 and December 31, 2019 and
for the periods ended March 16, 2020 and March 31, 2019

MINERA DON NICOLAS S.A.
UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
As at March 16, 2020 and December 31, 2019
(Expressed in U.S. dollars)

As at	Note	March 16, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents		\$ 631,922	\$ 5,008,379
Short-term investments	4	870,795	5,935,358
Trade receivables	5	1,645,773	-
Other receivables	5	4,346,261	4,920,111
Supplies and consumables inventory	6	2,580,259	2,632,126
Metal inventory	6	4,943,512	5,567,536
Current assets		15,018,522	24,063,510
Other receivables	5	4,439,529	5,036,755
Inventories	6	4,264,384	4,292,367
Property, plant and equipment	7	26,175,104	23,941,338
Exploration and evaluation assets	8	232,689	-
Non-current assets		35,111,706	33,270,460
Total assets		\$ 50,130,228	\$ 57,333,970
LIABILITIES			
Trade payables	9	7,927,402	7,797,619
Payroll and government remittances	9	1,470,728	1,864,828
Lease obligations	10	358,858	336,952
Other liabilities		-	482,479
Loans payable	11	23,558	7,028,309
Current liabilities		9,780,546	17,510,187
Lease obligations	10	509,801	599,265
Other liabilities	9	221,285	75,138
Provisions	12	1,363,557	1,315,736
Non-current liabilities		2,094,643	1,990,139
Total liabilities		11,875,189	19,500,326
SHAREHOLDERS' EQUITY			
Share capital		218,583,764	218,583,764
Contributed surplus		1,191,808	1,191,808
Accumulated other comprehensive loss		80,861,391	80,861,391
Accumulated deficit		(262,381,924)	(262,803,319)
Shareholders' equity		38,255,039	37,833,644
Total liabilities & shareholders' equity		\$ 50,130,228	\$ 57,333,970

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

MINERA DON NICOLAS S.A.
UNAUDITED CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the periods ended March 16, 2020 and March 31, 2019
(Expressed in U.S. dollars)

	Note	Period ended March 16, 2020	Three months ended March 31, 2019
REVENUES			
Metal sales		\$ 8,970,586	\$ 11,992,490
Other production costs		(5,870,542)	(7,996,607)
Salaries and social contributions		(1,571,207)	(2,196,495)
Selling expenses and royalties		(968,876)	(1,030,269)
Depreciation and amortization		(822,855)	(1,230,001)
COST OF SALES		(9,233,480)	(12,453,372)
LOSS FROM MINING OPERATIONS		\$ (262,894)	\$ (460,882)
Administrative expenses		(241,951)	(199,681)
GENERAL AND ADMINISTRATIVE EXPENSES		\$ (241,951)	\$ (199,681)
Net finance costs		(301,241)	(1,245,212)
Foreign exchange		248,955	(2,083,429)
Other income and expense		1,305,404	721,395
OTHER EXPENSES		\$ 1,253,118	\$ (2,607,246)
LOSS BEFORE INCOME TAXES		\$ 748,273	\$ (3,267,809)
Income tax (expense) recovery	13	(326,878)	(219,345)
Net loss for the period		\$ 421,395	\$ (3,487,154)

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

MINERA DON NICOLAS S.A.
UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the Period Ended March 16, 2020 and Three Months Ended March 31, 2019
(Expressed in U.S. dollars)

	Note	Period Ended	
		March 16, 2020	March 31, 2019
OPERATING ACTIVITIES			
Net income (loss)		\$ 421,395	\$ (3,487,154)
Adjustments for:			
Depreciation and amortization		822,855	1,230,001
Change in present value of value added tax		(332,648)	(423,130)
Results on short-term investments		-	(84,739)
Interest on loans		-	992,729
Cash flow from (used in) operating activities before changes in non-cash working capital items		911,602	(1,772,293)
Changes in non-cash working capital items:			
Receivables and other assets		(142,049)	(293,474)
Inventories		703,874	2,949,955
Trade and other payables		(620,386)	(1,435,765)
Net cash used in operating activities		\$ 853,041	\$ (551,577)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(3,043,897)	(503,800)
Additions to exploration and evaluation assets		(245,413)	(356,711)
Subscription of new short-term investments		(884,000)	(2,089,422)
Redemption of new short-term investments		5,948,563	2,090,650
Net cash used in investing activities		\$ 1,775,253	\$ (859,283)
FINANCING ACTIVITIES			
Shareholder loans (repayments)		(7,004,751)	-
Net cash used in financing activities		\$ (7,004,751)	\$ -
(Decrease) in cash and cash equivalents		(4,376,457)	(1,410,860)
Cash and cash equivalents, beginning of period		5,008,379	2,370,719
Cash and cash equivalents, end of period		\$ 631,922	\$ 959,859

The accompanying notes are an integral part of these financial statements

MINERA DON NICOLAS S.A.
 UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
 For the Period Ended March 16, 2020 and Three Months Ended March 31, 2019
 (Expressed in U.S. dollars)

	Share capital	Contributed Surplus	Acumulated other comprehensive loss	Accumulated deficit	Total
Balance, January 1, 2019	\$ 142,942,694	\$ 1,191,808	\$ 80,861,391	\$ (180,645,722)	\$ 44,350,171
Loss for the period	-	-	-	(3,487,154)	(3,487,154)
Balance, March 31, 2019	\$ 142,942,694	\$ 1,191,808	\$ 80,861,391	\$ (184,132,876)	\$ 40,863,017
Balance, January 1, 2020	\$ 218,583,764	\$ 1,191,808	\$ 80,861,391	\$ (262,803,319)	\$ 37,833,644
Income for the period	-	-	-	421,395	421,395
Balance, March 16, 2020	\$ 218,583,764	\$ 1,191,808	\$ 80,861,391	\$ (262,381,924)	\$ 38,255,039

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

MINERA DON NICOLAS S.A.
Notes to the Unaudited Condensed Interim Financial Statements
For the period ended March 16, 2020 and Three Months Ended March 31, 2019

1. GENERAL INFORMATION

Minera Don Nicolás S.A. (“MDN” or the “Company”) was incorporated on March 8, 2002 in Buenos Aires, Argentina. On March 16, 2020, the Company became a wholly-owned subsidiary of Cerrado Gold Inc. (“Cerrado”). See Note 18. Due to the timing of the acquisition, these unaudited condensed interim financial statements represent the activity of MDN for the period January 1, 2020 to the date acquisition on March 16, 2020 (the “stub period”), compared to the three months ended March 31, 2019.

The Company is a mining, exploration, and development company that is engaged in the exploration, development and operation of the Don Nicolás Mine located in the Deseado Massif in the Argentine province of Santa Cruz. The Company is domiciled in Argentina and incorporated under the laws of the federal capital of Buenos Aires. The address of its registered office is Mariscal Antonio José de Sucre 1530 – CP: 1428BXP, City of Buenos Aires Argentina.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). These condensed interim financial statements do not contain all the required annual disclosures and should be read in conjunction with the annual financial statements of the Company as at and for the years ended December 31, 2019, 2018 and 2017. The accounting policies applied in these financial statements are the same as those applied in the last annual financial statements. All amounts are expressed in US dollars, unless otherwise noted.

These financial statements were approved for issuance by the Management on November 29, 2020.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these financial statements in conformity with IFRS requires judgements and estimates that affect the amounts reported. Those judgements and estimates concerning the future may differ from actual results. In addition to those reported in the 2019 annual financial statements, the following are the areas of accounting policy judgement and accounting estimates applied by management that most significantly affect the Company’s financial statements, including those areas of estimation uncertainty that could result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

COVID-19 estimation uncertainty

Since the first quarter of 2020 and subsequent to March 31, 2020, the COVID-19 pandemic has had a material impact on the global economy, the scale and duration of which remain uncertain. To date, there has been significant volatility in commodity prices and foreign exchange rates, restrictions on the conduct of business in many jurisdictions, including travel restrictions, and supply chain disruptions. Depending on the duration and extent of the impact of COVID-19, this could materially impact the Company’s results of operations, cash flows and financial position and could result in changes to estimates used to determine recoverable reserves, and estimates used to determine the recoverable amounts of long-lived assets. Changes related to these could be material.

Mineral reserve and resource estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company’s investment in mining properties. The Company estimates its mineral reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, metallurgical recoveries, permitting and production costs along with geological assumptions and judgements made in estimating the size, and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of mining interests, mine restoration provisions, recognition of deferred tax assets, depreciation and amortization charges and royalties receivable.

Impairment of long-lived assets

Long-lived assets are tested for impairment, or reversal of a previous impairment, if there is an indicator of impairment or a subsequent reversal. Calculating the estimated recoverable amount of cash generating units for long-lived asset requires management to make estimates and assumptions with respect to future production levels, mill recoveries, operating and capital costs, future metal prices, foreign exchange rates, taxation rates, and discount rates in its life-of-mine plans and preparation

of updated technical studies when relevant. Changes in any of the assumptions or estimates used in determining the recoverable amount could impact the analysis. Such changes could be material.

4. SHORT-TERM INVESTMENTS

Short-term investments represent units invested in two open-end funds registered in Argentina which are traded daily. The majority of the investment as at March 16, 2020 and December 31, 2019 was in a capital-preservation fund.

5. TRADE AND OTHER RECEIVABLES

Trade receivables represent metal sales proceeds receivable from the Don Nicolas Mine.

Other receivables represent mostly both the current and non-current portion of fiscal tax credit receivables, including Value Added Tax ("VAT").

6. INVENTORIES

Inventory - current		March 16,	December 31,
<i>United States dollars, as at</i>	Note	2020	2019
Warehouse inventory		\$ 2,580,259	\$ 2,632,126
Ore stockpile		811,544	520,671
WIP inventory		2,009,010	1,398,346
Doré finished goods		1,688,420	2,632,490
Other inventory		434,538	1,016,029
Total inventory - current		\$ 7,523,771	\$ 8,199,662

Inventory - non-current		March 16,	December 31,
<i>United States dollars, as at</i>		2020	2019
Warehouse inventory		4,264,384	4,292,367
Total inventory - non-current		\$ 4,264,384	\$ 4,292,367

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Mining properties	Mining plant and equipment	Assets under construction	Rights-of-use assets	Total
Cost as at December 31, 2019	\$ 128,792,295	\$ 11,175,459	\$ 1,543,980	\$ 1,443,977	\$142,955,711
Additions	494,813	311,459	2,237,626	-	3,043,897
Disposals	-	-	-	-	-
Cost as at March 16, 2020	\$ 129,287,108	\$ 11,486,917	\$ 3,781,606	\$ 1,443,977	\$145,999,608

Accumulated depreciation and depletion					
Accumulated depreciation and depletion at December 31, 2019	\$ 110,299,122	\$ 8,031,179	\$ -	\$ 684,071	\$119,014,372
Charge for the period	300,666	416,743	-	92,722	810,131
Accumulated depreciation and depletion at March 16, 2020	110,599,788	8,447,922	-	776,793	119,824,503

Net Book Value					
As at December 31, 2019	\$ 18,493,173	\$ 3,144,280	\$ 1,543,980	\$ 759,906	\$ 23,941,338
As at March 16, 2020	\$ 18,687,320	\$ 3,038,995	\$ 3,781,606	\$ 667,184	\$ 26,175,104

8. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets represent the cost of exploration expenditures incurred on the La Paloma and Martinetas ore zones.

	Total
Cost as at December 31, 2019	\$ 25,380,416
Additions	245,413
Cost as at March 16, 2020	\$ 25,625,829
<i>Accumulated depreciation and depletion</i>	
Accumulated depreciation and depletion at December 31, 2019	\$ 25,380,416
Charge for the period	12,725
Accumulated depreciation and depletion at March 16, 2020	\$ 25,393,140
Net Book Value	
As at December 31, 2019	\$ -
As at March 16, 2020	\$ 232,689

9. TRADE AND OTHER LIABILITIES

Trade payables represent commercial liabilities to suppliers.

Other liabilities include obligations for termination costs with suppliers and other payables.

Payroll and government tax remittances payable represent the Company's role as a principal entity in the region, and its obligation to withhold vendor income taxes from payments to vendors, and to remit these taxes on their behalf to the Argentine tax authorities, on a regular basis.

10. LEASE OBLIGATIONS

The table below represents the lease for a fleet of light vehicles used to transport personnel at the Don Nicolas mine.

	March 16, 2020	December 31, 2019
Lease obligations		
Current	\$ 358,858	\$ 336,952
Non-current	509,801	599,265
	\$ 868,659	\$ 936,217

The leases are generally limited to a lease term of 2 to 3 years. Each lease is reflected on the balance sheet as a right-of-use asset and a corresponding lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 8).

11. LOANS PAYABLE

Loans payable relate to borrowings from shareholders. During 2018 and 2019, the capitalization of certain shareholder loans was approved by the shareholders of MDN. As at March 16, 2020 and December 31, 2019, the outstanding balance relates to amounts due to indirect shareholders. The interest rate effective at March 16, 2020 and December 31, 2019 on indirect shareholder loans owing was 7%.

12. PROVISIONS

The Company's provision for environmental rehabilitation consists of costs accrued based on the best estimate of mine closure and reclamation activities that will be required at the Don Nicolas mine site upon completion of mining activity. These costs will largely be incurred on mine closure. The activities include costs for earthworks, including land re-contouring and re-vegetations, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the balance sheet date.

The Company conducts its operations so as to protect employees' health and the environment, and to comply with all applicable laws and regulations governing protection of the environment. Reclamation and remediation obligations arise throughout the life of the mine. The Company estimates future reclamation costs based on the level of current development

activity and estimates of costs required to fulfill the Company's future obligation. The Company believes it is in compliance with all applicable requirements concerning its reclamation and remediation obligations.

13. INCOME TAXES

The Company operates in Santa Cruz province and is subject to income tax under Argentine law. Income taxes in Argentina are assessed at a rate of 30% and to 25% for fiscal years beginning on or after 2022. Income taxes also includes provincial royalty as it is levied on the income from mining operations is calculated as revenue from the sale of mined metals less production costs directly attributable to mining. Income from mining operations is also reduced for depreciation allowances on mine construction and development, certain exploration costs and processing allowances in excess of exemption amounts.

14. COMMITMENTS AND CONTINGENCIES

Contingencies

In the ordinary course of business, the Company may be involved in lawsuits, claims, investigations and proceedings, including product liability, intellectual property, commercial, environmental, and health and safety matters. Although the outcome of any legal proceedings cannot be predicted with certainty, management is of the opinion that, there are no such matters pending which would be likely to have any material adverse effect in relation to its business, financial position, or results of operations.

15. FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its risk management objectives. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below. There have been no changes in the risks, objectives, policies and procedures during the period ended March 16, 2020 and the year ended December 31, 2019.

a) Credit risk

Credit risks is the risk of non-payment from any counterparty in relation to sales of goods. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentrating with respect to cash and amounts receivable is remote.

b) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

The Company continuously monitors and reviews its actual and forecasted cash flows and manages liquidity risk by maintaining adequate cash and cash equivalents, by utilizing term loans and by monitoring developments in the capital markets.

c) Market risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including commodity prices and foreign currency exchange rates.

Commodity risk

In the normal course of its business, the Company is exposed to risk resulting from fluctuations in the market prices of commodities. The Company does not engage in transactional hedging of its commodity price risk.

Foreign currency exchange risk

The Company is exposed to foreign exchange risk as a result of transactions being conducted in currencies other than its functional currency, the U.S. dollar. The Company's earnings are primarily in U.S. dollars as gold is sold throughout the world principally in U.S. dollars, while the costs are denominated in both U.S. dollars and Argentine peso.

The Company has not entered into transactions that seek to hedge or mitigate its exposure to exchange rate fluctuations.

d) Fair value risk

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Cash, restricted cash and trade receivables are stated at fair value. The carrying value of other amounts receivable, accounts payable and accrued liabilities, finance lease obligations and loans and borrowings approximate their fair values due to the immediate or short-term maturity of these financial instruments.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and results of operations.

16. ROYALTY AGREEMENTS

There are three royalty agreements that apply to the Company's Don Nicolás Mine, described as follows:

1) A royalty payable to the province of Santa Cruz in the amount up to 3% of the metal value extracted from the mine. The value of the royalty is calculated based on the market value of metals contained in the commercial production from the mine, less the direct and/or operating costs required to commercialize the metals, not including any financial costs, amortization expense or any profit distribution.

2) A 2% royalty on the refined product, payable to Royal Gold Inc. based on a royalty agreement enacted and updated on August 16, 2013. The royalty is applicable to all areas of the Company and its properties which are currently under production. The obligations under this royalty agreement are backed by a first mortgage granted to Royal Gold on a number of the Company's mineral properties owned in the province of Santa Cruz, named as follows: Syrah, La Paloma I, Micro I, Micro II, Mar III, Mar IV, Gol I, Gol II, Armadillo, Dorcón 3, Dorcón 4, Estrella I and Estrella II.

3) A royalty of \$3 per gold ounce, to a maximum of \$2 million originally payable to Yamana Limited, now to Sandstorm Gold, based on an agreement executed on February 28, 2006. This royalty is applicable to all areas of the Company and its properties which are currently under production.

17. CAPITAL MANAGEMENT

The Company includes as its capital its share capital and accumulated deficit and has no externally imposed capital requirements. The Company's objectives in managing capital are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations, deploy capital to develop its mining properties and to maintain investor, creditor and market confidence to sustain the future development of the business. The Company manages its capital structure and makes adjustments as needed, in order to have funds available to support its activities. Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the period ended March 16, 2020 and the year ended December 31, 2019.

The Company's financial strategy is designed to maintain a capital structure consistent with the objective stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital

structure, the Company may, from time to time, issue new shares, acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern.

18. RELATED PARTY TRANSACTIONS

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions consist of loans payable or borrowings from shareholders (see Note 11).

19. SUBSEQUENT EVENTS

On March 16, 2020, Compañía Inversora En Minas S.A. (“CIMINAS”) and Compañía Inversora Argentina Para La Exportacion S.A. (“CIAPEXSA”) (together the “Sellers” and ultimate owners of Minera Don Nicolas S.A.) entered into a Share Purchase Agreement to sell all of its equity interests in the Company to Cerrado Gold Inc. a Canadian mining company, for cash consideration of \$15 million at closing, with future payments of \$10 million in 24 months, \$2 million in 36 months, \$10 million in 48 months, and \$10 million in 60 months from closing. The Sellers are also entitled to a performance bonus based upon an increase in reserves in the future.

With the exception of the event stated above, there have been no material reportable events subsequent to March 16, 2020.

**EXHIBIT “J” –
MD&A OF MDN FOR THE PERIOD FROM JANUARY 1, 2020 – MARCH 15, 2020**

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 16, 2020 AND MARCH 31, 2019

(Expressed in US dollars, except otherwise noted)

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

INTRODUCTION

The following Management's Discussion & Analysis ("MD&A") dated November 29, 2020 is a review of the operations and financial position for Minera Don Nicolás S.A. ("Minera Don Nicolás") for the period ended March 16, 2020 and March 31, 2019 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for Minera Don Nicolás for the period ended March 16, 2020 and March 31, 2019, and the related notes attached thereto. The unaudited condensed interim consolidated financial statements for the years then ended are prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A reports on items deemed significant that occurred between March 16, 2020 and the date on which the MD&A is approved by the Company's Management, which is November 29, 2020, inclusively.

