

LAVRAS GOLD



CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

Nine months ended September 30, 2023

ABOUT LAVRAS GOLD CORP.

We are a Canadian company that's realizing the potential of a multi-million-ounce gold district in southern Brazil. Our LDS Project is in a historic gold district in the state of Rio Grande do Sul, southern Brazil.

Our long-term goal is to show that LDS is potentially a world-class, tier one asset. We want to create value for all our stakeholders by:

- **growing** our existing gold resources
- **discovering** new gold deposits
- **de-risking** the project on the environmental and permitting fronts
- **leveraging** our revenue-based gold royalty on a large portfolio of exploration concessions surrounding the Mara Rosa gold mining project in central Brazil.

Our head office is located at 82 Richmond Street East, Suite 201, Toronto, Ontario, Canada M5C 1P1.

Our registered office is at 1055 West Hastings Street, Suite 1700, Vancouver, British Columbia, Canada V6E 2E9.

We are listed on the TSXV under the symbol LGC and on the OTCQB under the symbol LGCFF. Learn more at lavrasgold.com and follow @LavrasGold on LinkedIn, Twitter, and YouTube.

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In this document:

- *We, us, our, Company, and Lavras Gold* mean Lavras Gold Corp. and its wholly owned subsidiaries.
- All dollar amounts are in Canadian dollars unless otherwise noted.
- Information is as at November 10, 2023 unless otherwise

MANAGEMENT IS RESPONSIBLE FOR THESE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements have not been audited or reviewed by an auditor

National Instrument 51-102, Part 4, subsection 4.3(3)(a), requires companies to clearly identify whether their interim financial statements have been reviewed by an auditor.

These condensed interim consolidated financial statements of Lavras Gold Corp. for the nine months ended September 30, 2023, have been prepared by our management and are their sole responsibility.

Our independent auditor has not reviewed these condensed interim consolidated financial statements according to auditing standards set by the Canadian Institute of Chartered Accountants for reviewing a company's interim financial statements.

/s/ Hemdat Sawh

Chief Financial Officer

Toronto, Ontario

November 10, 2023

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | As at | |
|--|-------|-----------------------|----------------------|
| | | September 30, 2023 | December 31, 2022 |
| | | \$ | \$ |
| Current assets | | | |
| Cash | | 14,324,036 | 4,794,253 |
| Accounts receivable | | 35,206 | 25,816 |
| Prepays and deposits | | 36,914 | 48,928 |
| | | 14,396,156 | 4,868,997 |
| Non-current assets | | | |
| Exploration and evaluation properties | 5 | 14,409,251 | 10,620,554 |
| Property and equipment | 6 | 455,915 | 403,353 |
| | | 14,865,166 | 11,023,907 |
| Total assets | | 29,261,322 | 15,892,904 |
| Liabilities and equity | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 1,918,843 | 579,751 |
| Current portion of lease liabilities | 7 | 69,895 | 58,484 |
| | | 1,988,738 | 638,235 |
| Non-current liabilities | | | |
| Lease liabilities | 7 | 182,742 | 252,173 |
| Total liabilities | | 2,171,480 | 890,408 |
| Equity | | | |
| Capital stock | 8(b) | 29,837,432 | 16,441,548 |
| Contributed surplus | | 774,498 | 492,632 |
| Deficit | | (3,522,088) | (1,931,684) |
| | | 27,089,842 | 15,002,496 |
| Total liabilities and equity | | 29,261,322 | 15,892,904 |

Business of Lavras Gold and going concern (Note 1)

Contingencies (Note 13)

Subsequent event (Note 14)