The information provided in this MD&A and the unaudited audited financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

Unless otherwise indicated, all reference to "dollar" or the use of the symbol "\$" are to the United States dollar in this Management Discussion and Analysis.

FORWARD LOOKING STATEMENT AND USE OF ESTIMATES

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") within the meaning of applicable Canadian securities legislation. All information contained in this news release, other than statements of current and historical fact, is forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "guidance", "scheduled", "estimates", "forecasts", "strategy", "target", "intends", "objective", "goal", "understands", "anticipates" and "believes" (and variations of these or similar words) and statements that certain actions, events or results "may", "could", "would", "should", "might" "occur" or "be achieved" or "will be taken" (and variations of these or similar expressions). Forward-looking information is also identifiable in statements of currently occurring matters which may continue in the future, such as "providing the Company with", "is currently", "allows/allowing for", "will advance" or "continues to" or other statements that may be stated in the present tense with future implications. All of the forward-looking information in this MD&A is qualified by this cautionary note. Detailed information regarding risks and uncertainties is provided in the Risk and Uncertainties section of the MD&A.

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that affect the amounts of the assets, liabilities, and expenses reported in the consolidated financial statements.

Because the use of assumptions and estimates is inherent to the financial reporting process, the actual results of items subject to assumptions and estimates could differ from original assumptions and estimates.

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

ITEM 1 – OVERVIEW & BACKGROUND

On March 16, 2020, Compañía Inversora En Minas S.A. (“CIMINAS”) and Compañía Inversora Argentina Para La Exportacion S.A. (“CIAPEXSA”) (together the “Sellers” and ultimate owners of Minera Don Nicolás S.A.) entered into a Share Purchase Agreement to sell all of its equity interests in the Company and its namesake mine Minera Don Nicolás (“MDN”) to Cerrado Gold Inc. (“Cerrado”).

Minera Don Nicolás S.A. (“Minera Don Nicolás S.A.” or “the Company”) was incorporated on March 8, 2002 in Buenos Aires, Argentina. The Company’s sole focus was the exploration, development and operation of MDN located in the Deseado Massif in the Argentine province of Santa Cruz. The Company was domiciled in Argentina and incorporated under the laws of the federal capital of Buenos Aires.

MDN is an open pit gold and silver mine located in the mineral rich Deseado Massif in the mining friendly Santa Cruz province of the Patagonia region of Southern Argentina, 1,625 kms south of Buenos Aires. The project consists of numerous exploration concessions totaling 272,598 hectares.

The Deseado Massif region is host to several multi-million-ounce epithermal gold and silver deposits including Cerro Vanguardia (Anglo Gold Ashanti), Cerro Negro (Newmont GoldCorp), Cerro Moro (Yamana). In February 2012, a full feasibility Technical Report was published in accordance with National Instrument 43-101 (“NI 43-101”). Construction of the facilities was completed in 2017 and has been ramping up to full capacity during 2018 and 2019. Current mining operations are conducted in two areas; the high grade La Paloma deposit and the Martinetas deposits, which are approximately 30km apart. Ore is processed through a 1,000 tpd Carbon in Leach plant located near the Martinetas pit. The project currently supports 325 employees and contractors on a fly-in fly-out basis. Minera Don Nicolás S.A. has strong regional backing having signed agreements with the two neighboring communities and has received strong support from the government of Santa Cruz.

The gold and silver mineralization at MDN is epithermal in style and occurs within a geological environment common to several other exploration and mining projects found in the Deseado Massif geological setting. The La Paloma deposit hosts multiple vein systems with the principal target being the Sulfuro structure comprised of narrow, arcuate, steeply dipping quartz-breccia veins. The La Paloma veins remain open-ended at depth. Geological interpretation of the results of recent geophysical studies strongly suggests that the main Sulfuro vein is additionally open-ended towards the south. At Martinetas, the focus is on the Cerro Oro and Coyote deposits comprising a series of narrow, sub-parallel, anastomosing quartz veins.

ITEM 2 - SUBSEQUENT EVENTS

Aforementioned, on March 16, 2020, CIMINAS and CIAPEXSA (together the “Sellers” and ultimate owners of Minera Don Nicolás S.A.) entered into a Share Purchase Agreement to sell all of its equity interests in the Company to Cerrado for cash consideration of \$15 million at closing, with future payments of \$10 million in 24 months, \$2 million in 36 months, \$10 million in 48 months, and \$10 million in 60 months from closing. The Sellers are also entitled to a performance bonus based upon an increase in reserves in the future.

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

ITEM 3 - OUTLOOK

Through the implementation of various operational improvement initiatives, Cerrado expects to increase production levels and improve the overall grade profile at MDN. These initiatives will focus on enhanced grade control activities to increase the average head-grades delivered to the mill and improving recovery rates, while sustaining the mill throughput rate at its design capacity of 1,000 tpd, and increasing in pit ore control processes to reduce dilution rates, lowering unit costs and increasing efficiencies at the mill. Additional potential remains to further increase production and improve unit operating costs by heap leaching the significant amounts of low-grade stockpiles at the project as prove successful at nearby mines.

Cerrado is also targeting extensive drilling at the property aimed to significantly expand mineralization in the current mining pits and at depth for the potential to transition to underground mining as many large scale operating in the area have been successful at doing, for the purpose of extending the mine life at MDN. Drilling will also be focused on defining mineral resources through a Mineral resource Estimate and to prioritize the numerous unexploited green field and brownfield opportunities on the greater property for follow up work and drilling.

ITEM 4 - RESULTS OF OPERATIONS

From January 1, 2020 up until the acquisition by Cerrado that completed on March 16, 2020, MDN remained operating under the ownership of CIAPEXSA and CIMINAS. As of March 16, 2020, MDN operated under the management of Cerrado gold and its consolidated operations. The highlights and discussion of Q1/20 results for the operations at MDN only pertain to the period of January 1, 2020 to March 15, 2020.

Operating Results

A summary of operating results for Q1/20 ended March 16, 2020 is as follows:

Key Operating Information		Q1 2020	Q1 2019
Ore Mined	<i>tonnes</i>	73,950	51,400
Waste Moved	<i>tonnes</i>	1,144,077	940,600
Strip Ratio	<i>waste:ore</i>	15.5	18.3
Ore Milled	<i>tonnes</i>	79,694	66,000
Gold Grade	<i>g/t</i>	2.64	3.53
Silver Grade	<i>g/t</i>	7.41	6.41
Gold Recovery	%	88%	92%
Silver Recovery	%	62%	69%
Gold Production	<i>ozs</i>	4,899	6,921
Silver Production	<i>ozs</i>	9,269	9,398

During Q1/20 metal production at MDN totalled 4,899 ozs of gold and 9,269 ozs of silver compared to 6,921 ozs of gold and 9,398 ozs of silver in the first quarter 2019 ("Q1/19"), with the decrease in gold production resulting from lower grades achieved.

Ore mined in Q2/20 totalled 73,950 tonnes at a strip ratio of 15:5 a 44% increase from the 51,400 tonnes of ore mined in Q1/19 at a strip ratio of 18:3.

Ore milled in the quarter was for the quarter was 79,694 a 21% increase over ore milled in Q1/19 of 66,000.

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

Average head grades for the quarter were 2.64 g/t gold and 7.41 g/t silver compared to head grades in Q1/19 of 3.53 g/t gold and 6.41 g/t silver. Recovery rates for Q2/20 were 88% for gold and 62% silver, compared to 92% gold and 69% silver in Q1/19

Financial Results

	Note	Period ended March 16, 2020	Three months ended March 31, 2019
REVENUES			
Metal sales		\$ 8,970,586	\$ 11,992,490
Other production costs		(5,870,542)	(7,996,607)
Salaries and social contributions		(1,571,207)	(2,196,495)
Selling expenses and royalties		(968,876)	(1,030,269)
Depreciation and amortization		(822,855)	(1,230,001)
COST OF SALES		(9,233,480)	(12,453,372)
LOSS FROM MINING OPERATIONS		\$ (262,894)	\$ (460,882)
Administrative expenses		(241,951)	(199,681)
GENERAL AND ADMINISTRATIVE EXPENSES		\$ (241,951)	\$ (199,681)
Net finance costs		(301,241)	(1,245,212)
Foreign exchange		248,955	(2,083,429)
Other income and expense		1,305,404	721,395
OTHER EXPENSES		\$ 1,253,118	\$ (2,607,246)
LOSS BEFORE INCOME TAXES		\$ 748,273	\$ (3,267,809)
Income tax (expense)	13	(326,878)	(219,345)
Net loss for the period		\$ 421,395	\$ (3,487,154)

Revenues for Q1/20 were \$8,970,586, 25% lower than revenues generated in Q1/19 of 11,992,490. Operations at MDN generated loss from mining operations in the period ended March 16, 2020 of \$262,894, compared to loss from operations reported in Q1/19 of \$460,882.

Net income the period ended March 16, 2020 was \$421,395 compared to a net loss of \$3,487,154 in Q1/19, the improvement being the result of a decrease in net finance costs, foreign exchange loss, and an increase in other income.

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

ITEM 5 - LIQUIDITY & CAPITAL RESOURCES

The unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Liquidity

Minera Don Nicolas S.A.'s working capital position at March 16, 2020 was \$5,237,976, slightly lower than the last reported balance at December for 2019 of \$6,553,323 as cash was used to reduce loans payable.

The cash balance at March 16, 2020 was \$631,922 as compared to the cash balance at December 31, 2019 of \$5,008,379. Short-term investments represent units invested in two open-end funds registered in Argentina which are traded daily. The majority of the investment as at March 16, 2020 and December 31, 2019 was in a capital-preservation fund.

Cash generated by operating activities in Q1/20 at MDN was \$853,041 (Q1/19 – cash used of \$551,577). Cash generated by investing activities in Q1/20 of \$1,775,253 is due primarily from \$5,948,563 in redemption of short-term investments, offset by \$3,043,897 in additions to property, plant and equipment. Cash used in financing activities in Q1/2020 was \$7,004,751 (Q1/2019 - \$Nil) related to repayment of shareholder loans during the period.

It is expected that continued cash flow from operations at MDN will provide significant funding for the continued operations at the mine. Operations and the mines ability to generate cash sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting increased production targets, metal prices, foreign exchange rates, operational costs, and capital expenditures. If the cash flow from operations is not sufficient to satisfy its ongoing requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado.

Capital Management

The Company includes as its capital its share capital and accumulated deficit and has no externally imposed capital requirements. The Company's objectives in managing capital are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations, deploy capital to develop its mining properties and to maintain investor, creditor and market confidence to sustain the future development of the business. The Company manages its capital structure and makes adjustments as needed, in order to have funds available to support its activities. Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management for the period ending March 16, 2020.

The Company's financial strategy is designed to maintain a capital structure consistent with the objective stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern.

Contractual Obligations and Commitments

The table below represents the lease for a fleet of light vehicles used to transport personnel at MDN.

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

	March 16, 2020	December 31, 2019
Lease obligations		
Current	\$ 358,858	\$ 336,952
Non-current	509,801	599,265
	\$ 868,659	\$ 936,217

The leases are generally limited to a lease term of 2 to 3 years. Each lease is reflected on the balance sheet as a right-of-use asset and a corresponding lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 8 of the Minera Don Nicolás financial statements).

Loans payable relate to borrowings from shareholders. As at March 16, 2020 and December 31, 2019, the outstanding balance relates to amounts due to indirect shareholders. The interest rate effective at March 16, 2020 and December 31, 2019 was 7%.

ITEM 6 – COMMITMENTS & CONTINGENCIES

Commitments

There are three royalty agreements that apply to MDN, described as follows:

1) A royalty payable to the province of Santa Cruz in the amount up to 3% of the metal value extracted from the mine. The value of the royalty is calculated based on the market value of metals contained in the commercial production from the mine, less the direct and/or operating costs required to commercialize the metals, not including any financial costs, amortization expense or any profit distribution.

2) A 2% royalty on the refined product, payable to Royal Gold Inc. based on a royalty agreement enacted and updated on August 16, 2013. The royalty is applicable to all areas of the Company and its properties which are currently under production. The obligations under this royalty agreement are backed by a first mortgage granted to Royal Gold on a number of the Company's mineral properties owned in the province of Santa Cruz, named as follows: Syrah, La Paloma I, Micro I, Micro II, Mar III, Mar IV, Gol I, Gol II, Armadillo, Dorcón 3, Dorcón 4, Estrella I and Estrella II.

3) A royalty of \$3 per gold ounce, to a maximum of \$2 million payable originally to Yamana Limited, now to Sandstorm Gold, based on an agreement executed on February 28, 2006. This royalty is applicable to all areas of the Company and its properties which are currently under production.

Contingencies

In the ordinary course of business, the Company may be involved in lawsuits, claims, investigations and proceedings, including product liability, intellectual property, commercial, environmental, and health and safety matters. Although the outcome of any legal proceedings cannot be predicted with certainty, management is of the opinion that, there are no such matters pending which would be likely to have any material adverse effect in relation to its business, financial position, or results of operations.

ITEM 7 - OFF-BALANCE SHEET ARRANGEMENTS

As at March 16, 2020, Minera Don Nicolás S.A. did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

ITEM 8 - RELATED PARTY TRANSACTIONS

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions consist of loans payable or borrowings from shareholders.

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

ITEM 9 - PROPOSED TRANSACTIONS

Refer to Subsequent Events note.

ITEM 10 - CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

Refer to Note 4 of the condensed interim consolidated financial statements of Minera Don Nicolás S.A. for the period ended March 16, 2020 and March 31, 2019.

ITEM 11 - SIGNIFICANT ACCOUNTING POLICIES

For information on the Company's significant accounting policies refer to Note 3 of the condensed interim consolidated financial statements of Minera Don Nicolás S.A. for the period ended March 16, 2020 and March 31, 2019.

ITEM 12 - RISKS & UNCERTAINTIES

Minera Don Nicolás S.A. is subject to significant risks, challenges, and uncertainties, similar to other mineral projects and mines, due to the nature of the mining industry. These risks and uncertainties include, but are not limited to the following:

Limited Operating History

The Company has a limited history of operating and generating earnings from operations. The Company's continued operation will be dependent upon its ability to generate operating revenues and to procure additional financing.

Dependence on Minera Don Nicolas

MDN is Minera Don Nicolas S.A.'s only producing asset, and the only source of operating revenue and cash flows. Consequently, a delay or any difficulty encountered in the operations at MDN would materially and adversely affect the financial condition and financial sustainability of the Company. Any adverse changes or developments, such as, but not limited to, the inability to successfully complete other work programs or expansions, obtain financing on commercially suitable terms, or hire suitable personnel and mining contractors, may have a material adverse effect on the Company's financial performance, results of operations and liquidity. In addition, the results of operations of the Company could be materially and adversely affected by any events which cause the mine to operate at less than optimal capacity, including, among other things, equipment failure or shortages of spares, consumables and reagents, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure to produce expected amounts of gold.

Uncertainty of Resource Estimates

The Company has engaged internal and expert independent technical consultants to advise it on, among other things, Mineral Resources, geotechnical, metallurgy and project engineering. The Company believes that these experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. If, however, the work conducted by, and the Mineral Resource estimates of these experts are ultimately found to be incorrect or inadequate in any material respect, such events could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

No Defined Mineral Reserves

No Mineral Reserves have been defined at MDN or on any of its concessions and there can be no assurance that any of the concessions under exploration contain commercial quantities of any minerals. Even if commercial quantities of minerals are identified, there can be no assurance that the Company will be able to exploit the resources or, if the Company is able to exploit them, that it will do so on a profitable basis. Substantial expenditures may be required to locate and establish Mineral Reserves, to develop

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; ongoing costs of production; and availability and cost of additional funding.

Metal Price Risk

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals contained in a deposit will be such that the Company's properties can be mined at a profit. The Company is particularly exposed to the risk of movement in the price of gold. Declining market prices for gold could have a material effect on the Company's profitability.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Operations at MDN are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Resources and Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Environmental

All phases of mining and exploration operations are subject to environmental regulation pursuant to a variety of government laws and regulations. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. Continuing issues with tailings dam failures at other companies' operations may increase the likelihood that these stricter

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

standards and enforcement mechanisms will be implemented in the future. There can be no assurance that possible future changes in environmental regulation will not adversely affect the operations at Minera Don Nicolás S.A.

Regulatory

The nature of operating in an emerging country, such as Argentina, increases the Company's regulatory risk profile. MDN's current and future mining operations including but not limited to exploration, development, production, pricing, marketing and transportation are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

The Company's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary approvals, licenses and permits that may be required to carry out exploration and development at its projects. A failure to obtain such approval on a timely basis or material conditions imposed by such authority in connection with the approval would materially affect the prospects of the Company.

Title Matters

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

Permits and Licenses

The Company is required to maintain approvals, licenses and permits from various governmental authorities in order to conduct its business. Such approvals, licenses and permits are complex and time consuming to obtain and, depending on the location of the project, may involve multiple governmental agencies.

In addition, the receipt, duration, amendment or renewal of such approvals, licenses and permits are subject to many variables outside the Company's control, including potential legal challenges from various stakeholders such as environmental groups, non-governmental organizations, community groups or other claimants. The requirements to obtain or maintain such licenses and permits are constantly subject to change. The costs and delays associated with obtaining the necessary permits, consents, authorizations and agreements required for the Company's operations may stop or materially delay or restrict it from proceeding with the development of an exploration project or the operation or further development of an existing mine, resulting in a material adverse impact on its business, financial condition and results of operations.

Government Regulations

Minera Don Nicolás S.A. is subject to various foreign laws and regulations governing prospecting, exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resources preservation, mine safety and occupational health, handling, storage and transportation of hazardous substances and other matters. It is possible that the risks of expropriation, cancellation or dispute of licenses could result in substantial costs, losses and liabilities in the future. It is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from the mines could result in substantial costs and liabilities in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Periods Ended March 16, 2020 and March 31, 2019

(Expressed in US dollars, except otherwise noted)

Unfavourable Economic Conditions

The Company's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could strain our suppliers, possibly resulting in supply disruption, or cause delays in payments for our services by third-party payors. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current our future economic climate and financial market conditions could adversely impact our business.

ITEM 13 - MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this MD&A and the condensed interim consolidated financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

**EXHIBIT “K” –
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MDN FOR THE YEARS
ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017**

Minera Don Nicolás S.A.

FINANCIAL STATEMENTS

As at December 31, 2019, 2018 and 2017 and January 1, 2017 and
for the years ended December 31, 2019, 2018 and 2017

(Expressed in US dollars, except otherwise noted)



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Minera Don Nicolás S.A.

Opinion

We have audited the financial statements of Minera Don Nicolás S.A. ("the Company"), which comprise the statements of financial position as at December 31, 2019; December 31, 2018; December 31, 2017 and January 1, 2017, the statements of profit or loss and other comprehensive income, cash flows and changes in equity for the years ended December 31, 2019; December 31, 2018 and December 31, 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, of the financial position of the Company as at December 31, 2019; December 31, 2018; December 31, 2017 and December 31, 2016, and of its financial performance and its cash flows for the years ended December 31, 2019; December 31, 2018 and December 31, 2017, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Argentina and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis included in the filing statement.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



The engagement partner on the audit resulting in this independent auditors' report is Mario Belardinelli.

Buenos Aires (Argentina), November 29, 2020

KPMG

A handwritten signature in black ink, enclosed within a hand-drawn oval. The signature is stylized and appears to read 'Mario Belardinelli'.

Mario Belardinelli
Partner

MINERA DON NICOLAS S.A.
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019, 2018, 2017 and January 1, 2017
(Expressed in U.S. dollars)

As at	Note	December 31, 2019 (Note 21)	December 31, 2018	December 31, 2017	January 1, 2017 (Note 21)
ASSETS					
Cash and cash equivalents		\$ 5,008,379	\$ 2,370,719	\$ 251,836	\$ 1,026,899
Short-term investments	5	5,935,358	10,171,456	2,933,565	1,943,877
Trade receivables	6	-	314	2,865,229	-
Other receivables	6	4,920,111	8,187,450	22,521,963	92,589
Supplies and consumables inventory	7	2,632,126	4,374,148	1,941,051	-
Metal inventory	7	5,567,536	5,221,503	5,783,120	-
Current assets		24,063,510	30,325,590	36,296,764	3,063,365
Other receivables	6	5,036,755	4,944,034	16,301,014	21,208,428
Inventories	7	4,292,367	2,359,910	4,480,689	5,407,468
Property, plant and equipment	8	23,941,338	94,654,171	125,810,021	12,154,043
Exploration and evaluation assets	9	-	-	22,037,842	115,306,755
Non-current assets		33,270,460	101,958,115	168,629,566	154,076,694
Total assets		\$ 57,333,970	\$ 132,283,705	\$ 204,926,330	\$ 157,140,059
LIABILITIES					
Trade payables	10	7,797,619	7,389,960	6,929,669	8,747,056
Payroll and government remittances	10	1,864,828	1,940,642	3,176,706	1,904,267
Lease obligations	11	336,952	191,747	171,722	-
Other liabilities	10	482,479	-	-	-
Loans payable	12	7,028,309	-	-	-
Current liabilities		17,510,187	9,522,349	10,278,097	10,651,323
Lease obligations	11	599,265	483,798	675,545	-
Other liabilities	10	75,138	533,156	-	-
Deferred tax liability	14	-	1,439,000	-	-
Loans payable	12	-	74,719,694	106,113,342	29,435,732
Provisions	13	1,315,736	1,235,538	1,093,355	780,317
Non-current liabilities		1,990,139	78,411,186	107,882,242	30,216,049
Total liabilities		19,500,326	87,933,535	118,160,339	40,867,372
SHAREHOLDERS' EQUITY					
Share capital	15	218,583,764	142,942,694	200,204,953	197,156,038
Contributed surplus		1,191,808	1,191,808	2,768,877	2,768,877
Accumulated other comprehensive loss		80,861,391	80,861,391	(15,352,016)	-
Accumulated deficit		(262,803,319)	(180,645,723)	(100,855,823)	(83,652,228)
Shareholders' equity		37,833,644	44,350,170	86,765,991	116,272,687
Total liabilities & shareholders' equity		\$ 57,333,970	\$ 132,283,705	\$ 204,926,330	\$ 157,140,059

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

MINERA DON NICOLAS S.A.
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the years ended December 31, 2019, 2018 and 2017
(Expressed in U.S. dollars)

		Years ended December 31,		
	Note	2019	2018	2017
		(Note 21)		
REVENUES				
Metal sales	17	\$ 37,315,330	\$ 31,207,709	\$ -
Other production costs		(19,284,464)	(18,436,649)	-
Salaries and social contributions		(7,981,324)	(7,954,998)	-
Selling expenses and royalties		(3,736,921)	(1,959,749)	-
Depreciation and amortization		(5,237,071)	(7,723,578)	-
COST OF SALES	18	(36,239,780)	(36,074,974)	-
EARNINGS (LOSS) FROM MINING OPERATIONS		\$ 1,075,550	\$ (4,867,265)	\$ -
Administrative expenses		(1,120,049)	(2,628,352)	(2,657,644)
Marketing expenses		-	-	(15,937)
GENERAL AND ADMINISTRATIVE EXPENSES		\$ (1,120,049)	\$ (2,628,352)	\$ (2,673,581)
Net finance costs		(7,182,265)	(6,294,070)	(514,480)
Foreign exchange		(878,704)	(10,685,407)	(13,558,569)
Impairment of assets	8,9	(74,000,000)	(53,000,000)	-
Other income and expense		(763,147)	(298,446)	(456,965)
OTHER EXPENSES		\$ (82,824,116)	\$ (70,277,923)	\$ (14,530,014)
LOSS BEFORE INCOME TAXES		\$ (82,868,615)	\$ (77,773,540)	\$ (17,203,595)
Income tax recovery (expense)	14	711,019	(2,016,360)	-
Net loss for the period		\$ (82,157,596)	\$ (79,789,900)	\$ (17,203,595)
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Foreign exchange translation adjustment		-	-	\$ (15,352,016)
Other comprehensive income (loss)		\$ -	\$ -	\$ (15,352,016)
Total comprehensive (loss) income		\$ (82,157,596)	\$ (79,789,900)	\$ (32,555,611)

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

MINERA DON NICOLAS S.A.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019, 2018 and 2017
(Expressed in U.S. dollars)

	Note	Years ended December 31,		
		2019	2018	2017
		(Note 21)		
OPERATING ACTIVITIES				
Net loss		\$ (82,157,596)	\$ (79,789,900)	\$ (17,203,595)
Adjustments for:				
Depreciation and amortization		5,237,071	7,723,578	2,787,875
Disposal of fixed assets		586,472	668,563	-
Present value of value added tax		(1,031,428)	1,109,201	1,001,965
Impairment	8, 9	74,000,000	53,000,000	-
Interest on loans		7,949,685	5,980,431	-
Exchange differences on loans		-	-	12,522,566
Gain on short-term investments		(293,683)	(873,127)	(531,536)
Income tax		(711,019)	2,016,360	-
Cash flow generated by (used in) operating activities before changes in non-cash working capital items		3,579,503	(10,164,894)	(1,422,725)
Changes in non-cash working capital items:				
Receivables and other assets		4,206,360	26,961,208	(21,673,269)
Inventories		(536,468)	249,299	(9,899,399)
Trade and other payables		356,306	(242,617)	886,287
Paid income tax		(810,576)	(577,360)	-
Net cash generated by (used in) operating activities		\$ 6,795,125	\$ 16,225,635	\$ (32,109,106)
INVESTING ACTIVITIES				
Additions to property, plant and equipment		(7,966,628)	(6,757,669)	(1,218,205)
Additions to exploration and evaluation assets		(1,484,953)	(2,024,713)	(41,796,114)
Subscriptions of new short-term investments		(7,503,049)	(28,658,426)	(88,728,233)
Redemption of new short-term investments		12,032,830	22,293,662	87,962,981
Net cash used in investing activities		\$ (4,921,799)	\$ (15,147,146)	\$ (43,779,571)
FINANCING ACTIVITIES				
Shareholder loans received		-	-	38,417,012
Shareholder loans (repayments)		-	-	(18,000,000)
Shareholder capital contributions		-	-	3,048,915
Loans from indirect shareholders		-	-	52,916,471
Net cash from financing activities		\$ -	\$ -	\$ 76,382,398
Effect of exchange rates on cash and cash equivalents		764,335	1,040,393	(1,268,784)
Increase (decrease) in cash and cash equivalents		2,637,660	2,118,883	(775,063)
Cash and cash equivalents, beginning of period		2,370,719	251,836	1,026,899
Cash and cash equivalents, end of period		\$ 5,008,379	\$ 2,370,719	\$ 251,836

Non-cash transactions

2019: Loans capitalization: \$ 75,641,070.

2018: Loans capitalization: \$ 37,374,079.

2017: Sales, net of associated cost, were charged as a decrease in property, plant and equipment.

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

MINERA DON NICOLAS S.A.
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2019, 2018 and 2017
(Expressed in U.S. dollars)

	Note	Share capital	Contributed surplus	Acumulated other comprehensive income (loss)	Accumulated deficit	Total
Balance, January 1, 2017		\$ 197,156,038	\$ 2,768,877	\$ -	\$ (83,652,228)	\$ 116,272,687
Share capital additions	15	3,048,915	-	-	-	3,048,915
Loss for the year		-	-	-	(17,203,595)	(17,203,595)
Foreign currency translation adjustment		-	-	(15,352,016)	-	(15,352,016)
Balance, December 31, 2017		\$ 200,204,953	\$ 2,768,877	\$ (15,352,016)	\$ (100,855,823)	\$ 86,765,991
Foreign exchange translation adjustment arising from change in functional currency		(94,636,338)	(1,577,069)	96,213,407	-	-
Balance, January 1, 2018		\$ 105,568,615	\$ 1,191,808	\$ 80,861,391	\$ (100,855,823)	\$ 86,765,991
Share capital additions	15	37,374,079	-	-	-	37,374,079
Loss for the year		-	-	-	(79,789,900)	(79,789,900)
Balance, December 31, 2018		\$ 142,942,694	\$ 1,191,808	\$ 80,861,391	\$ (180,645,723)	\$ 44,350,170
Share capital additions	15	75,641,070	-	-	-	75,641,070
Loss for the year		-	-	-	(82,157,596)	(82,157,596)
Balance, December 31, 2019		\$ 218,583,764	\$ 1,191,808	\$ 80,861,391	\$ (262,803,319)	\$ 37,833,644

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

MINERA DON NICOLAS S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 and 2017
Amounts expressed in US dollars

1. GENERAL INFORMATION

Minera Don Nicolás S.A. ("MDN" or the "Company") was incorporated on March 8, 2002 in Buenos Aires, Argentina. On June 10, 2015, the Company became a wholly-owned subsidiary of Compañía Inversora en Minas S.A.U. ("CIMINAS") and Compañía Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA"), which provided the capital needed to fund the construction and start-up of the Don Nicolás Mine. On March 16, 2020, Cerrado Gold Inc. ("Cerrado Gold"), a Canadian mining company, completed the acquisition of Minera Don Nicolas S.A. for fair value consideration of \$36.425 million (See Note 24).

The Company is a mining, exploration, and development company that is engaged in the exploration, development and operation of the Don Nicolás Mine located in the Deseado Massif in the Argentine province of Santa Cruz. The Company is domiciled in Argentina and incorporated under the laws of the federal capital of Buenos Aires. The address of its registered office is Mariscal Antonio José de Sucre 1530 – CP: 1428BXP, City of Buenos Aires Argentina.

2. BASIS OF PRESENTATION

(a) Statement of compliance and first-time adoption of IFRS

These are the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In these financial statements, "ArgGAAP" refers to Argentine generally accepted accounting principles before the adoption of IFRS. Subject to certain transition elections and exceptions disclosed in Note 21, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS balance sheet at January 1, 2017 throughout all periods presented, as if these policies had always been in effect. Note 21 discloses the impact of the transition to IFRS on the Company's previously-reported statements of financial position, statements of profit or loss and other comprehensive income, and statements of cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2016 prepared under ArgGAAP.

These financial statements were approved for issuance by the Management on November 29, 2020.

(b) Going concern

In considering going concern, management has reviewed the Company's future cash requirements and earnings projections. As of December 31, 2019, the Company has working capital, net shareholder's equity, and positive operating cash flows for the year ended December 31, 2019. As a result of the sale of MDN (see Note 24 Subsequent events) to Cerrado Gold Inc. ("Cerrado") (the "Transaction"), Cerrado assumed control of the Company effective March 16, 2020. The current expectation is that Cerrado will undertake the Company's operations and funding from March 16, 2020, however, it cannot be assured whether such funding will take place in amounts and timing according to the Company's future financing needs.

The Company's liquidity position is, however, sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting increased production targets, metal prices, foreign exchange rates, operational costs, and capital expenditures. If the Company's cash flow from operations is not sufficient to satisfy its requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to the Company. Management expects that cash from MDN operations will be sufficient to fund cash requirements in the ordinary course of business for a period of at least twelve months.

The financial statements do not include adjustments to the carrying values of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

(c) Basis of measurement

The financial statements have been prepared under the historical cost basis, which is generally based on the fair value of the consideration given in exchange for good and services.

(d) Functional and presentation currency

The financial statements are presented in United States dollars, which is the Company's presentation currency. Management concluded that during the start and exploration and evaluation phase the functional currency of MDN was the Argentine peso (ARS) until December 31, 2017.

As a result of the change in economic circumstances due to the Company entering commercial production in 2018 (see Note 17) and the increasing prevalence of US dollar-denominated transactions, management concluded that the US dollar is the most appropriate functional currency for the operations carried out in MDN. The change in functional currency from ARS to USD was accounted for prospectively from January 1, 2018. The exchange rate used to translate the statement of financial position to reflect the change in functional currency on adoption was USD 1 equals to ARS 18.60.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Critical accounting estimates and judgements are disclosed in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and critical estimate and judgments have been applied consistently to all financial information presented in these financial statements.

a) Foreign currency

Translation from functional currency to presentation currency

The Company changed its functional currency from Argentine Peso (ARS) to USD effective January 1, 2018. All assets and liabilities were already translated into USD at the spot rate on the date of the change as the Company was already using the presentation currency of USD. Therefore the only impact of the change in functional currency on the statement of financial position is to shareholders' equity. Items in the Statement of Changes in Shareholders' Equity previously translated at historical rates have now been translated using the spot rate at the date of the change. These changes have been accounted for prospectively in accordance with IFRS.

Foreign currency transactions

Foreign currency transactions are recognized during the period in the functional currency at the exchange rates prevailing at the date of transaction. The date of transaction is the date at which the transaction first qualifies for recognition.

- Monetary assets and liabilities are translated at current rate of exchange prevailing at the statement of financial position dates with the resulting gains or losses recorded in foreign exchange gain/loss in the statements of profit or loss and other comprehensive income;
- Non-monetary assets and liabilities are translated at historical exchange rates; and
- Revenue and expense items are translated at the average rates of exchange with any gains or losses recognized within foreign exchange gain/loss in the statements of profit or loss and other comprehensive income.

b) Property, plant and equipment

Property, plant and equipment ("PPE") is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of profit or loss and other comprehensive income. Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Following the commencement of production, the acquisition, development, and deferred exploration and evaluation assets are depleted on a units-of-production basis over the estimated economic life of the ore body. Commercial production is deemed to have occurred on the declaration by management with reference to factors such as the asset's ability to operate at its designed commercial capacity over a reasonable period of time.

Depreciation methods, useful lives, residual values, and estimated future restoration costs are reassessed each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, or expectations differ from previous estimates, the changes are accounted for prospectively.

Depreciation

Straight-line basis

The expected useful lives are as follows:

- Buildings: 10 years
- Plant and equipment: 3 to 10 years

Unit of production basis

- For mining properties and development assets and certain mining equipment, the economic benefits from the asset are consumed in a pattern which is linked to the production level. Such assets are depreciated on a unit of production basis. However, assets within mining operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight line basis as noted above.
- In applying the unit of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on measured and indicated resources as there is a high degree of confidence in its economic extraction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

See section (d) Impairment – Non-financial assets.

Assets under construction

During the construction phase, assets under construction are classified as construction in progress within property, plant and equipment. Once commissioned these assets are reclassified to the pertinent line of property, plant and equipment at which time they will commence being depreciated over their useful life.

(c) Inventories

Inventories consist of stockpiles, in-process inventory, and supplies and consumables. Inventories are valued at the lower of cost and estimated net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the net realizable value is less than cost, the difference is charged to the statement of profit or loss and other comprehensive income as an impairment.

Cost of production of inventory is determined on a weighted average cost. The cost of production includes direct costs associated with conversion of production inventory: material, labour, contractor expenses, and an attributable portion of production overheads and depreciation of all property, plant and equipment involved with the mining and production process. Materials and supplies include consumable stores and spare parts used in operations. Appropriate allowances for damage, obsolescence and slow-moving items are recorded based on an identification process. Spare parts include spares that are regularly replaced, usually as part of a replacement programme (circulating spares). However, major spare parts on hand to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure and stand-by equipment are accounted for as property, plant and equipment and depreciated over the same period as the component they are associated with.

(d) Impairment of non-financial assets

PPE is tested for impairment when events or changes in circumstances indicate that the carrying amount may be not recoverable. The recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of profit or loss and other comprehensive income for the period. Upon recognition of an impairment loss, the depreciation charge for the asset is then adjusted in future periods to allocate the asset's revised carrying amount less its residual value (if any) in accordance with the Company's accounting policy for PPE.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount must not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years

less subsequent depreciation and depletion. A reversal of an impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

(e) Provisions

Environmental rehabilitation obligation

Environmental rehabilitation obligations (“EROs”) are reclamation liabilities relating to legal or constructive obligations for future site reclamation and closure of the Company’s mine site. EROs are recognized when incurred and a liability and corresponding asset are recorded at management’s best estimate of future cash outflows. EROs are provided for in the accounting period when the obligation arising from the associated disturbance occurs.

The amount of any liability recognized is estimated based on the risk-adjusted costs required to settle present obligations, discounted using a pre-tax risk-free discount rate consistent with the time period of expected future cash outflows. When the ERO is initially recorded, a corresponding environmental rehabilitation cost is recognized as an addition to mining properties and development and amortized using the units-of-production method.

The ERO is accreted over time and the accretion charges are recognized as a finance cost in the statement of profit or loss and other comprehensive income. The ERO is subject to re-measurement at each reporting date based on changes in discount rates and timing or amounts of the costs to be incurred. Changes in the ERO, other than accretion charges, relating to mine rehabilitation and restoration obligations, which are not the result of current production of inventory, are added to or deducted from the carrying value of the related environmental rehabilitation cost in the reporting period recognized. If the change results in a reduction of the obligation in excess of the carrying value of the related environmental rehabilitation cost, the excess balance is recognized as a recovery through the statement of profit or loss and other comprehensive income in the period.

Other provisions

A provision is recognized when the Company has a present obligation, either legal or constructive, when as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in cost of sales or general and administrative expense, depending on the nature of the provision.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be reliably measured. Contingent assets are not recognized, but are disclosed where an inflow of economic benefit is probable.

(f) Leases

In preparing the first IFRS financial statements, a first-time adopter selects the accounting policies based on IFRS Standards that are effective as at the first annual reporting date and may include the early adoption of new standards or interpretations.

As part of the first-time adoption of IFRS, the Company adopted IFRS 16, Leases (“IFRS 16”) effective January 1, 2017. This standard revises the definition of leases and requires companies to bring most leases on-balance sheet, recognizing new assets and liabilities.. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability.