Approved by the Board

/s/ Lawrence Lepard
Chair, Audit Committee

/s/ Rowland Uloth
Chair, Board of Directors

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

| | Notes | Three months ended | | Nine months ended | |
|--|-------|--------------------|------------|--------------------|-------------|
| | | September 30 | | September 30 | |
| | | 2023 | 2022 | 2023 | 2022 |
| | | \$ | \$ | \$ | \$ |
| Expenses (income) | | | | | |
| General and administrative | 11 | 409,022 | 445,972 | 1,335,438 | 947,086 |
| Stock-based compensation | 8(c) | 161,876 | 142,913 | 218,400 | 430,819 |
| Depreciation | | 9,637 | – | 27,096 | – |
| Foreign exchange loss (gain) | | (7,269) | 32,188 | 16,657 | 26,678 |
| Interest income | | (9,920) | (4,333) | (54,540) | (7,174) |
| Interest and finance charges | | 13,032 | 6,092 | 47,353 | 16,222 |
| | | 576,378 | 622,832 | 1,590,404 | 1,413,631 |
| | | | | | |
| Loss before income tax | | (576,378) | (622,832) | (1,590,404) | (1,413,631) |
| Deferred tax (expense) recovery | | – | – | – | – |
| Total loss and comprehensive loss | 9 | (576,378) | (622,832) | (1,590,404) | (1,413,631) |
| | | | | | |
| Basic and diluted loss per share | 9 | (0.01) | (0.02) | (0.04) | (0.03) |
| | | | | | |
| Weighted average shares outstanding – basic and diluted | 9 | 41,441,396 | 41,103,869 | 41,217,614 | 41,103,869 |

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Notes | Shares # | Capital stock \$ | Contributed surplus \$ | Deficit \$ | Total equity \$ |
|---|-------|-------------|------------------------|------------------------------|---------------|-----------------------|
| Balance December 31, 2021 | | 1 | 1 | - | - | 1 |
| Issued under the Arrangement | 1 | 41,103,869 | 16,441,547 | - | - | 16,441,547 |
| Stock-based compensation | 8 (c) | - | - | 430,819 | - | 430,819 |
| Loss and comprehensive loss for the period | | - | - | - | (1,413,631) | (1,413,631) |
| Balance September 30, 2022 | | 41,103,869 | 16,441,548 | 430,819 | (1,413,631) | 15,458,736 |
| Stock-based compensation | 8 (c) | - | - | 61,813 | - | 61,813 |
| Loss and comprehensive loss for the period | | - | - | - | (518,053) | (518,053) |
| Balance December 31, 2022 | | 41,103,869 | 16,441,548 | 492,632 | (1,931,684) | 15,002,496 |
| Stock-based compensation | 8 (c) | - | - | 288,471 | - | 288,471 |
| Exercise of stock options | | 25,000 | 15,355 | (6,605) | - | 8,750 |
| Private placement, net of cost of issue | | 10,146,647 | 13,380,529 | - | - | 13,380,529 |
| Loss and comprehensive loss for the period | | - | - | - | (1,590,404) | (1,590,404) |
| Balance September 30, 2023 | | 51,275,516 | 29,837,432 | 774,498 | (3,522,088) | 27,089,842 |

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Notes | Three months ended | | Nine months ended | |
|--|-------|--------------------|--------------------|-------------------|------------------|
| | | September 30 | | September 30 | |
| | | 2023 | 2022 | 2023 | 2022 |
| | | \$ | \$ | \$ | \$ |
| Operating activities | | | | | |
| Net loss for the period | | (576,378) | (622,832) | (1,590,404) | (1,413,631) |
| Stock-based compensation | | 161,876 | 142,913 | 218,400 | 430,819 |
| Depreciation | | 9,637 | – | 27,096 | – |
| Interest on lease liabilities | 7 | 8,487 | – | 31,031 | – |
| | | (396,378) | (479,919) | (1,313,877) | (982,812) |
| Accounts receivable | | 1,209 | 5,694 | (9,390) | (12,939) |
| Prepays and deposits | | (6,019) | (30,126) | 12,014 | (50,374) |
| Accounts payable and accrued liabilities | | 29,217 | 100,591 | 11,268 | 55,907 |
| Net cash used in operating activities | | (371,971) | (403,760) | (1,299,985) | (990,218) |
| Investing activities | | | | | |
| Exploration and evaluation properties | | (701,644) | (919,790) | (2,282,532) | (2,421,306) |
| Property and equipment | | (679) | (2,262) | (210,302) | (46,777) |
| Cash received under the Arrangement | | – | – | – | 10,100,273 |
| Net cash used in investing activities | | (702,323) | (922,052) | (2,492,834) | 7,632,190 |
| Financing activities | | | | | |
| Common shares issued under private placement | 8(b) | 13,697,973 | – | 13,697,973 | – |
| Share issue costs | 8(b) | (317,444) | – | (317,444) | – |
| Exercise of stock options | | 8,750 | – | 8,750 | – |
| Repayment of lease liabilities | 7 | (22,572) | – | (66,677) | – |
| Net cash from financing activities | | 13,366,707 | – | 13,322,602 | – |
| Change in cash during the period | | 12,292,413 | (1,325,812) | 9,529,783 | 6,641,972 |
| Cash, beginning of period | | 2,031,623 | 7,967,785 | 4,794,253 | 1 |
| Cash, end of period | | 14,324,036 | 6,641,973 | 14,324,036 | 6,641,973 |
| Supplemental cash flow information | | | | | |
| Cash income taxes earned (paid) | | – | – | – | – |
| Cash interest earned | | 9,920 | 4,333 | 54,540 | 7,174 |
| Non-cash investing activities | | | | | |
| Exploration and evaluation expenses included in accounts payable | 5 | 569,186 | (65,637) | 1,327,824 | 229,215 |
| Capitalized depreciation included in exploration and evaluation properties | 5,6 | 46,463 | – | 108,270 | – |
| Capitalized stock compensation included in exploration and evaluation properties | 5 | 25,830 | – | 70,071 | – |

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

1. Business of Lavras Gold and going concern

Lavras Gold Corp. was incorporated under the *British Columbia Business Corporations Act* on November 25, 2021, solely to participate in an Arrangement Agreement between Amarillo Gold Corporation (Amarillo) and Hochschild Mining PLC (Hochschild) dated November 29, 2021 (the Arrangement).

Lavras Gold was a wholly owned subsidiary of Amarillo on March 31, 2022, and had not carried out any active business until then, other than in connection with the Arrangement.

Our shares began trading under the symbol LGC on the Toronto Venture Exchange on April 12, 2022, and under the symbol LGCF on the OTCQB Venture Market on February 9, 2023.

On June 7, 2022, we consolidated our issued and outstanding common shares on a 10:1 basis, resulting in 41,103,869 common shares outstanding post-consolidation. All share, stock option, and per share amounts in these financial statements have been adjusted to give retroactive effect to the stock consolidation.

Under the Arrangement, which closed on April 1, 2022, an Amarillo common shareholder received, in exchange for each Amarillo common share, cash consideration of C\$0.40 and one common share of Lavras Gold.

Lavras Gold in turn received the assets and liabilities of the Lavras do Sul (LDS) Project, an advanced exploration gold project in Brazil that was not acquired by Hochschild. Lavras Gold also received \$10 million cash from Hochschild and a 2% net smelter return royalty (the Mara Rosa Royalty) over certain of Amarillo's exploration properties located outside of the current Posse resource and mine plan at its Mara Rosa property in Goiás state, Brazil.

The Mara Rosa Royalty was recognized at a fair value of \$nil due to the absence of technical reports confirming the proven and probable reserves of the mineral products, and the uncertainty of the development and commencement of commercial production.

Hochschild's cash contribution was reduced to \$9,361,250 when the Arrangement closed because \$638,750 more than the agreed budget with Hochschild was spent on the LDS Project.

Lavras Gold issued 41,103,869 common shares as consideration under the Arrangement that were accounted for based on the market trading price of \$0.40 per common share of Lavras Gold.