A first-time adopter of IFRS that is a lessee may apply the following approach to all its leases at the date of transition (subject to the application of practical expedients):

- measure the lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of transition;
- measure the Right-of-use (“ROU”) asset, on a lease-by-lease basis, at either:
- its carrying amount as if the new standard had been applied since the commencement date of the lease, but discounted using the lessee’s incremental borrowing rate at the date of transition to IFRS; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS; and
- apply IAS 36 to the ROU asset at the date of transition to IFRS.

The Company applied the practical expedients in relation of the exemptions to recognize leases with the following criteria:

- Leases of low dollar value will continue to be expensed as incurred.
- Applied the exemption not to recognize ROU assets and liabilities for leases with less than 12 months of lease term.

Leases recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract is or contains a lease, a lease liability is recognized representing the present value of cash flows estimated to settle the contract, discounted using the discount rate implicit in the lease, or if that is not available, a discount rate which would be required if the underlying asset was acquired through a financing arrangement. The Company will also recognize a ROU that will generally be equal to the lease obligation at adoption. The ROU is subsequently amortized over the life of the contract.

The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(g) Revenue

The Company sells gold and silver in doré form to customers. Revenue is recognized when control of the gold or silver has transferred to the customer. For doré sales this is typically at the point in time when the customer has received all required confirmations from the Company, which is at the time the doré is shipped from the mine. Following the shipment of doré, the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the metal.

Revenue is measured at the transaction price agreed under the contract. Payment of the transaction price is due immediately when the metal is transferred to the customer. A receivable is recognized when the metal is transferred to the customer, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(h) Finance income and expenses

Finance income includes:

- Interest income on funds invested
-

Interest income is recognized as it accrued in the income statement using the effective interest rate method.

Finance expenses include:

- Interest on short-term and long-term borrowings;
- The impact of the unwind of discount of long-term portion of value added tax fiscal credit receivable; and
- The impact of the unwind of discount of long-term provisions for environmental rehabilitation obligation and decommissioning provision

Finance expenses are calculated using the effective interest rate method. Net finance expenses represent finance expenses net of any interest received on funds invested. Interest income is recognized as it accrues using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

(i) Exploration and evaluation assets

Exploration and evaluation activities begins when the Company obtains legal rights to explore a specific area and include costs which are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods;
- completing pre-feasibility and feasibility studies;

- costs incurred in acquiring mineral rights; and
- carrying costs of unproved properties

Cash flows associated with exploration and evaluation assets are classified as investing activities in the statements of cash flows.

The Company considers exploration and evaluation costs to have the characteristics of property, plant and equipment and, as such, the Company capitalizes all exploration and evaluation activities. At the commencement of pre-production activities these deferred exploration costs will be transferred to mining properties once the work completed to date support the future development of the property and such development receives appropriate approvals.

The actual recovery of the value of capitalized expenditures for mineral properties and deferred exploration costs is contingent upon the existence of economically viable reserves and the Company's financial ability at that time to fully exploit these properties or determine a suitable plan of disposition.

(j) Income tax

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. In addition a deferred income tax liability is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities but they intend to settle current income tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred income tax asset is recognized for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized when the distribution is expected.

Mining taxes and royalties that have the characteristics of an income tax are treated and disclosed as current and deferred income taxes.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and highly liquid short-term investments with maturity dates of three months or less when acquired.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are typically paid within 30 days of recognition. These amounts are initially recognized at fair value and are subsequently carried at amortized cost.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(m) Trade and other receivables

Trade receivables represent amounts owing for goods supplied by the Company prior to the end of the financial period which remain unpaid. They arise from transactions in the normal operating activities of the Company.

Trade receivables are carried at amortized cost, net of expected credit losses.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(n) Share capital and reserves

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effect(s).

Foreign currency translation adjustment

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements from the functional currency of Argentine Peso into the presentation currency of US dollar until December 31, 2017 (see Note 2 (d)). Following the change in functional currency of the Company from the Argentine peso to United States dollar on January 1, 2018, the functional currency of the Company is the United States dollar. The change in functional currency resulted in a permanent foreign currency translation reserve amount of \$80,861,391.

(o) Financial instruments

Non-derivative financial instruments are initially recognized at fair value plus, in the case of a financial asset or financial liability not measured at fair value through profit or loss, directly attributable transaction costs. Measurement in subsequent periods depends on the financial instrument's classification. The Company determines the classification of its financial instruments and non-financial derivatives at initial recognition.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The classification of financial assets is based on the results of the contractual characteristics test and the business model assessment which will result in the financial asset being classified as either: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI").

Non-derivative financial instruments - classification:

Financial assets at fair value through profit or loss

Trade sales receivables where repayments do not meet the criteria as Solely Payments of Principal and Interest ("SPPI") and short-term investments are classified as financial assets at fair value through profit or loss and are measured at fair value. The unrealized gains or losses related to changes in fair value are reported in other finance income/expense in the income statements.

Amortized cost

Cash and other receivables are classified as and measured at amortized cost and are carried at amortized cost using the effective interest rate method, less impairment losses, if any.

Non-derivative financial liabilities

Accounts payable are initially recognised at FVTPL and subsequently accounted for at amortized cost, using the effective interest rate method.

(i) Fair values of financial instruments:

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available.

For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models. The Company applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques use significant observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), or valuations are based on quoted prices for similar instruments; and
- Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

(ii) Derecognition of financial instruments:

The Company derecognizes financial assets when the contractual rights to the cash flows from the assets expire, or when the Company transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes financial liabilities when its contractual obligations are discharged, cancelled or expire or when its terms are modified and the cash flows of the modified liability are substantially different.

(p) Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than 12 months to commission. In these circumstances, borrowing costs are capitalized to the cost of the assets, to the extent it is probably that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably, and depreciated over the useful life of the assets. Capitalization is based on the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs may include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

(q) Changes in accounting policies

New standards and interpretations adopted

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23"). The interpretation seeks to provide guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. On January 1, 2019 the Company adopted IFRIC 23, which did not have any effect on the Company's financial statements.

New standards and interpretations not yet adopted

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements provide a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. The Company will adopt amendments to IAS 1 Presentation of Financial Statements on January 1, 2020 and we do not expect the change to have impact on the financial statements disclosures.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1), which clarifies the guidance on whether a liability should be classified as either current or non-current.

The amendments:

- - clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and - make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of adoption of this amendment has not yet been determined.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the financial statements.

Significant judgements in applying accounting policies

a) *Impairment indicator analysis*

Non-financial assets are tested for impairment when events or change in circumstances indicate that the carrying amount may be not recoverable. This determination requires significant judgement. Factors which could trigger an impairment review for the Company's Don Nicolás mine includes, but are not limited to, significant negative industry or economic trends, and current, historical or projected losses that demonstrate continuing losses. For the Company's exploration and evaluation assets, factors which could indicate an impairment review include, but are not limited to: substantive expenditure or further exploration and evaluation activities are neither budgeted nor planned, the lack of discovery of commercially viable quantities of mineral resources and a decision to discontinue exploration, or other data indicating that the carrying amount of the asset is unlikely to be recovered in full from successful development or sale.

b) *Functional currency*

The determination of the Company's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the Company to apply significant judgement since primary and secondary factors may be mixed. In determining its functional currency the Company analyzed both the primary and secondary factors, including the currency of the Company's revenues, operating costs and sources of financing.

c) *Income taxes*

The Company calculates deferred income taxes based upon temporary differences between assets and liabilities that are reported in its financial statements and their tax bases as determined under applicable tax legislation. The Company records deferred income tax assets when it determines that it is probable that such assets will be realized. The future realization of deferred tax assets can be affected by many factors, including: current and future economic conditions, net realizable sales prices, production rates and production costs and can either be increased or decreased where, in the view of management, such change is warranted.

Significant accounting estimates and assumptions

a) *Environmental rehabilitation obligation*

The Company assesses its provision for reclamation and remediation on a quarterly basis or when new material information becomes available. The Company's operations are subject to environmental laws and regulations in Argentina. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with the laws and regulations. The estimates are dependent on labour costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and pre-tax interest rates that reflect current market assessment of time value for money and the risk specific to the obligation. The Company also estimates the timing of the outlays, which is subject to change depending on continued exploitation and newly discovered mineral reserves. Future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently estimated by management.

b) *Property, plant and equipment*

PPE is the largest component of the Company's assets and, as such, the capitalization of costs, determination of estimated recoverable amounts and the depreciation of these assets have a significant impact on the Company's financial results. Certain assets are depreciated using the units-of-production basis, which involves the estimation of resources in determining the depreciation rates of these assets. Each item's life is assessed annually for both its physical life limitations and the economic recoverable reserves of the property where it is asset is located.

c) Mineral reserves

Mineral reserves are estimates of the amount of product that can be economically and legally extracted from the Company's mining properties. Reserve estimates are an integral component in the determination of the commercial viability of a site, depletion amounts charged to cost of sales and impairment analyses.

In calculating reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production decline rates, metallurgical recovery rates, production costs, commodity demand, commodity prices and foreign currency exchange rates. In addition, future changes in regulatory environments, including government levies or changes in the Company's rights to exploit the resource, imposed over the producing life of the reserves, may also significantly impact estimates.

d) Impairment of Property, plant and equipment and Exploration and evaluation assets

The Company monitors Property, plant and equipment and Exploration and evaluation assets for factors that may indicate their carrying amounts are not recoverable. If such indicators are identified, the Company tests these assets or their cash generating units ("CGUs"), as applicable, for impairment. An asset's CGU is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. MDN's mine operations are considered as a single CGU, therefore the Company has one cash generating unit for which impairment testing is performed.

The recoverable amount of MDN's CGU is based on its value in use, determined by discounting the future cash flows to be generated from the continued use of the CGU in its present form. As at December 31, 2019, the carrying amount of the CGU was determined to be higher than its recoverable amount of \$36.425 million (December 31, 2018 - \$94.076 million) and an impairment loss of \$74 million was recognized during 2019 (2018 - \$53 million). The impairment losses were included in other expenses.

The discount rate used in 2019 of 17% (2018 - 11.5%) was a pre-tax measure based on the rate of 20-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a relevant risk premium to reflect both the increase risk of investing in equities generally and the systematic risk of the specific CGU.

The Company estimated future cash flows in the discounted cash flow model based on estimated future recoverable mine production, expected sales prices (considering current and historical commodity prices, price trends and related factors, production levels and cash costs of production, all based on detailed engineering LOM plans. Future recoverable mine production is determined from reserves and resources after taking into account estimated dilution and recoveries during mining, and estimated losses during ore processing and treatment.

Following the impairment loss recognized in the Company's CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

5. SHORT-TERM INVESTMENTS

Short term investments represent units invested in two open-end funds registered in Argentina which are traded daily. The majority of the investment as at December 31, 2019 was in a capital-preservation fund.

6. TRADE AND OTHER RECEIVABLES

	December 31,	December 31,	December 31,
<i>United States dollars, as at</i>	2019	2018	2017
Accounts receivable	\$ -	\$ 314	\$ 2,865,229
Trade receivables	\$ -	\$ 314	\$ 2,865,229

	December 31,	December 31,	December 31,
<i>United States dollars, as at</i>	2019	2018	2017
Other receivables - current			
VAT receivable	\$ 4,402,756	\$ 7,535,652	\$ 5,727,948
Checks to be deposited	-	-	16,011,043
Other	517,355	651,798	782,972
Other receivables - current	\$ 4,920,111	\$ 8,187,450	\$ 22,521,963

Other receivables - non-current			
VAT receivable	\$ 3,488,362	\$ 4,248,136	\$ 15,040,551
Supplier advances	1,187,203	360,045	777,145
Bank taxes recoverable	256,689	293,130	407,206
Other	104,501	42,723	76,112
Other receivables - non-current	\$ 5,036,755	\$ 4,944,034	\$ 16,301,014

Trade receivables represent sales proceeds receivable from the Don Nicolas Mine, including on initial production from the mine during its start-up phase late in 2017.

Other receivables represent mostly both the current and non-current portion of fiscal tax credit receivables, including Value Added Tax ("VAT") receivables. VAT receivables in Argentina are discounted from the expected date of receipt.

7. INVENTORIES

Inventory - current	December 31,	December 31,	December 31,
<i>United States dollars, as at</i>	2019	2018	2017
Warehouse inventory	\$ 2,632,126	\$ 4,374,148	\$ 1,941,051
Ore stockpile	520,671	415,159	2,116,593
WIP inventory	1,398,346	1,368,109	2,089,357
Doré finished goods	2,632,490	2,882,272	1,344,454
Other inventory	1,016,029	555,963	232,716
Total inventory - current	\$ 8,199,662	\$ 9,595,651	\$ 7,724,171

Inventory - non-current	December 31,	December 31,	December 31,
<i>United States dollars, as at</i>	2019	2018	2017
Warehouse inventory	\$ 4,292,367	\$ 2,359,910	\$ 1,033,335
Ore stockpile	-	-	3,447,354
Total inventory - non-current	\$ 4,292,367	\$ 2,359,910	\$ 4,480,689

8. PROPERTY, PLANT AND EQUIPMENT

	Note	Mining properties	Mining plant and equipment	Assets under construction	Right-of-use asset	Total
Cost						
At January 1, 2017		\$ 4,730,660	\$ 9,716,934	\$ -	\$ -	\$ 14,447,594
Additions	(i)	3,578,263	-	-	923,073	4,501,336
Reclassifications		133,092,860	47,191	-	-	133,140,051
Foreign currency translation		(20,377,133)	(1,443,621)	-	-	(21,820,754)
Cost at December 31, 2017		121,024,650	8,320,504	-	923,073	130,268,227
Additions		4,559,256	1,021,899	1,078,581	-	6,659,736
Disposals		(985,063)	(16,049)	-	-	(1,001,112)
Reclassifications		741,429	337,152	(1,078,581)	-	-
Cost at December 31, 2018		125,340,272	9,663,506	-	923,073	135,926,851
Cost at January 1, 2019		125,340,272	9,663,506	-	923,073	135,926,851
Additions		4,038,495	1,522,379	1,543,980	520,904	7,625,758
Disposals		(586,472)	(10,426)	-	-	(596,898)
Cost as at December 31, 2019		\$ 128,792,295	\$ 11,175,459	\$ 1,543,980	\$ 1,443,977	\$ 142,955,711
Accumulated depreciation and depletion						
At January 1, 2017		\$ 441,172	\$ 1,852,380	\$ -	\$ -	\$ 2,293,551
Charge for the period	(i)	307,185	2,296,075	-	184,615	2,787,875
Foreign currency translation		(98,753)	(524,466)	-	-	(623,220)
Accumulated depreciation and depletion at December 31, 2017		649,603	3,623,988	-	184,615	4,458,206
Charge for the period		3,547,237	2,101,930	-	184,615	5,833,782
Disposals		-	(13,641)	-	-	(13,641)
Impairment	(ii)	30,994,333	-	-	-	30,994,333
Accumulated depreciation and depletion at December 31, 2018		35,191,173	5,712,277	-	369,230	41,272,680
Accumulated depreciation and depletion at January 1, 2019		35,191,173	5,712,277	-	369,230	41,272,680
Charge for the period		2,592,902	2,329,328	-	314,841	5,237,071
Disposals		-	(10,426)	-	-	(10,426)
Impairment	(iii)	72,515,047	-	-	-	72,515,047
Accumulated depreciation and depletion at December 31, 2019		\$ 110,299,122	\$ 8,031,179	\$ -	\$ 684,071	\$ 119,014,372
Net Book Value						
As at January 1, 2017		\$ 4,289,488	\$ 7,864,554	\$ -	\$ -	\$ 12,154,043
As at December 31, 2017		\$ 120,375,047	\$ 4,696,516	\$ -	\$ 738,458	\$ 125,810,021
As at December 31, 2018		\$ 90,149,099	\$ 3,951,229	\$ -	\$ 553,843	\$ 94,654,171
As at December 31, 2019		\$ 18,493,173	\$ 3,144,280	\$ 1,543,980	\$ 759,906	\$ 23,941,338

- (i) Reflects opening balance adjustment on adoption of IFRS 16 (see Note 3) to recognize right-of-use assets on leases for a fleet of vehicles. Also refer to Note 11 – Lease obligations.
- (ii) The Company performed an assessment of recoverability and carrying value of the Don Nicolas mine, as at December 31, 2018, and as a result, recorded a non-cash impairment of \$30,994,333 against mining properties. As at December 31, 2018 the recoverable amount of the MDN mine equals its carrying amount after recording the impairment charge noted above.
- (iii) The Company performed an assessment of recoverability and carrying value of the Don Nicolas mine, as at December 31, 2019, following the closing of the sale transaction dated March 16, 2020 (See Note 24 – Subsequent events). As a result, the Company recorded a non-cash impairment of \$72,515,047 against mining properties. As at December 31, 2019, the recoverable amount of the MDN mine equals its carrying amount after recording the impairment charge noted above.

9. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets represent the cost of exploration expenditures incurred on the La Paloma and Martinetas ore zones.

	Note	Total
Cost		
Balance as at January 1, 2017		\$ 115,306,755
Additions		41,796,114
Reclassification	(i)	(133,140,051)
Foreign currency translation		(1,924,976)
Cost as at December 31, 2017		\$ 22,037,842
Additions		2,024,713
Disposals		(167,092)
Cost as at December 31, 2018		\$ 23,895,463
Additions		1,484,953
Cost as at December 31, 2019		\$ 25,380,416
Accumulated depreciation and depletion		
Accumulated depreciation and depletion at Jan 1, 2017		\$ -
Charge for the period		-
Accumulated depreciation and depletion at Dec 31, 2017		\$ -
Charge for the period		1,889,796
Impairment	(ii)	22,005,667
Accumulated depreciation and depletion at Dec 31, 2018		\$ 23,895,463
Charge for the period		-
Impairment	(iii)	1,484,953
Accumulated depreciation and depletion at Dec 31, 2019		\$ 25,380,416
Net Book Value		
As at January 1, 2017		\$ 115,306,755
As at December 31, 2017		\$ 22,037,842
As at December 31, 2018		\$ -
As at December 31, 2019		\$ -

- (i) With mine construction completed by the end of 2017, amounts relating to mining properties previously classified under exploration and evaluation assets were reclassified to property, plant and equipment. The Company performed an assessment of recoverability and determined there was no evidence of impairment at the date of the reclassification.
- (ii) The Company performed an assessment of recoverability and carrying value of the Don Nicolas mine, as at December 31, 2018, and as a result, recorded a non-cash impairment of \$22,005,667 against exploration and evaluation assets. As at December 31, 2018 the recoverable amount of the exploration and evaluation assets equals its carrying amount after recording the impairment charge noted above.
- (iii) The Company performed an assessment of recoverability and carrying value of the Don Nicolas, as at December 31, 2019, following the closing of the sale transaction dated March 16, 2020 (See Note 24 - Subsequent events). As a result, the Company recorded a non-cash impairment of \$1,484,953 against exploration and evaluation assets. As at December 31, 2019, the recoverable amount of the exploration and evaluation assets equals its carrying amount after recording the impairment charge noted above.

10. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables represent commercial liabilities to suppliers, including the construction and start-up cost of the Don Nicolás mine in 2017.