The total consideration value of \$16,441,547 was allocated as follows:

| | |
|---|----------------------|
| Cash received under the Arrangement | \$ 9,361,250 |
| LDS Project cash | 739,023 |
| LDS Project property and equipment | 22,134 |
| LDS Project right of use assets | 349,816 |
| LDS Project accounts payable and accrued liabilities | (618,318) |
| LDS Project lease liabilities | (349,816) |
| LDS Project exploration and evaluation properties | <u>6,937,458</u> |
| Fair value of net assets acquired under the Arrangement | <u>\$ 16,441,547</u> |

GOING CONCERN

We are exploring the LDS Project and have not earned any revenue to date.

The recoverability of the LDS Project's carrying values and the related deferred evaluation and exploration expenditures depend on:

- discovering economically recoverable reserves
- maintaining our interest in the underlying mineral claims
- our ability to obtain necessary financing to develop the LDS Project
- establishing profitable production in the future or selling the properties for sufficient proceeds.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business.

However, we are exploration-focused and subject to the risks and challenges of companies in the same sector. These include exploration, development, and operational risks that are standard to the mining industry. Current market conditions also include other uncertainties like the volatility of precious metal prices and the broader global economy.

These risks mean that although we will need to raise additional financing to carry out future exploration activities, there can be no assurance that our funding initiatives will be successful or that we will have access to adequate funding or funding under favourable terms.

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

At September 30, 2023, Lavras Gold had an accumulated deficit of \$3,522,088 and working capital of \$12,407,418.

Our ability to continue operating depends on our ability to raise adequate financing, operate profitably in the future, and pay liabilities arising from normal operations as they come due. As such, the material uncertainties listed above may cast significant doubt upon our ability to continue as a going concern.

2. Basis of presentation

We have prepared these condensed interim consolidated financial statements according to *Accounting Standard 34 – Interim Financial Reporting (IAS 34)*. These accounting policies are consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2022.

Preparing condensed interim consolidated financial statements that conform with IAS 34 requires management to make judgments, estimates, and assumptions that affect how policies are applied, and reported amounts of assets, liabilities, income, and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and the results are used to make judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The accounting policies, critical judgements, and estimates used to prepare these condensed interim consolidated financial statements are consistent with those applied and disclosed in our consolidated financial statements for the year ended December 31, 2022.

The interim results do not necessarily indicate the results for a full year.

These condensed interim consolidated financial statements are presented in Canadian dollars and include our Brazilian subsidiaries as detailed below.

| <u>Subsidiary</u> | <u>Ownership</u> |
|---|------------------|
| LDS Mineração do Brasil Ltda (LDS) | 100% |
| Lavras do Sul Mineração do Brasil Ltda (LDSM) | 100% |

Our Board of Directors authorized the issue of these condensed interim consolidated financial statements on November 10, 2023.

3. Financial risk factors and capital risk management

Our activities expose Lavras Gold to three key financial risks:

- credit risk
- liquidity risk
- market risk, including interest rate, foreign rate, and gold price risk.

Our management team is responsible for managing these risks. It receives guidance from the Audit Committee under policies approved by the Board of Directors, which also provides regular guidance on overall risk management.

CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's inability to make its payment obligations.

Our credit risk is primarily attributable to cash of \$14,324,036, as at September 30, 2023. Credit risk on cash is remote, as it is held with reputable financial institutions and closely monitored by management.

We believe that the credit risk for financial instruments included in accounts receivable is remote. Most of the receivables are made up of taxes receivable, so no amount was applied for credit losses.

LIQUIDITY RISK

Liquidity risk is the risk that we will be unable to meet our short-term financial obligations.

Our goal in managing this risk is to make sure we can meet our liabilities when they are due. However, there can be no assurance that we will be able to obtain adequate financing in the future or that the terms of the financing will be favourable (Note 1).