Other liabilities include obligations for termination costs with suppliers.

Payroll and government tax remittances payable represent the Company's role as a principal entity in the region, and its obligation to withhold vendor income taxes from payments to vendors, and to remit these taxes on their behalf to the Argentine tax authorities, on a regular basis.

11. LEASE OBLIGATIONS

The table below represents the lease for a fleet of light vehicles used to transport personnel at the Don Nicolas mine.

	December 31, 2019		December 31, 2018		December 31, 2017	
Lease obligations						
Current	\$	336,952	\$	191,747	\$	171,722
Non-current		599,265		483,798		675,545
	\$	936,217	\$	675,545	\$	847,267

The leases are generally limited to a lease term of 2 to 3 years. Each lease is reflected on the balance sheet as a right-of-use asset and a corresponding lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 8).

12. LOANS PAYABLE

Loans payable relate to borrowings from shareholders. During 2018 and 2019, the capitalization of certain shareholder loans was approved by the shareholders of MDN. As at December 31, 2019, the outstanding balance relates to amounts due to indirect shareholders. The interest rate effective at December 31, 2019 on indirect shareholder loans owing was 7%. During December 2019, management agreed to prepay the outstanding loans.

	Currency	Nominal interest rate	Nominal value	Date of maturity	December 31, 2019	December 31, 2018	December 31, 2017
Loan agreement A/2016 with shareholders - Dec 26, 2016	USD	8.00%	\$ 8,829,761	12/15/2019	\$ -	\$ -	\$ 9,725,090
Loan agreement 4/2016 with shareholders - Dec 16, 2016	USD	8.00%	6,000,000	12/15/2021	-	-	6,475,078
Loan agreement 5/2017 with shareholders - Jan 16, 2017	USD	8.00%	6,000,000	9/15/2021	-	-	6,435,215
Loan agreement 6/2017 with shareholders - Feb 24, 2017	USD	9.25%	6,000,000	6/15/2022	-	-	6,448,259
Loan agreement 7/2017 with shareholders - March 23, 2017	USD	9.25%	6,000,000	9/15/2022	-	-	6,410,155
Loan agreement N° 1 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	12/26/2021	-	5,353,836	5,003,836
Loan agreement N° 2 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	3/27/2022	-	5,353,836	5,003,836
Loan agreement N° 3 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	6/26/2022	-	5,353,836	5,003,836
Loan agreement N° 4 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	9/25/2022	-	5,353,836	5,003,836
Loan agreement N° 5 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	12/26/2022	-	5,353,836	5,003,836
Loan agreement N° 6 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	3/27/2023	-	5,353,836	5,003,836
Loan agreement N° 7 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	6/26/2023	-	5,353,836	5,003,836
Loan agreement N° 8 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	9/25/2023	-	5,353,836	5,003,836
Loan agreement N° 9 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	12/26/2023	-	5,353,836	5,003,836
Loan agreement N° 10 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	3/26/2024	-	5,353,836	5,003,836
Loan agreement N° 11 with shareholders - Dec 27, 2017	USD	7.00%	2,916,471	6/25/2024	-	3,122,857	2,918,704
Loan agreement N° 1/2017 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	12/26/2020	5,692,329	-	5,003,836
Loan agreement N° 2/2017 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	3/27/2021	1,335,980	5,353,836	5,003,836
Loan agreement N° 3/2017 with shareholders - Dec 27, 2017	USD	7.00%	5,000,000	6/26/2021	-	5,353,836	5,003,836
Loan agreement N° 4/2017 with shareholders - Dec 27, 2017	USD	7.00%	1,665,104	7/25/2021	-	1,782,937	1,666,380
Others					-	214,032	984,593
					\$ 7,028,309	\$ 74,719,694	\$ 106,113,342

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans payable	Share capital	Total
Balance at January 1, 2017	\$ 29,435,732	\$ 197,156,038	\$ 226,591,770
Shareholder loans received	38,417,012	-	38,417,012
Shareholder loans (repayments)	(18,000,000)	-	(18,000,000)
Shareholder capital contributions	-	3,048,915	3,048,915
Loans from indirect shareholders	52,916,471	-	52,916,471
Total changes from financing cash flows	73,333,483	3,048,915	76,382,398
Effect of changes in exchange rates	917,514	-	917,514
Capitalised borrowing costs	4,016,638	-	4,016,638
Payments of capitalised borrowing costs	(1,590,025)	-	(1,590,025)
Total other changes	3,344,127	-	3,344,127
Balance at December 31, 2017	106,113,342	200,204,953	306,318,295
Total changes from financing cash flows	-	-	-
Loans capitalization	(37,374,079)	37,374,079	-
Effect of changes in foreign exchange rates	-	(94,636,338)	(94,636,338)
Interest expense	5,980,431	-	5,980,431
Total other changes	(31,393,648)	(57,262,259)	(88,655,907)
Balance at December 31, 2018	74,719,694	142,942,694	217,662,388
Total changes from financing cash flows	-	-	-
Loans capitalization	(75,641,070)	75,641,070	-
Interest expense	7,949,685	-	7,949,685
Total other changes	(67,691,385)	75,641,070	7,949,685
Balance at December 31, 2019	\$ 7,028,309	\$ 218,583,764	\$ 225,612,073

13. PROVISIONS

Decommissioning and restoration provisions

The Company's provision for decommissioning and restoration consists of costs accrued based on the best estimate of mine closure and reclamation activities that will be required at the Don Nicolas mine site upon completion of mining activity. These costs will largely be incurred on mine closure. The activities include costs for earthworks, including land re-contouring and re-vegetations, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the balance sheet date.

The Company conducts its operations so as to protect employees' health and the environment, and to comply with all applicable laws and regulations governing protection of the environment. Reclamation and remediation obligations arise throughout the life of the mine. The Company estimates future reclamation costs based on the level of current development activity and estimates of costs required to fulfill the Company's future obligation. The Company believes it is in compliance with all applicable requirements concerning its reclamation and remediation obligations.

Environmental rehabilitation obligation <i>United States dollars, as at</i>	December 31, 2019	December 31, 2018	December 31, 2017
Balance, beginning of year	\$ 1,235,538	\$ 1,093,355	\$ 780,317
Change in estimates	10,420	93,615	313,038
Change in estimated timing of reclamation expenditures	69,778	48,568	-
Balance, end of year	\$ 1,315,736	\$ 1,235,538	\$ 1,093,355

14. INCOME TAXES

The Company operates in Santa Cruz province and is subject to income tax under Argentine law. Income taxes in Argentina are assessed at a rate of 30% and to 25% for fiscal years beginning on or after 2022. Income taxes also includes provincial royalty as it is levied on the income from mining operations is calculated as revenue from the sale of mined metals less production costs directly attributable to mining. Income from mining operations is also reduced for depreciation allowances on mine construction and development, certain exploration costs and processing allowances in excess of exemption amounts.

A reconciliation of income and mining taxes is different from the amount that would have been computed by applying the statutory income tax rate as a result of the following permanent differences as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Loss before income taxes	(82,868,615)	(77,773,540)	(17,203,595)
Tax (recovery) at statutory rates	(24,860,585)	(23,332,062)	(5,161,079)
Tax rate differential	4,143,431	3,888,677	860,180
Other non-deductible expenses	4,516,391	(8,561,824)	-
Unrecognized temporary differences	14,761,763	29,444,209	4,300,899
Provincial royalty	727,981	577,360	-
Current income tax (recovery) expense	(711,019)	2,016,360	-

The Company has approximately \$53,000,000 (December 31, 2018 - \$46,400,000; December 31, 2017 - \$1,860,000) of unrecognized tax loss carry forwards, which under certain circumstances can be used to reduce taxable income for future years. These losses expire from 2021 to 2024.

At December 31, 2019 the Company also has other deductible temporary differences of approximately \$26,500,000 (December 31, 2018 - \$3,950,000; December 31, 2017 - \$20,111,000) the benefits of which are not recognized in these financial statements, as management does not consider their utilization to be probable in the foreseeable future.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit for income tax and mining tax will be available against which these amounts can be utilized.

15. SHARE CAPITAL

	Note	Number of Ordinary Shares #	Issued Share Capital \$
Balance at January 1, 2017		1,907,366,434	\$ 197,156,038
Issued for cash	(i)	56,209,798	3,048,915
Balance at December 31, 2017		1,963,576,232	200,204,953
Foreign currency translation adjustment upon change in functional currency		-	(94,636,338)
Balance at January 1, 2018		1,963,576,232	105,568,615
Issued for cash	(i)	764,206,495	37,374,079
Balance at December 31, 2018		2,727,782,727	142,942,694
Issued for loan capitalization	(i)	4,524,735,326	75,641,070
Balance at December 31, 2019		7,252,518,053	\$ 218,583,764

- (i) Increases of capital, including capitalization of certain shareholder loans in 2018 and 2019, were approved by the shareholders of MDN throughout each of the years ended December 31, 2017, 2018 and 2019.

16. COMMITMENTS AND CONTINGENCIES

Commitments

To guarantee the royalties in favor of Royal Gold, Inc. (Note 22), Minera Don Nicolás SA has granted first class mortgage in favor of Royal Gold, Inc. on some mining properties.

Additionally, to guarantee compliance with Cerrado Gold's obligations with the company's previous shareholders (Note 25), a first degree mortgage was established on certain mining properties for a total amount of up to USD 32,000,000, the deferred purchase amount.

Contingencies

In the ordinary course of business, the Company may be involved in lawsuits, claims, investigations and proceedings, including product liability, intellectual property, commercial, environmental, and health and safety matters. Although the outcome of any legal proceedings cannot be predicted with certainty, management is of the opinion that, there are no such matters pending which would be likely to have any material adverse effect in relation to its business, financial position, or results of operations.

17. REVENUE

The Company commenced operations and commercial production at the Don Nicolás mine in 2018. The Company had no revenues during 2017 as the Don Nicolás Mine was in the start-up phase during the fourth quarter of the year, and its first shipment of doré was exported in late December 2017. The net value of metal sold during the start-up phase was credited to the capital cost of constructing the mine, following the Company's accounting policy for start-up costs.

18. COST OF SALES

The Company had no cost of sales during 2017 and the operating costs incurred in connection with the first exportation of doré in late December 2017 were offset against the proceeds of the doré commercialization, and included in construction capital for the Don Nicolás Mine.

19. FINANCE EXPENSE

The Company incurs interest on its shareholder loans, which are partially convertible to equity.

20. FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its risk management objectives. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below. There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2019, 2018 and 2017.

a) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. The Company is exposed to counterparty risks including, but not limited to: (i) financial institutions that hold the Company's cash and short-term investments; (ii) companies that have payables to the Company, mainly customers.

Cash and cash equivalents are deposited with highly rated corporations and the credit risk associated with these deposits is low. The Company sells its products to international organizations with high credit ratings.

Management believes that the credit risk concentrating with respect to cash and amounts receivable is remote.

The following table sets forth details of the age of trade and other receivables:

As at	December 31, 2019	December 31, 2018	December 31, 2017
To become due			
Up to 3 months	\$ -	\$ 314	\$ 18,876,282

b) Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

The Company continuously monitors and reviews its actual and forecasted cash flows and manages liquidity risk by maintaining adequate cash and cash equivalents, by utilizing term loans and by monitoring developments in the capital markets.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

	Maturity date				Without any established term	Total
	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	More than 5 years		
December 31, 2019						
Trade payables	\$ 7,791,959	\$ -	\$ -	\$ -	\$ 5,659	\$ 7,797,618
Lease obligations	336,952	371,241	228,025	-	-	936,218
Other liabilities	482,479	-	-	-	-	482,479
Loans payable	7,028,309	-	-	-	-	7,028,309
Total	\$ 15,639,699	\$ 371,241	\$ 228,025	\$ -	\$ 5,659	\$ 16,244,624
December 31, 2018						
Trade payables	\$ 7,389,960	\$ -	\$ -	\$ -	\$ -	\$ 7,389,960
Lease obligations	191,747	210,921	272,877	-	-	675,545
Loans payable	-	5,353,836	60,889,165	8,476,693	-	74,719,694
Total	\$ 7,581,707	\$ 5,564,757	\$ 61,162,042	\$ 8,476,693	\$ -	\$ 82,785,199
December 31, 2018						
Trade payables	\$ 6,929,670	\$ -	\$ -	\$ -	\$ -	\$ 6,929,670
Lease obligations	171,722	191,746	483,798	-	-	847,266
Loans payable	-	9,725,090	68,450,368	27,937,884	-	106,113,342
Total	\$ 7,101,392	\$ 9,916,836	\$ 68,934,166	\$ 27,937,884	\$ -	\$ 113,890,278

c) Market risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including commodity prices and foreign currency exchange rates.

Commodity risk

In the normal course of its business, the Company is exposed to risk resulting from fluctuations in the market prices of commodities.

The Company's profitability and long-term viability depend, in large part, upon the market price of metals that may be produced from the Company's properties. Market price fluctuations of these commodities could adversely affect profitability of operations and lead to impairments of mineral properties. Metal prices fluctuate widely and are affected by numerous factors beyond the

Company's control including but not limited to supply and demand, consumption patterns, macroeconomic factors (interest, exchange and inflation), banking and political conditions, and mining specific factors.

The Company does not engage in transactional hedging of its commodity price risk.

Foreign currency exchange risk

The Company is exposed to foreign exchange risk as a result of transactions being conducted in currencies other than its functional currency, the U.S. dollar. The Company's earnings are primarily in U.S. dollars as gold is sold throughout the world principally in U.S. dollars, while the costs are denominated in both U.S. dollars and Argentine peso.

The Company has not entered into transactions that seek to hedge or mitigate its exposure to exchange rate fluctuations.

The table below shows the Company's exposure to foreign currency risk for recognized assets and liabilities denominated in Argentine pesos:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
ASSETS		
Cash and cash equivalents	1,092,041	538,510
Total assets	<u>1,092,041</u>	<u>538,510</u>
LIABILITIES		
Trade payables	2,080,440	2,871,312
Other liabilities	482,479	-
Total liabilities	<u>2,562,919</u>	<u>2,871,312</u>
Net asset exposure position	<u>(\$1,470,878)</u>	<u>(\$2,332,802)</u>
Exchange rate at year end	59.89	37.70

d) Fair value risk

Fair value and carrying value of financial instruments:

The following represents the carrying value and fair value of the Company's financial instruments and non-financial derivatives:

<u>Recurring measurements</u>	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial assets				
Amortised cost				
Cash	(i)	5,008,379	2,370,719	251,836
Short-term investments	(i)	5,935,358	1,129,692	2,933,565
Trade and other receivables	(i)(ii)	2,065,748	1,348,010	20,919,707
Fair value through profit or loss				
Short-term investments	(iii)	-	9,041,764	-
Total financial assets		<u>13,009,485</u>	<u>13,890,185</u>	<u>24,105,108</u>
Financial liabilities				
Amortised cost				
Trade payables	(i)(ii)	7,797,619	7,389,960	6,929,669
Loans payable	(ii)	7,028,309	74,719,694	106,113,342
Total financial liabilities		<u>14,825,928</u>	<u>82,109,654</u>	<u>113,043,011</u>
Net financial asset (liability)		<u>(1,816,443)</u>	<u>(68,219,469)</u>	<u>(88,937,903)</u>

- (i) Cash, short-term investments, trade and other receivables, trade and other payables, and loans payable are recorded at carrying value, which approximates fair value due to their short-term nature and generally negligible credit losses.
- (ii) Excludes tax and other statutory amounts.
- (iii) Fair value of bonds has been determined using the quoted market price at the year end.

21. FIRST TIME ADOPTION OF IFRS

These are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 2 have been consistently applied in preparing financial statements for the years ended December 31, 2019, 2018 and 2017, and in the preparation of an opening IFRS statement of financial position at January 1, 2017 (the "Transition Date").

In preparing its opening IFRS statement of financial position, MDN has adjusted amounts reported previously in financial statements prepared in accordance with ArgGAAP (its previous GAAP). Explanations of how the transition from its previous GAAP to IFRS has affected the Company's equity and its comprehensive income (loss) are set out in the following reconciliations and the notes that accompany them.

Changes made to the statements of profit or loss and other comprehensive income, and the statements of financial position have resulted in reclassification of certain amounts on the statements of cash flows.

The effect of the Company's transition to IFRS, described in Note 2, is summarized in this note as follows:

- a) Transition elections under IFRS 1; and
- b) Reconciliation of statement of financial position, statement of profit or loss and other comprehensive income, and statement of cash flows as previously reported under ArgGAAP to IFRS

Pursuant to IFRS 1 First-time Adoption of International Financial Reporting Standards, MDN has applied IFRS on a retrospective basis, subject to the following relevant mandatory exceptions and voluntary exemptions to retrospective application of IFRS.

a) Elected exemptions from full retrospective application

Under IFRS 1, a number of exemptions from full retrospective application were available to the Company upon adoption of IFRS. The impact of these exemptions on the Company's financial statements is described below. The Company has applied the following exemptions in its first IFRS financial statements:

The Company has applied the following optional exceptions on the Transition Date:

Leases

The Company elected to apply select transition provisions per IFRS 16 – Leases upon transition to IFRS. In doing so, the Company has elected to:

- measure the lease liability at January 1, 2017 at the present value of remaining lease payments, discounted using the Company's incremental borrowing rate at January 1, 2017;
- measure the ROU asset at January 1, 2017 at an amount equal to the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before January 1, 2017;
- apply IAS 36 to ROU Assets at January 1, 2017;
- not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets;
- exclude initial direct costs from the measurement of the ROU asset at January 1, 2017; and
- use hindsight in determining if the lease term of the contract contains options to extend or terminate the lease.