At September 30, 2023, we had a cash balance of \$14,324,036 (December 31, 2022 – \$4,794,253) to settle current liabilities of \$1,988,738 (December 31, 2022 – \$638,235).

MARKET RISK

Market risk is the risk of loss from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

We regularly monitor our cash management policy of investing excess cash in high yield savings accounts. Interest rate risk is remote, as our cash is relatively unaffected by changes in short-term interest rates.

b) Foreign currency risk

Our functional currency is the Canadian dollar. We transact major purchases in Canadian dollars and Brazilian reais. We maintain a Brazilian real-denominated bank account to fund exploration expenses with enough funds to support monthly forecasted cash outflows.

c) Commodity price risk

Commodity price risk, specifically relating to the price of gold, could adversely affect Lavras Gold. Our future profitability and viability of development depends on the world market price of gold, which has fluctuated significantly in recent years.

We were not a gold producer as at September 30, 2023. However, gold price risk affects the completion of future equity transactions like equity offerings and the exercise of stock options. This may also affect our liquidity and our ability to meet our ongoing obligations.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, we believe the following movements are reasonably possible over a 12-month period.

Cash is subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the nine months ended September 30, 2023.

We are exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable, accounts payable denominated in Brazilian reais, and cash denominated in U.S. dollars.

A plus or minus 5% change in the foreign exchange rate of the Brazilian real against the Canadian dollar would affect net loss for the nine months ended September 30, 2023, by approximately \$33,400.

A plus or minus 5% change in the foreign exchange rate of the U.S. dollar against the Canadian dollar would affect net loss for the nine months ended September 30, 2023, by approximately \$108,700.

CAPITAL RISK MANAGEMENT

We manage and adjust our capital structure based on the funds available to support the acquisition, exploration, and development of exploration and evaluation properties. Our Board of Directors does not establish quantitative "return on capital" criteria for management, but rather relies on the expertise of management to sustain the future development of the business.

Our capital is equity, which comprises share capital, other components of equity, and accumulated deficit. On September 30, 2023, our equity totaled \$27,089,842 (December 31, 2022: \$15,002,496).

The exploration and evaluation properties that we currently have an interest in are in the exploration and development stage; as such we depend on external financing to fund our activities. We will continue to assess new properties and may seek to acquire interests in additional properties if we believe there is enough geologic or economic potential, and we have adequate financial resources to do so.

We review our capital management approach on an ongoing basis and believe that this approach, given the relative size of Lavras Gold, is appropriate. There were no changes in its approach during the nine months ended September 30, 2023. Neither Lavras Gold nor its subsidiaries are subject to externally imposed capital requirements.

4. Categories of financial instruments

| | September 30, 2023 | December 31, 2023 |
|--|-----------------------|----------------------|
| | \$ | \$ |
| Financial assets | | |
| Fair value through profit and loss | | |
| Cash | 14,324,036 | 4,794,253 |
| Amortized cost | | |
| Accounts receivable, excludes HST/GST receivable | 10,742 | 11,823 |
| Financial liabilities | | |
| Amortized cost | | |
| Accounts payable and accrued liabilities | 1,918,843 | 579,751 |

FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – valuation techniques using either direct observable inputs (i.e., prices) or indirect observable inputs (i.e., derived from prices) for the asset or liability, other than the quoted prices in Level 1
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash, accounts receivable, accounts payable, and accrued liabilities approximate their carrying amounts due to their short-term nature.

The fair value of the accounts payable and accrued liabilities approximates their carrying values due to current market rates and consistency of credit spread.

As at September 30, 2023, and December 31, 2022, cash was measured at fair value and classified within Level 1 of the fair value hierarchy.