The Company has applied the following mandatory exception on the Transition Date:

Estimates

IFRS 1 provides that estimates in accordance with IFRS at the date of transition shall be consistent with estimates made in accordance with previous GAAP (after adjustment to reflect differences in accounting policies), unless there is objective evidence those estimates were in error. There were no adjustments made to previous GAAP estimates.

b) Reconciliation from ArgGAAP to IFRS

Reconciliation of equity

	Note	ArgGAAP December 31, 2019 USD	Effect of transition USD	IFRS December 31, 2019 USD	ArgGAAP January 1, 2017 USD	Effect of transition USD	IFRS January 1, 2017 USD
ASSETS							
Current							
Cash and cash equivalents		\$5,008,379	-	\$5,008,379	\$1,026,899	-	\$1,026,899
Short-term investments		5,935,358	-	5,935,358	1,943,877	-	1,943,877
Trade receivables	(i)	2,860,669	(2,860,669)	-	-	-	-
Other receivables	(a)	4,659,841	260,270	4,920,111	92,589	-	92,589
Supplies and consumables inventory	(b)(i)	3,416,849	(784,723)	2,632,126	-	-	-
Metal inventory	(a)(b)(i)	3,092,820	2,474,716	5,567,536	-	-	-
Total current assets		24,973,916	(910,406)	24,063,510	3,063,365	-	3,063,365
Non-current							
Other receivables	(a)(e)	3,771,948	1,264,807	5,036,755	19,424,500	1,783,928	21,208,428
Inventories	(b)(i)	2,081,373	2,210,994	4,292,367	5,918,417	(510,949)	5,407,468
Property, plant and equipment	(a)(c)(d) (f)(g)(h)	92,619,810	(68,678,472)	23,941,338	11,799,765	354,278	12,154,043
Exploration and evaluation assets	(a)(b)(g)(h)	1,534,968	(1,534,968)	-	118,441,091	(3,134,336)	115,306,755
Total non-current assets		100,008,099	(66,737,639)	33,270,460	155,583,773	(1,507,079)	154,076,694
TOTAL ASSETS		\$124,982,015	(\$67,648,045)	\$57,333,970	\$158,647,138	(\$1,507,079)	\$157,140,059
LIABILITIES							
Current							
Trade payables	(i)	7,951,749	(154,130)	7,797,619	8,747,056	-	8,747,056
Payroll and government remittances	(l)	1,872,913	(8,085)	1,864,828	1,904,267	-	1,904,267
Lease obligations	(d)	-	336,952	336,952	-	-	-
Other liabilities	(i)	-	482,479	482,479	-	-	-
Provisions		7,028,309	-	7,028,309	-	-	-
Total current liabilities		16,852,971	657,216	17,510,187	10,651,323	-	10,651,323
Non-current							
Lease obligations	(d)	-	599,265	599,265	-	-	-
Other liabilities	(i)	544,665	(469,527)	75,138	-	-	-
Loans payable		-	-	-	29,435,732	-	29,435,732
Provisions		1,315,736	-	1,315,736	780,317	-	780,317
Total non-current liabilities		1,860,401	129,738	1,990,139	30,216,049	-	30,216,049
Total liabilities		18,713,372	786,954	19,500,326	40,867,372	-	40,867,372
SHAREHOLDERS' EQUITY							
Share capital	(h)	243,273,873	(24,690,109)	218,583,764	197,156,038	-	197,156,038
Contributed surplus	(h)	1,923,779	(731,971)	1,191,808	2,768,877	-	2,768,877
Accumulated other comprehensive income	(g)	-	80,861,391	80,861,391	(75,924,050)	75,924,050	-
Accumulated deficit	(b)(c)(d)(e) (f)(g)(h)(i)(j)	(138,929,009)	(123,874,310)	(262,803,319)	(6,221,099)	(77,431,129)	(83,652,228)
Total shareholders' equity		106,268,643	(68,434,999)	37,833,644	117,779,766	(1,507,079)	116,272,687
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$124,982,015	(\$67,648,045)	\$57,333,970	\$158,647,138	(\$1,507,079)	\$157,140,059

Reconciliation of total comprehensive loss

	ArgGAAP December 31, 2019 USD	Effect of transition USD	IFRS December 31, 2019 USD
REVENUES			
Metal sales	\$48,825,096	(\$11,509,766)	\$37,315,330
Other production costs	(26,687,298)	7,402,834	(19,284,464)
Salaries and social contributions	(9,726,586)	1,745,262	(7,981,324)
Selling expenses and royalties	(5,571,374)	1,834,453	(3,736,921)
Depreciation and amortization	(6,784,044)	1,546,973	(5,237,071)
COST OF SALES	(48,769,302)	12,529,522	(36,239,780)
EARNINGS FROM MINING OPERATIONS	55,794	1,019,756	1,075,550
Administrative expenses	(1,266,482)	146,433	(1,120,049)
GENERAL AND ADMINISTRATIVE EXPENSES	(1,266,482)	146,433	(1,120,049)
Net finance costs	1,227,340	(8,409,605)	(7,182,265)
Foreign exchange	(17,092,321)	16,213,617	(878,704)
Impairment of assets	-	(74,000,000)	(74,000,000)
Other income (expense)	(621,375)	(141,772)	(763,147)
Other expenses	(16,486,356)	(66,337,760)	(82,824,116)
Loss before income tax	(17,697,044)	(65,171,571)	(82,868,615)
Income tax recovery	(5,111,041)	5,822,060	711,019
Net loss for the period	(\$22,808,085)	(\$59,349,511)	(\$82,157,596)
Net loss reconciliation			December 31, 2019 USD
Under ArgGAAP			(\$22,808,085)
Inflation adjustment effect			(14,358,937)
Adjustments to ArgGAAP (i)			(74,087,001)
Foreign exchange (j)			30,339,875
Income tax (e)			6,550,041
Inventory valuation (b)			(4,866,020)
Depreciation and amortization (f)			(2,872,859)
IFRS 16 (d)			(54,610)
Under IFRS			(\$82,157,596)

Reconciliation of cash flows

	ArgGAAP December 31, 2019 USD	Effect of transition USD	IFRS December 31, 2019 USD
Net cash generated by operating activities	19,217,525	(12,422,400)	6,795,125
Net cash used in investing activities	(11,410,052)	6,488,253	(4,921,799)
Net cash from financing activities	-	-	-
Effect of inflation/exchange rates on cash and cash equivalents	(1,048,913)	1,813,247	764,334
Increase in cash and cash equivalents	6,758,560	(4,120,900)	2,637,660
Cash and cash equivalents, beginning of period	6,581,972	(4,211,253)	2,370,719
Cash and cash equivalents, end of period	13,340,532	(8,332,153)	5,008,379

* The financial statements of Minera Don Nicolas under ArgGAAP were originally presented in Argentine Pesos. For reconciliation purposes, assets and liabilities at January 1, 2017 and December 31, 2019 were converted into US dollars at spot exchange rate of 15.85 and 59,89 respectively, and shareholder's equity was converted at applicable historical rates in the case of January 1, 2017 and at spot exchange rate for December 31, 2019. Revenue, expenses and cash flows for the year ended December 31, 2019 were converted at the average exchange rate for the reporting period of 49.13, or at the exchange rates ruling at the date of the transaction to the extent practicable.

Notes to the reconciliations

The following notes should be read in conjunction with the accounting policies contained in Note 2.

- (a) *Supplier advances*
Under ArgGAAP, supplier advance payments are capitalized as Property, plant and equipment or Supplies and consumables inventory. Under IFRS, the Company has elected to reclassify supplier advances under other receivables.
- (b) *Inventories*
Under ArgGAAP, the Company valued inventories at replacement cost. Under IFRS, inventories are valued at the lower of cost or net realizable value. The difference between cost in USD and replacement cost is due to the increase in prices in ARS and devaluation of the ARS against USD.
- (c) *Borrowing costs*
Under ArgGAAP, the Company expensed borrowing costs incurred during the mine construction phase. Under IFRS, borrowing costs directly attributable to the construction of a qualifying asset are included in the cost of the asset, where other borrowing costs are recognized as an expense.
- (d) *Leases*
Leases originating from Right-of-Use assets have been adjusted from adoption of IFRS 16 – Leases.
- (e) *Income taxes*
Income taxes have been recalculated after considering the adjustments derived from IFRS adoption.
- (f) *Property, plant and equipment and exploration and evaluation assets (PPE and E&E)*
At December 31, 2019, under ArgGAAP PPE and E&E are valued at amortized cost adjusted by inflation. Under IFRS, they are valued at historical cost in USD. Depreciation and amortization are calculated on those values.
- (g) *Cumulative translation adjustment*
On adoption of IFRS on January 1, 2017 the functional currency of MDN was determined to be the Argentine Peso. This line reflects the effects of the translation to presentation USD as presentation. At December 31, 2019, it also includes the effects of the change in functional currency.
- (h) Since July 2018, Argentine economy is considered hyperinflationary. Statutory financial statements (ArgGAAP) as of December 31, 2019 include such effect in PPE; E&E, equity and P&L accounts.
- (i) Adjustment and reclassifications not recorded in ArgGAAP balances as at December 31, 2019 and for the year then ended. It is not a difference between GAAPs.
- (j) *Foreign exchange*
Under ArgGAAP, foreign exchange is the result of the conversion of foreign currency to Argentine pesos at the applicable exchange rate. Under IFRS, foreign exchange is the result of the conversion of other than functional currency (USD) to the functional currency.

22. ROYALTY AGREEMENTS

There are three royalty agreements that apply to the Company's Don Nicolás Mine, described as follows:

1) A royalty payable to the province of Santa Cruz in the amount up to 3% of the metal value extracted from the mine. The value of the royalty is calculated based on the market value of metals contained in the commercial production from the mine, less the direct and/or operating costs required to commercialize the metals, not including any financial costs, amortization expense or any profit distribution. This royalty is presented as income taxes (Note 14).

2) A 2% royalty on the refined product, payable to Royal Gold Inc. based on a royalty agreement enacted and updated on August 16, 2013. The royalty is applicable to all areas of the Company and its properties which are currently under production. The obligations under this royalty agreement are backed by a first mortgage granted to Royal Gold on a number of the Company's mineral properties owned in the province of Santa Cruz, named as follows: Syrah, La Paloma I, Micro I, Micro II, Mar III, Mar IV, Gol I, Gol II, Armadillo, Dorcón 3, Dorcón 4, Estrella I and Estrella II.

3) A royalty of \$3 per gold ounce, to a maximum of \$2 million payable to Yamana Limited based on an agreement executed on February 28, 2006. This royalty is applicable to all areas of the Company and its properties which are currently under production.

23. CAPITAL MANAGEMENT

The Company includes as its capital its share share capital and accumulated deficit and has no externally imposed capital requirements. The Company's objectives in managing capital are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations, deploy capital to develop its mining properties and to maintain investor, creditor and market confidence to sustain the future development of the business. The Company manages its capital structure and makes adjustments as needed, in order to have funds available to support its activities. Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the years ended December 31, 2019, 2018 and 2017.

The Company's financial strategy is designed to maintain a capital structure consistent with the objective stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern.

24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel compensation are short-term employee benefits and include salaries, bonuses payable within 12 months of the balance sheet date and other annual employee benefits.

	Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Management compensation	\$ 1,023,540	\$ 1,126,278	\$ 1,228,030

Other related party transactions

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Transactions	December 31, 2019	December 31, 2018	December 31, 2017
Shareholders			
Compañía Inversora en Minas S.A.			
Capital contribution	-	-	433,934
Compañía Inversora Argentina Para la Exportación S.A.			
Capital contribution	-	37,374,079	2,614,981
New loans	-	-	38,417,012
Interest expense	-	830,524	3,956,160
Services received	17,464	23,767	-
Indirect shareholders			
Capital contribution	75,641,070	-	-
New loans	-	-	52,916,471
Interest expense	7,949,685	5,149,907	60,478

Balances	December 31, 2019	December 31, 2018	December 31, 2017
Shareholders			
Compañía Inversora Argentina Para la Exportación S.A.			
Loans	-	-	35,826,217
Indirect shareholders			
Loans	7,028,309	74,719,964	70,287,125

25. SUBSEQUENT EVENTS

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

On March 16, 2020, Compañía Inversora En Minas S.A.U. ("CIMINAS") and Compañía Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA") (together the "Sellers" and ultimate owners of Minera Don Nicolas S.A.) entered into a Share Purchase Agreement to sell all of its equity interests in the Company to Cerrado Gold Inc. a Canadian based mining company, for cash consideration of \$15 million at closing, with future payments of \$10 million in 24 months, \$2 million in 36 months, \$10 million in 48 months, and \$10 million in 60 months from closing. The Sellers are also entitled to a performance bonus based upon an increase in reserves in the future. The fair value of the consideration paid for MDN's net assets was approximately \$36.425 million, which was above the book value of the net assets of MDN as at December 31, 2019. As a result, the Company recorded a non-cash impairment of \$74 million against property, plant and equipment and exploration and evaluation assets (See notes 8 and 9, respectively).

To guarantee compliance with Cerrado Gold's obligations with the company's previous shareholders, a first degree mortgage was established on certain mining properties for a total amount of up to USD 32,000,000, the deferred purchase amount.

With the exception of the events stated above, there have been no material reportable events subsequent to December 31, 2019.

**EXHIBIT “L” –
MD&A OF MDN FOR THE YEARS ENDED DECEMBER 31, 2019, DECEMBER 31,
2018 AND DECEMBER 31, 2017**

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Expressed in US dollars, except otherwise noted)

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INTRODUCTION

The following Management's Discussion & Analysis ("MD&A") dated November 29, 2020 is a review of the operations and financial position for Minera Don Nicolás S.A. ("Minera Don Nicolás") for the years ended December 31, 2019, 2018 and 2017 and should be read in conjunction with the audited financial statements for Minera Don Nicolás for the years ended December 31, 2019, 2018 and 2017, and the related notes attached thereto. The audited financial statements for the years then ended are prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A reports on items deemed significant that occurred between December 31, 2019 and the date on which the MD&A is approved by the Company's Management, which is November 29, 2020, inclusively.

The information provided in this MD&A and the audited financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

Unless otherwise indicated, all reference to "dollar" or the use of the symbol "\$" are to the United States dollar in this Management Discussion and Analysis.

FORWARD LOOKING STATEMENT AND USE OF ESTIMATES

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") within the meaning of applicable Canadian securities legislation. All information contained in this news release, other than statements of current and historical fact, is forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "guidance", "scheduled", "estimates", "forecasts", "strategy", "target", "intends", "objective", "goal", "understands", "anticipates" and "believes" (and variations of these or similar words) and statements that certain actions, events or results "may", "could", "would", "should", "might" "occur" or "be achieved" or "will be taken" (and variations of these or similar expressions). Forward-looking information is also identifiable in statements of currently occurring matters which may continue in the future, such as "providing the Company with", "is currently", "allows/allowing for", "will advance" or "continues to" or other statements that may be stated in the present tense with future implications. All of the forward-looking information in this MD&A is qualified by this cautionary note. Detailed information regarding risks and uncertainties is provided in the Risk and Uncertainties section of the MD&A.

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that affect the amounts of the assets, liabilities, and expenses reported in the consolidated financial statements.

Because the use of assumptions and estimates is inherent to the financial reporting process, the actual results of items subject to assumptions and estimates could differ from original assumptions and estimates.

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ITEM 1 – OVERVIEW & BACKGROUND

On March 16, 2020, Compañía Inversora En Minas S.A.U. (“CIMINAS”) and Compañía Inversora Argentina Para La Exportacion S.A. (“CIAPEXSA”) (together the “Sellers” and ultimate owners of Minera Don Nicolás S.A.) entered into a Share Purchase Agreement to sell all of its equity interests in the Company and its namesake mine Minera Don Nicolás (“MDN”) to Cerrado Gold Inc. (“Cerrado”).

Minera Don Nicolás S.A. (“Minera Don Nicolás S.A.” or “the Company”) was incorporated on March 8, 2002 in Buenos Aires, Argentina. On June 10, 2015, the Company became a wholly owned subsidiary of CIMINAS, which provided the capital needed to fund the construction and start-up of mining at MDN. The Company’s sole focus was the exploration, development and operation of MDN located in the Deseado Massif in the Argentine province of Santa Cruz. The Company was domiciled in Argentina and incorporated under the laws of the federal capital of Buenos Aires.

MDN is an open pit gold and silver mine located in the mineral rich Deseado Massif in the mining friendly Santa Cruz province of the Patagonia region of Southern Argentina, 1,625 kms south of Buenos Aires. The project consists of numerous exploration concessions totaling 272,598 hectares.

The Deseado Massif region is host to several multi-million-ounce epithermal gold and silver deposits including Cerro Vanguardia (Anglo Gold Ashanti), Cerro Negro (Newmont GoldCorp), Cerro Morro (Yamana). In February 2012, a full feasibility Technical Report was published in accordance with National Instrument 43-101 (“NI 43-101”). Construction of the facilities was completed in 2017 and has been ramping up to full capacity during 2018 and 2019. Current mining operations are conducted in two areas; the high grade La Paloma deposit and the Martinetas deposits, which are approximately 30km apart. Ore is processed through a 1,000 tpd Carbon in Leach plant located near the Martinetas pit. The project currently supports 325 employees and contractors on a fly-in fly-out basis. Minera Don Nicolás S.A. has strong regional backing having signed agreements with the two neighboring communities and has received strong support from the government of Santa.

The gold and silver mineralization at MDN is epithermal in style and occurs within a geological environment common to several other exploration and mining projects found in the Deseado Massif geological setting. The La Paloma deposit hosts multiple vein systems with the principal target being the Sulfuro structure comprised of narrow, arcuate, steeply dipping quartz-breccia veins. The La Paloma veins remain open-ended at depth. Geological interpretation of the results of recent geophysical studies strongly suggests that the main Sulfuro vein is additionally open-ended towards the south. At Martinetas, the focus is on the Cerro Oro and Coyote deposits comprising a series of narrow, sub-parallel, anastomosing quartz veins.

ITEM 2 - HISTORICAL THREE-YEAR HIGHLIGHTS

2017 Highlights

Throughout 2017, MDN was in the construction and start-up phase. By mid-2017 construction of the processing plant and infrastructure for the mine was completed and by the third quarter 2017 the mining operations began at the mine and its first shipment of doré was exported in late December 2017.

Production in 2017 totalled 3,154 ozs of gold at a grade of 1.97 g/t gold and 9,364 ozs of silver at a grade of 7.25 g/t silver. A total of 152,476 tonnes of ore were milled at a strip rate of 15.8.

No revenues were associated with 2017 as the net value of metal sold in from the shipment made at the end of the year was credited to the capital cost of constructing the mine.

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2018 Highlights

The Company commenced commercial production at MDN in 2018 and worked to increase the mines production and efficiencies throughout the year ramping up production towards capacity.

2018 represents the first full operating year for the mine. Metal production in 2018 totalled 24,882 ozs of gold at a grade of 2.98 g/t gold and 50,596 ozs of silver at a grade of 8.11 g/t silver. A total of 156,651 tonnes of ore were mined at a strip ratio of 22.2 and increase of 2.7% tonnes mined in 2017.

Revenues were \$31,207,709 and Cost of sales \$36,074,974 amounting to a loss from mining operations of \$4,867,265. Net loss for the year was \$79,789,900 as the impairment charge associated with the reclassification of MDN's fixed assets was valued at \$53,000,000.

2019 Highlights

Metal production in 2019 totalled 26,572 ozs of gold at a grade of 3.33 g/t gold and 35,757 ozs of silver at a grade of 6.80 g/t silver. A total of 242,232 tonnes of ore were mined at a strip ratio of 22.2 and increase of 55% tonnes mined in 2018.

Revenues in 2019 totalled \$37,315,330 and Cost of sales \$36,239,780 resulting in earnings from mining operations of \$1,075,550. Net loss for the year was \$82,157,596 mostly due from an impairment charge of \$74,000,000 associated with the fair value of the consideration paid on acquisition of the MDN mine by Cerrado Gold Inc.

ITEM 3 - SUBSEQUENT EVENTS

On March 16, 2020, Compañía Inversora En Minas S.A. ("CIMINAS") and Compañía Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA") (together the "Sellers" and ultimate owners of Minera Don Nicolás S.A.) entered into a Share Purchase Agreement to sell all of its equity interests in the Company to Cerrado for cash consideration of \$15 million at closing, with future payments of \$10 million in 24 months, \$2 million in 36 months, \$10 million in 48 months, and \$10 million in 60 months from closing. The Sellers are also entitled to a performance bonus based upon an increase in reserves in the future.

ITEM 4 - OUTLOOK

Through the implementation of various operational improvement initiatives, Cerrado expects to increase production levels and improve the overall grade profile at MDN. These initiatives will focus on enhanced grade control activities to increase the average head-grades delivered to the mill and improving recovery rates, while sustaining the mill throughput rate at its design capacity of 1,000 tpd, and increasing in pit ore control processes to reduce dilution rates, lowering unit costs and increasing efficiencies at the mill. Additional potential remains to further increase production and improve unit operating costs by heap leaching the significant amounts of low-grade stockpiles at the project as prove successful at nearby mines.

Cerrado is also targeting extensive drilling at the property aimed to significantly expand mineralization in the current mining pits and at depth for the potential to transition to underground mining as many large scale operating in the area have been successful at doing, for the purpose of extending the mine life at MDN. Drilling will also be focused on defining mineral resources through a Mineral resource Estimate and to prioritize the numerous unexploited green field and brownfield opportunities on the greater property for follow up work and drilling.

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ITEM 5 - RESULTS OF OPERATIONS

The three years ended December 31, 2019, 2018 and 2017, were very formative for Minera Don Nicolás S.A. with the completion of construction in mid-2017 enabling production to begin in the later part of the year, with commercial production achieved in 2018 and successful ramp up efforts attained in 2019.

Operating Results

In 2019, metal production totalled 26,572 ozs of gold at a grade of 3.33 g/t gold and 35,757 ozs of silver at a grade of 6.80 g/t silver. A total of 242,232 tonnes of ore were mined at a strip ratio of 22.2 and increase of 55% tonnes mined in 2018.

Metal production in 2018 totalled 24,882 ozs of gold at a grade of 2.98 g/t gold and 50,596 ozs of silver at a grade of 8.11 g/t silver. A total of 156,651 tonnes of ore were mined at a strip ratio of 22.2 and increase of 2.7% tonnes mined in 2017.

Production in 2017 totalled 3,154 ozs of gold at a grade of 1.97 g/t gold and 9,364 ozs of silver at a grade of 7.25 g/t silver. A total of 152,476 tonnes of ore were milled at a strip rate of 15.8.

As of December 31, 2019, the mine had produced a total 54,608 ounces of gold and 95,717 ounces of silver since the commencement of operations. The mine is currently operating at a rate of 1,000 tpd.

The three-year operating history for MDN is summarized in the following table:

Production Records	Unit	2017	2018	2019
Ore Mined	<i>tonnes</i>	152,476	156,651	242,232
Waste Moved	<i>tonnes</i>	2,407,108	3,470,372	5,387,105
Strip Ratio	<i>waste:ore</i>	15.8	22.2	22.2
Ore Milled	<i>tonnes</i>	109,692	286,457	277,029
Gold grade	<i>g/t</i>	1.97	2.98	3.33
Silver Grade	<i>g/t</i>	7.25	8.11	6.80
Gold Recovery	<i>%</i>	45%	91%	90%
Silver Recovery	<i>%</i>	37%	68%	59%
Gold Production	<i>ozs</i>	3,154	24,882	26,572
Silver Production	<i>ozs</i>	9,364	50,596	35,757

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Financial Results

	Note	Years ended December 31,		
		2019	2018	2017
		(Note 21)		
REVENUES				
Metal sales	17	\$ 37,315,330	\$ 31,207,709	\$ -
Other production costs		(19,284,464)	(18,436,649)	-
Salaries and social contributions		(7,981,324)	(7,954,998)	-
Selling expenses and royalties		(3,736,921)	(1,959,749)	-
Depreciation and amortization		(5,237,071)	(7,723,578)	-
COST OF SALES	18	(36,239,780)	(36,074,974)	-
EARNINGS (LOSS) FROM MINING OPERATIONS		\$ 1,075,550	\$ (4,867,265)	\$ -
Administrative expenses		(1,120,049)	(2,628,352)	(2,657,644)
Marketing expenses		-	-	(15,937)
GENERAL AND ADMINISTRATIVE EXPENSES		\$ (1,120,049)	\$ (2,628,352)	\$ (2,673,581)
Net finance costs		(7,182,265)	(6,294,070)	(514,480)
Foreign exchange		(878,704)	(10,685,407)	(13,558,569)
Impairment of assets	8,9	(74,000,000)	(53,000,000)	-
Other income and expense		(763,147)	(298,446)	(456,965)
OTHER EXPENSES		\$ (82,824,116)	\$ (70,277,923)	\$ (14,530,014)
LOSS BEFORE INCOME TAXES		\$ (82,868,615)	\$ (77,773,540)	\$ (17,203,595)
Income tax recovery (expense)	14	711,019	(2,016,360)	-
Net loss for the period		\$ (82,157,596)	\$ (79,789,900)	\$ (17,203,595)
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Foreign exchange translation adjustment		-	-	\$ (15,352,016)
Other comprehensive income (loss)		\$ -	\$ -	\$ (15,352,016)
Total comprehensive (loss) income		\$ (82,157,596)	\$ (79,789,900)	\$ (32,555,611)

Revenues were \$37,315,330 in 2019 and \$31,207,709 in 2018, with no revenue recognized 2017. The net value of metal sold in the fourth quarter 2017 was credited to the capital cost of constructing the mine following the Company's accounting policy for start-up costs.

MDN generated earnings from mining operations of \$1,075,550 in 2019 and loss from mining operations of (\$4,867,265) in 2018, respectively, resulting from an increase in production costs associated with the ramp up of the mine operations in 2018. No production costs were reported in 2017 and the operating costs incurred in connection with the first exportation of doré in late December 2017 were offset against the proceeds of the doré commercialization and included in construction capital for MDN.

Net loss for 2019 was (\$82,157,596), compared to a net loss in 2018 of (\$79,789,900) and (\$17,203,595) in 2017.

The year over year change from 2018 to 2019 is due to the impairment charge in 2018 of \$53,000,000 relating to the reclassification of MDN from a development stage asset to a production phase asset as commercial production commenced early in the year. At the end of 2018, an assessment of the recoverability and carrying value of MDN was carried out which resulted in a non-cash impairment of \$30,994,333 against the mining value and \$22,005,667 against the exploration and evaluation value of the project. While 2019 saw earnings from mining operations and a reduction in general and administrative expenses for the year, a non-cash impairment charge of \$74,000,000 was recognized against the carrying values of property, plant and equipment and exploration and evaluation assets, following the determination of the fair value consideration paid by Cerrado Gold Inc. upon closing of the acquisition of the MDN mine on March 16, 2020.

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The net loss recorded in 2017 was the result of administrative expenses of \$2,657,644 and foreign exchange loss of \$13,558,569. The total comprehensive loss for 2017 was \$32,555,611 resulting from a foreign currency translation adjustment of \$15,352,016 related to the restatement of all transactions from the Argentine peso to US Dollars for financial reporting purposes.

ITEM 6 - LIQUIDITY & CAPITAL RESOURCES

The audited financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Liquidity

Minera Don Nicolas S.A.'s working capital position was \$6,553,323 in 2019, \$20,803,421 in 2018 and \$26,018,667 in 2017. While a strong working capital position was maintained over the three year period, the year over year decrease from 2017 to 2018 was the result of a decrease in trade and other receivables and the sale of metal inventory in accumulated in 2017 and sold in 2018. The decrease from 2018 to 2019 was primarily due to a decrease in outstanding loans payable.

Year-end cash balances were \$5,008,379 for 2019, \$2,370,719 for 2018 and \$251,836 for 2017.

Short term investments represent units invested in two open-end funds registered in Argentina which are traded daily. The majority of the investment as at December 31, 2019 was in a capital-preservation fund.

Cash flow from operating activities were \$6,795,125 in 2019 and \$16,225,635 in 2018, the year over year variance is the result of the non-cash item adjustment in 2018 for the impairment upon reclassification of PP&E and the changes in non-cash working capital items with respect to receivables and other assets. For 2017 a cash flow from operations deficit of (\$32,109,106) was reported as the mine was in the construction phase and not in commercial operations during the year.

Cash used in investing activities over the three-year period was primarily for the exploration, development and construction of MDN.

No financing activities took place in 2019 or 2018. Cash generated by financing activities for 2017 amounted to \$76,382,398 mainly consisting of loans from indirect shareholders to support the construction of MDN.

It is expected that continued cash flow from operations at MDN will provide significant funding for the continued operations at the mine. Operations and the mines ability to generate cash sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting increased production targets, metal prices, foreign exchange rates, operational costs, and capital expenditures. If the cash flow from operations is not sufficient to satisfy its ongoing requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado.

Capital Management

The Company includes as its capital its share capital and accumulated deficit and has no externally imposed capital requirements. The Company's objectives in managing capital are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations, deploy capital to develop its mining properties and to maintain investor, creditor and market confidence to sustain the future development of the business. The Company manages its capital structure and makes adjustments as needed, in order to have funds available to support its activities. Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the years ended December 31, 2019, 2018 and 2017.

The Company's financial strategy is designed to maintain a capital structure consistent with the objective stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern.

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The table below represents the lease for a fleet of light vehicles used to transport personnel at the Don Nicolas mine.

	Payments due by period			Total
	<1 years	1-5 years	5> years	
Leases (i)	413,724	520,249	-	933,973
	\$ 413,724	\$ 520,249	\$ -	\$ 933,973

The leases are generally limited to a lease term of 2 to 3 years. Each lease is reflected on the balance sheet as a right-of-use asset and a corresponding lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

ITEM 7 – CAPITAL STRUCTURE

The share capital structure for the three years ending December 31, 2019, 2018 and 2017 is as follows:

	Note	Number of Ordinary Shares #	Issued Share Capital \$
Balance at January 1, 2017		1,907,366,434	\$ 197,156,038
Issued for cash	(i)	56,209,798	3,048,915
Balance at December 31, 2017		1,963,576,232	200,204,953
Foreign currency translation adjustment upon change in functional currency		-	(94,636,338)
Balance at January 1, 2018		1,963,576,232	105,568,615
Issued for cash	(i)	764,206,495	37,374,079
Balance at December 31, 2018		2,727,782,727	142,942,694
Issued for loan capitalization	(i)	4,524,735,326	75,641,070
Balance at December 31, 2019		7,252,518,053	\$ 218,583,764

- (i) Increases of capital were approved by the shareholders of MDN throughout each of the years ended December 31, 2017, 2018 and 2019.

ITEM 8 – COMMITMENTS & CONTINGENCIES

There are three royalty agreements that apply to the Company's Don Nicolás Mine, described as follows:

1) A royalty payable to the province of Santa Cruz in the amount up to 3% of the metal value extracted from the mine. The value of the royalty is calculated based on the market value of metals contained in the commercial production from the mine, less the direct and/or operating costs required to commercialize the metals, not including any financial costs, amortization expense or any profit distribution. This royalty is presented as income taxes (Note 14).

2) A 2% royalty on the refined product, payable to Royal Gold Inc. based on a royalty agreement enacted and updated on August 16, 2013. The royalty is applicable to all areas of the Company and its properties which are currently under production. The obligations under this royalty agreement are backed by a first mortgage granted to Royal Gold on a number of the Company's mineral properties owned in the province of Santa Cruz, named as follows: Syrah, La Paloma I, Micro I, Micro II, Mar III, Mar IV, Gol I, Gol II, Armadillo, Dorcón 3, Dorcón 4, Estrella I and Estrella II.

3) A royalty of \$3 per gold ounce, to a maximum of \$2 million payable to Yamana Limited based on an agreement executed on February 28, 2006. This royalty is applicable to all areas of the Company and its properties which are currently under production.

Commitments

To guarantee the royalties in favor of Royal Gold, Inc., Minera Don Nicolás SA has granted first class mortgage in favor of Royal Gold, Inc. on some mining properties.

Additionally, to guarantee compliance with Cerrado Gold's obligations with the company's previous shareholders (Note 25), a first-degree mortgage was established on certain mining properties for a total amount of up to USD 32,000,000, the deferred purchase amount.

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Contingencies

In the ordinary course of business, the Company may be involved in lawsuits, claims, investigations and proceedings, including product liability, intellectual property, commercial, environmental, and health and safety matters. Although the outcome of any legal proceedings cannot be predicted with certainty, management is of the opinion that, there are no such matters pending which would be likely to have any material adverse effect in relation to its business, financial position, or results of operations.

ITEM 9 - OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2019, Minera Don Nicolás S.A. did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

ITEM 10 - RELATED PARTY TRANSACTIONS

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions consist of loans payable or borrowings from shareholders.

ITEM 11 - PROPOSED TRANSACTIONS

Refer to Subsequent Events note.

ITEM 12 - CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

Refer to Note 4 of the consolidated financial statements of Minera Don Nicolás S.A. for the years ended December 31, 2019 and 2018.

ITEM 13 - FIRST TIME ADOPTION OF IFRS & SIGNIFICANT ACCOUNTING POLICIES

These are Minera Don Nicolas's first annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). In these financial statements, ArgGAAP refers to Argentine generally accepted accounting principles before the adoption of IFRS. Subject to certain transition elections and exceptions disclosed in Note 21 in the Company's audited financial statements, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS balance sheet at January 1, 2017 throughout all periods presented, as if these policies had always been in effect. Note 21 in the financial statements discloses the impact of the transition to IFRS on the Company's previously-reported statements of financial position, statements of loss and statements of cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2016 prepared under ArgGAAP.

For information on the Company's significant accounting policies refer to Note 3 of the audited financial statements of Minera Don Nicolás S.A. for the years ended December 31, 2019, 2018 and 2017.

ITEM 14 - RISKS & UNCERTAINTIES

Minera Don Nicolás S.A. is subject to significant risks, challenges, and uncertainties, similar to other mineral projects and mines, due to the nature of the mining industry. These risks and uncertainties include, but are not limited to the following:

Limited Operating History

The Company has a limited history of operating and generating earnings from operations. The Company's continued operation will be dependent upon its ability to generate operating revenues and to procure additional financing.

Dependence on Minera Don Nicolas

MDN is Minera Don Nicolas S.A.'s only producing asset, and the only source of operating revenue and cash flows. Consequently, a delay or any difficulty encountered in the operations at MDN would materially and adversely affect the financial condition and financial sustainability of the Company. Any adverse changes or developments, such as, but

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not limited to, the inability to successfully complete other work programs or expansions, obtain financing on commercially suitable terms, or hire suitable personnel and mining contractors, may have a material adverse effect on the Company's financial performance, results of operations and liquidity. In addition, the results of operations of the Company could be materially and adversely affected by any events which cause the mine to operate at less than optimal capacity, including, among other things, equipment failure or shortages of spares, consumables and reagents, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure to produce expected amounts of gold.

Uncertainty of Resource Estimates

The Company has engaged internal and expert independent technical consultants to advise it on, among other things, Mineral Resources, geotechnical, metallurgy and project engineering. The Company believes that these experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. If, however, the work conducted by, and the Mineral Resource estimates of these experts are ultimately found to be incorrect or inadequate in any material respect, such events could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

No Defined Mineral Reserves

No Mineral Reserves have been defined at MDN or on any of its concessions and there can be no assurance that any of the concessions under exploration contain commercial quantities of any minerals. Even if commercial quantities of minerals are identified, there can be no assurance that the Company will be able to exploit the resources or, if the Company is able to exploit them, that it will do so on a profitable basis. Substantial expenditures may be required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; ongoing costs of production; and availability and cost of additional funding.

Metal Price Risk

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals contained in a deposit will be such that the Company's properties can be mined at a profit. The Company is particularly exposed to the risk of movement in the price of gold. Declining market prices for gold could have a material effect on the Company's profitability.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Operations at MDN are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Resources and Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned will result in a profitable commercial mining operation. Whether a mineral deposit will be

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commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Environmental

All phases of mining and exploration operations are subject to environmental regulation pursuant to a variety of government laws and regulations. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. Continuing issues with tailings dam failures at other companies' operations may increase the likelihood that these stricter standards and enforcement mechanisms will be implemented in the future. There can be no assurance that possible future changes in environmental regulation will not adversely affect the operations at Minera Don Nicolás S.A.

Regulatory

The nature of operating in an emerging country, such as Argentina, increases the Company's regulatory risk profile. MDN's current and future mining operations including but not limited to exploration, development, production, pricing, marketing and transportation are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

The Company's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary approvals, licenses and permits that may be required to carry out exploration and development at its projects. A failure to obtain such approval on a timely basis or material conditions imposed by such authority in connection with the approval would materially affect the prospects of the Company.

Title Matters

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

Permits and Licenses

The Company is required to maintain approvals, licenses and permits from various governmental authorities in order to conduct its business. Such approvals, licenses and permits are complex and time consuming to obtain and, depending on the location of the project, may involve multiple governmental agencies.

In addition, the receipt, duration, amendment or renewal of such approvals, licenses and permits are subject to many variables outside the Company's control, including potential legal challenges from various stakeholders such as environmental groups, non-governmental organizations, community groups or other claimants. The requirements to obtain or maintain such licenses and permits are constantly subject to change. The costs and delays associated with obtaining the necessary permits, consents, authorizations and agreements required for the Company's operations may stop or materially delay or restrict it from proceeding with the development of an exploration project or the operation or further development of an existing mine, resulting in a material adverse impact on its business, financial condition and results of operations.

Government Regulations

Minera Don Nicolás S.A. is subject to various foreign laws and regulations governing prospecting, exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resources preservation, mine safety and occupational health, handling, storage and transportation of hazardous substances and other matters. It is possible that the risks of expropriation, cancellation or dispute of licenses could result in substantial costs, losses and liabilities in the future. It is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from the mines could result in substantial costs and liabilities in the future.

Minera Don Nicolás S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in US dollars, except otherwise noted)

Unfavourable Economic Conditions

The Company's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could strain our suppliers, possibly resulting in supply disruption, or cause delays in payments for our services by third-party payors. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current our future economic climate and financial market conditions could adversely impact our business.

ITEM 15 - MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this MD&A and the Consolidated Financial Statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

ITEM 16 - TECHNICAL INFORMATION

All technical information contained herein has been reviewed and approved by Robert A. Campbell, M.Sc, P.Geo, an officer and director of the Company. Mr. Campbell is a "qualified person" within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

**EXHIBIT “M” –
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE
RESULTING ISSUER**

CERRADO GOLD CORP.

**PRO FORMA CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

JUNE 30, 2020 AND DECEMBER 31, 2019

CERRADO GOLD CORP.
Pro Forma Consolidated Statement of Financial Position
As at June 30, 2020
(Unaudited)
(in thousands of US dollars, unless otherwise stated)

As at June 30, 2020

	BB1 Acquisition Corp. CAD\$ (Note 1)	BB1 Acquisition Corp.	Cerrado Gold Inc.	Pro Forma Adjustments Note 3	Note 3	Cerrado Gold Corp. Pro Forma
ASSETS						
Current						
Cash and cash equivalents	\$ 707	\$ 520	\$ 2,664	6,495	(ii-a)	\$ 18,775
				6,696	(ii-i)	-
				(50)	(ii-m)	-
				2,450	(ii-n)	-
Short-term investments	-	-	27	-		27
Receivables and other assets	-	-	5,410	-		5,410
Metal inventory	-	-	5,892	-		5,892
Supplies and consumables	-	-	2,755	-		2,755
	707	520	16,748	15,591		32,859
Other receivables	-	-	3,585	-		3,585
Inventories	-	-	4,359	-		4,359
Property, plant and equipment	-	-	25,300	-		25,300
Exploration and evaluation assets	-	-	10,674	1,651	(ii-m)	12,375
	-	-	-	50	(ii-m)	-
	\$ 707	\$ 520	\$ 60,666	\$ 17,292		\$ 78,478
LIABILITIES						
Current						
Trade and other payables	9	7	11,333	-		11,340
Due to Monte Sinai	-	-	1,093	-		1,093
Due to related parties	-	-	144	-		144
Lease obligations	-	-	390	-		390
Deferred revenue	-	-	2,546	-		2,546
Revolving prepayment facility	-	-	3,684	2,500	(ii-n)	6,184
	9	7	19,190	2,500		21,697
Future consideration payable	-	-	22,250	-		22,250
Other liabilities - non-current	-	-	231	-		231
Lease obligations - non-current	-	-	435	-		435
Provisions	-	-	1,499	-		1,499
Deferred revenue - non-current	-	-	12,974	-		12,974
	9	7	56,579	2,500		59,086
SHAREHOLDERS' EQUITY						
Share capital						
Share capital	813	597	17,051	7,076	(ii-a)	33,381
	-	-	-	(581)	(ii-a)	-
	-	-	-	(35)	(ii-b)	-
	-	-	-	(141)	(ii-b)	-
	-	-	-	847	(ii-c)	-
	-	-	-	7,338	(ii-i)	-
	-	-	-	(642)	(ii-i)	-
	-	-	-	177	(ii-k)	-
	-	-	-	43	(ii-l)	-
	-	-	-	1,651	(ii-m)	-
Warrants	27	20	80	35	(ii-b)	123
	-	-	-	(12)	(ii-c)	-
Share-based payment reserve	45	32	1,723	141	(ii-b)	1,713
	-	-	-	(6)	(ii-c)	-
	-	-	-	(177)	(ii-k)	-
Accumulated other comprehensive income	-	-	(4,475)	-		(4,475)
Accumulated deficit	(187)	(136)	(10,292)	(829)	(ii-c)	(11,350)
	-	-	-	(43)	(ii-l)	-
	-	-	-	(50)	(ii-n)	-
	698	513	4,087	14,792		19,392
	\$ 707	\$ 520	\$ 60,666	\$ 17,292		\$ 78,478

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

CERRADO GOLD CORP.
Pro Forma Consolidated Financial Statement of Operations
Six Months Ended June 30, 2020
(Unaudited)
(in thousands of US dollars, unless otherwise stated)

Six Months Ended June 30, 2020

	BB1 Acquisition Corp. CAD\$ (note 1)	BB1 Acquisition Corp.	Cerrado Gold Inc. (Note 1)	Minera Don Nicolas S.A. (Note 1)	Pro Forma Adjustments (Note 3)	Note 3	Cerrado Gold Corp. Pro Forma
Metal revenues	\$ -	\$ -	\$ 9,364	\$ 8,971	\$ (167)	(ii-g)	\$ 18,168
Production costs	-	-	5,736	7,442	-		13,178
Royalties and production taxes	-	-	1,453	969	-		2,422
Depreciation and depletion	-	-	865	823	(66)	(ii-d)	1,622
Cost of sales	-	-	8,054	9,234	(66)		17,222
Earnings from mining operations	-	-	1,310	(263)	(102)		945
General and administrative expenses	30	22	4,525	242	(467)	(ii-j)	4,365
	-	-	-	-	43	(ii-l)	-
Finance items	-	-	1,843	301	1,366	(ii-e)	3,560
	-	-	-	-	50	(ii-n)	-
Foreign exchange	-	-	465	(249)	-		216
Other income and expenses	-	-	(36)	(1,305)	-		(1,341)
	30	22	6,797	(1,011)	992	-	6,800
Earnings before income tax	(30)	(22)	(5,487)	748	(1,094)		(5,855)
Income tax (expense) recovery	-	-	-	(327)	-		(327)
	-	-	-	(327)	-		(327)
Net loss	\$ (30)	\$ (22)	\$ (5,487)	\$ 421	\$ (1,094)	\$ -	\$ (6,182)
Weighted average number of shares							
Basic and diluted							44,627,448
Loss per share							
Basic and diluted							(\$0.14)

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

CERRADO GOLD CORP.
Pro Forma Consolidated Financial Statement of Operations
Year Ended December 31, 2019
(Unaudited)
(in thousands of US dollars, unless otherwise stated)

Year Ended December 31, 2019

	BB1 Acquisition Corp. CAD\$ (Note 1)	BB1 Acquisition Corp.	Cerrado Gold Inc.	Minera Don Nicolas S.A. (A)	Pro Forma Adjustments (Note 3)	Note 3	Cerrado Gold Corp. Pro Forma
Metal revenues	\$ -	\$ -	\$ -	\$ 37,315	\$ 1,027	(ii-g)	\$ 38,342
Production costs	-	-	-	27,266	-		27,266
Royalties and production taxes	-	-	-	3,738	-		3,738
Depreciation and depletion	-	-	-	5,237	(3,928)	(ii-d)	1,309
Cost of sales	-	-	-	36,241	(3,928)	-	32,313
Earnings from mining operations	-	-	-	1,074	4,955		6,029
General and administrative expenses	78	59	2,854	1,120	-		4,033
Finance items	-	-	-	7,182	5,328	(ii-e)	5,328
	-	-	-	-	(7,182)	(ii-f)	-
Foreign exchange	-	-	-	879	-		879
Impairment of assets	-	-	-	74,000	(74,000)	(ii-h)	-
Other income and expenses	-	-	41	763	965	(ii-c)	1,769
	78	59	2,895	83,944	(74,889)		12,009
Earnings before income tax	(78)	(59)	(2,895)	(82,870)	79,844		(5,980)
Income tax (expense) recovery	-	-	-	711	-		711
	-	-	-	711	-		711
Net loss	\$ (78)	\$ (59)	\$ (2,895)	\$ (82,159)	\$ 79,844	\$ -	\$ (5,269)
Weighted average number of shares							
Basic and diluted							41,355,151
Loss per share							
Basic and diluted							(\$0.13)

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

(A) Where necessary, certain comparatives have been reclassified and repositioned for consistency with current year disclosures.

CERRADO GOLD CORP.

Notes to the Pro Forma Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

1. Basis of Presentation

These unaudited pro forma condensed consolidated financial statements of Cerrado Gold Corp. have been prepared by Management to show the effect of the Merger Agreement between BB1 Acquisition Corp. ("BB1") and Cerrado Gold Inc. ("Cerrado Gold") for inclusion in the Filing Statement of BB1 dated October @, 2020 whereby Cerrado Gold will complete the reverse takeover of BB1. In connection with the acquisition of BB1, on September 11, 2020 Cerrado Gold completed a private placement (the "Concurrent Financing Transaction") of 8,845,750 special warrants at a price of \$0.80 per Special Warrant, for aggregate gross proceeds of \$7,077 (the "Concurrent Financing"). In connection with the Concurrent Financing Transaction, the Company incurred transaction fees of \$504, and share issue costs of \$77. Haywood Securities Inc. (the "Agent") was engaged to act as lead Agent in connection with the Concurrent Financing. The Company granted 505,115 Agent Options and 123,625 Finder's Warrants exercisable in whole or in part by the Agent at \$0.80

BB1 will file articles of amendment to consolidate the BB1 Shares on the basis of one Consolidated BB1 Share for every 8.31 BB1 Shares, and change its name to "Cerrado Gold Corp." initially, to be renamed "Cerrado Gold Inc."

Effects of the Merger

In connection with the completion of the Merger, is expected that:

- (a) each Cerrado Gold share issued and outstanding immediately prior to the Closing will be exchanged for one Resulting Issuer Share in accordance with the Exchange Ratio, and each such Cerrado Gold share be cancelled upon exchange;
- (b) there will be 62,534,825 resulting shares issued and outstanding, on an undiluted basis, of which:
 - (i) former Cerrado Shareholders, excluding investors in the Financings, will hold 46,884,021 Resulting Issuer Shares, representing approximately 74.97% of the outstanding Resulting Issuer Shares, investors in the Special Warrant Financing will hold 8,845,750 Resulting Issuer Shares, representing approximately 14.14% of the outstanding Resulting Issuer Shares, and investors in the Subscription Receipt Financing will hold 5,000,000 Resulting Issuer Shares, representing approximately 8.00% of the outstanding Resulting Issuer Shares; and
 - (ii) former BB1 Shareholders will hold 1,805,054 Resulting Issuer Shares, representing approximately 2.89% of the outstanding Resulting Issuer Shares;
- (c) each convertible security of Cerrado outstanding immediately prior to the Closing, including the Financing Compensation Warrants, will be exchanged for a comparable convertible security of the Resulting Issuer, having regard for the Exchange Ratio, and each such convertible security of Cerrado shall be cancelled upon exchange;

Completion of the Merger is subject to the satisfaction of certain closing conditions set out in the Merger Agreement, including implementation of the Consolidation, and receipt of all applicable shareholder and regulatory approvals, including Exchange approval.

The pro forma consolidated financial statements are presented in United States dollars, and all amounts are rounded to the nearest thousand, unless otherwise noted. BB1's audited financial statements as at and for the year ended December 31, 2019, presented in Canadian dollars have been converted to United States dollars using the Bank of Canada's daily exchange rate on June 30, 2020 of 1.3628 and for the year ending December 31, 2019 of 1.2986.

The pro forma consolidated financial statements were prepared based on the audited consolidated financial statements of Cerrado Gold, the audited consolidated financial statements of Minera Don Nicolas S.A. ("Minera Don Nicolas") and the audited financial statements of BB1 as at and for the year ended December 31, 2019 as well as the unaudited consolidated financial statements of Cerrado Gold and the unaudited financial statements of BB1 as at and for the six months ended June 30, 2020, and the unaudited consolidated financial statements of Minera Don Nicolas for the period of January 1 to March 15, 2020 (being the date of acquisition by Cerrado Gold), which are all presented elsewhere in this Filing Statement.

For the purposes of the pro forma consolidated statements of operations, the accounts of Cerrado Gold, BB1 and Minera Don Nicolas have been presented as if the merger and acquisition transaction occurred on January 1, 2019. For the purposes of the pro forma consolidated balance sheet, the accounts of Cerrado Gold, BB1 and Minera Don Nicolas have been presented as if the transaction occurred on June 30, 2020. In the opinion of management, the pro forma consolidated statements of

CERRADO GOLD CORP.

Notes to the Pro Forma Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

operations and the pro forma consolidated statement of financial position include all the adjustments necessary for fair presentation in accordance with IFRS.

The pro forma financial information should be read in conjunction with the related historical financial information. The pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of the Company which would actually have resulted had the amalgamation been effected on the dates indicated above. Further the pro forma consolidated financial statements are not necessarily indicative of the results of operations or financial position that may be obtained in the future.

In preparing these pro forma consolidated financial statements, no adjustments have been made to reflect the efficiencies expected to result from combining the companies.

2. Business Combinations

Pursuant to an agreement dated March 16, 2020 (the "Closing Date"), the Company acquired all of the outstanding shares of Minera Don Nicolas, a privately held Argentinian gold and silver mining company. The Purchase Price is comprised of \$47,000,000 in cash, of which \$15,000,000 was paid at closing, with future payments of \$10 million in 24 months, \$2 million in 36 months, \$10 million in 48 months and \$10 million in 60 months from the Closing Date.

In addition to payment of the Purchase Price, an additional contingent price payment of \$2.5 million will be paid if Mineral Reserves as shown in a Technical Report in accordance with NI 43-101 as at March 2024 exceed Closing Mineral Reserves of 215,000 ounces by between 250,000 and 499,999 ounces; or \$5 million if Mineral Reserves exceed Closing Mineral Reserves by at least 500,000 ounces. In addition, a Bonus Payment of \$5 million shall be paid if Mineral Reserves exceed the Closing Mineral Reserves by at least 750,000 ounces. No value has been attributed to the contingent payments in the preliminary purchase price allocation.

CERRADO GOLD CORP.

Notes to the Pro Forma Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

3. Assumptions and Adjustments

- (i) Acquisition of Minera Don Nicolas by Cerrado Gold

Purchase price:

Cash consideration (US\$15,000,000)	\$ 15,000
Present value of future consideration payable (US\$32,000,000)	21,425
	<u>\$ 36,425</u>

Net Assets acquired are represented by:

March 16, 2020

Working Capital	5,680
Inventories - non-current	4,264
Other receivables	4,440
Property, plant and equipment	24,136
Finance lease obligation - non-current	(510)
Other liabilities - non-current	(221)
Provisions	(1,364)
	<u>\$ 36,425</u>

- (ii) The pro forma condensed consolidated financial statements of operations assume Minera Don Nicolas was acquired on January 1, 2019, therefore including the Statement of Operations for the period of January 1, 2019 to March 15, 2020. The pro forma condensed consolidated statement of financial position assumes that the Concurrent Financing Transaction occurred on June 30, 2020.

The pro forma combined consolidated financial statements give effect to the following transactions:

- (a) Gross proceeds to Cerrado Gold from Special Warrants private placement of \$7,076. Share issuance costs associated with the transaction were \$581.
- (b) Estimated fair value of Cerrado Gold Agent Options and warrants as presented below. The value of the options and warrants was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 65%, a risk-free rate of 0.25% and an expected life of 2 years.

	Units	Consideration
Finder's Warrants @ \$0.28	123,625	35
Agent Options @ \$0.28	505,115	141
	<u>628,740</u>	<u>\$ 176</u>

- (c) The fair value of the 500,000 warrants and 600,000 options of BB1 was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 100%, a risk-free rate of 1.85% and 1.88% and an expected life of 0.22 and 3.22 years, respectively. The excess in fair value over book value of the shares deemed issued to the former shareholders of BB1 was accounted for as a listing expense. The net "goodwill" on RTO transaction is attributed to listing cost expense.

The Reverse takeover accounting of BB1 to reflect the following (including elimination of BB1 Retained Earnings of \$136 on acquisition on the statement of financial position):

	Units	Book value	Fair value	FV adjustment
Common shares issued @ \$0.80	1,805,054	1,444	1,444	-
BB1 replacement warrants	60,168	20	8	(12)
BB1 replacement options	72,202	32	26	(6)
	<u>1,937,424</u>	<u>\$ 1,496</u>	<u>\$ 1,478</u>	<u>\$ (18)</u>
Less Net assets acquired		\$ -	\$ (513)	\$ -
Listing costs expensed		\$ -	\$ 965	\$ -

CERRADO GOLD CORP.

Notes to the Pro Forma Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

- (d) To reflect the impact on depreciation of Minera Don Nicolas' property, plant and equipment acquired resulting from a Purchase price allocation adjustment.
- (e) Pro Forma finance costs associated with the financing incurred pursuant to the acquisition of MDN include:

	Six months ended June 30, 2020	Twelve months ended December 31, 2019
Net Accretion cost on Sprott Stream agreement	\$ 603	\$ 2,552
Finance costs related to Ocean Partners facility	43	205
Accretion on deferred purchase price of \$32 million	720	2,571
	\$ 1,366	\$ 5,328

- (f) Reversal of MDN shareholder loan interest of \$7,182 for the twelve months ended December 31, 2019, as the shareholder loans were cancelled on acquisition.
- (g) Adjustments to revenue due to the Sprott Stream agreement for the metal stream of 6.25% and associated amortization of deferred revenue.
- (h) Based on the Company's analysis, the indicators of impairment that resulted in the loss of \$74 million recognized in Minera Don Nicolas S.A. (MDN) in fiscal 2019 would not be applicable to the pro formas as of January 1, 2019. These proforma financial statements assume MDN had been acquired at the beginning of 2019, therefore the impairment would be considered a PPA adjustment on assumed acquisition date of January 1, 2019. As such, the impairment of \$74 million recognized against mineral properties in Property, Plant and Equipment and Exploration and evaluation assets in MDN should be reversed in these proforma financial statements.
- (i) Subscription receipt financing of 5,000,000 units at an issue price of Cad\$2 per subscription receipt for gross proceeds of US\$7,338, with US\$642 attributed to the cost of financing. At the Company's discretion broker's warrants maybe issued at a later date for up to 3% of the aggregate number of Subscription receipts.
- (j) The costs of the transaction for the acquisition of MDN, which are estimated to be \$467, have been expensed and are adjusted for the purposes of the income statement as if the acquisition occurred on January 1, 2019.
- (k) RSU's issued in accordance with the Company's Restricted Share Unit Plan, subsequent to June 30th, 2020.
- (l) RSU's issued for finder's and consulting fees, subsequent to June 30th, 2020.
- (m) Acquisition of Minera Mariana Argentina S.A. where the Company will pay Cad\$2.25 million in shares (1,125,000) of the Company to New Dimensions Resources Ltd. with an assumed issue price of \$2 per share. In addition, the Company will pay \$50 cash payment to New Dimension Resources Ltd. upon signing of the binding agreement.
- (n) Gross proceeds to Cerrado Gold of \$2,500 for advanced consideration related to the revolving prepayment facility. Financing fees associated with the transaction were \$50.

4. Share Capital

	Number of shares	Amount in USD
Cerrado Gold Shares outstanding June 30, 2020	46,608,030	\$ 17,051
Shares issued after June 30 th , 2020 pursuant to RSUs	221,666	177
Shares issued after June 30 th 2020 pursuant to consulting fees	54,325	43
Special warrants private placement	8,845,750	6,319
BB1 Shares outstanding after Share consolidation	1,805,054	1,444
Subscription receipts financing shares	5,000,000	6,696
Shares issued on the acquisition of Minera Mariana Argentina S.A.	1,125,000	1,651
	<u>63,659,825</u>	<u>\$ 33,381</u>

CERRADO GOLD CORP.

Notes to the Pro Forma Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, unaudited)

5. Pro Forma Earnings Per Share (“Pro Forma EPS”)

The Pro Forma EPS have been adjusted to reflect the unaudited Pro Forma Consolidated Statements of Operations for the six months period ended June 30, 2020 and the Year ended December 31, 2019. In addition, the number of shares used in calculating the unaudited Pro Forma Consolidated Basic and Diluted Earnings Per Share has been adjusted to reflect the BB1 shares outstanding after share consolidation to reflect the estimated number of shares of Cerrado that would be outstanding as of the closing of the amalgamation.

	Six months ended June 30, 2020	Year ended December 31, 2019
Net earnings (loss) for the period	\$ (6,182)	\$ (5,269)
Weighted average basic number of shares outstanding	44,627,448	41,355,151
Weighted average shares dilution adjustments:		
Share options	-	-
Weighted average diluted number of shares outstanding	44,627,448	41,355,151
Earnings (loss) per share		
Basic	\$ (0.14)	\$ (0.13)
Diluted	\$ (0.14)	\$ (0.13)