5. Exploration and evaluation properties

| | September 30, 2023 | December 31, 2022 |
|--|-----------------------|----------------------|
| Note | \$ | \$ |
| Acquisition costs | | |
| Balance, beginning of period/year | 7,248,448 | – |
| Acquisition of LDS Project exploration and evaluation assets under the Arrangement | 1 – | 6,937,458 |
| Property payments | 88,347 | 310,990 |
| Balance, end of period/year | 7,336,795 | 7,248,448 |
| Exploration expenditures | | |
| Balance, beginning of year/period | 3,372,106 | – |
| Expenditures during the year/period | | |
| Drilling, exploration, and related costs | 2,505,297 | 2,097,891 |
| Consulting | 324,486 | 290,808 |
| Salaries | 335,270 | 394,293 |
| Aeromagnetic survey | – | 296,604 |
| Transportation | 169,862 | 24,750 |
| Travel and accommodation | 5,254 | 12,008 |
| Concession taxes | 4,120 | 643 |
| Depreciation | 108,270 | 54,656 |
| Stock compensation | 70,071 | – |
| Other exploration and evaluation expenses | 177,720 | 200,453 |
| Total exploration expenditures for the period/year | 3,700,350 | 3,372,106 |
| Balance, end of period/year | 7,072,456 | 3,372,106 |
| Total | 14,409,251 | 10,620,554 |

LDS PROJECT

The LDS Project is in the state of Rio Grande do Sul, Brazil. It is approximately 320 kilometres by paved road southwest of the state capital Porto Alegre. It includes 29 mineral rights that were acquired under the Arrangement.

Our mineral rights are held through Lavras do Sul Mineração Ltda. (LDSM), which was set up to meet the legal requirements for operating in a border zone. LDSM is a subsidiary of our Brazilian subsidiary, LDS Mineração do Brasil Ltda. (LDS).

LDSM has a 100% interest in four mineral rights. The remaining 25 mineral rights are held through the RTDM Option Agreement, the CBC Purchase Agreement, the Vidal de Souza Purchase Agreements, and the IAMGOLD Purchase Agreement.

RTDM Option Agreement

Pursuant to the Arrangement Agreement (Note 1), Lavras Gold, through its subsidiaries, was assigned the rights and obligations that were previously acquired under an option agreement (the RTDM Option Agreement) between Amarillo Mineracao do Brasil Ltda (AMB), a subsidiary of Amarillo, and Rio Tinto Desenvolvidos Mineraiis Ltda. (RTDM).

RTDM acquired options to earn interests in mineral rights through agreements that were signed with two separate landowners: certain mineral rights (the CBC Mineral Rights) optioned by Companhia Brasileira do Cobre (CBC, CBC Option Agreement) and certain mineral rights (the Vidal de Souza Mineral Rights) optioned by Vidal de Souza (the Vidal de Souza Option Agreement).

The agreements with the landowners are described below. In addition, Lavras Gold must also pay RTDM:

- US\$1,806,000 upon receipt of the Installation License covering the LDS Project, and
- a 0.5% NSR on production from the mineral rights underlying the RTDM Option Agreement.

CBC Purchase Agreement

On August 24, 2004, RTDM entered into an option agreement (the CBC Option Agreement) with Companhia Brasileira do Cobre (CBC) for CBC's mineral rights (the CBC Mineral Rights).

On November 16, 2021, the CBC Option Agreement was replaced with an agreement to purchase the CBC Mineral Rights (the CBC Purchase Agreement).

The CBC Purchase Agreement required the following payments in Brazilian reais:

- a) US\$250,000 which was paid by AMB upon execution of the CBC Purchase Agreement in November 2021
- b) US\$150,000 within one year of the date of execution of the CBC Purchase Agreement, which was paid in November 2022
- c) six annual installments of US\$100,000, the first of which is payable within one year, after the second payment set out above
- d) the amounts payable under (c) above are payable in full once Brazilian regulators approve the transfer of the properties to LDSM.

Lavras Gold must pay US\$50,000 for each year if mining activities are not initiated within 10 years from the date of execution of the agreement on November 16, 2021.

Lavras Gold must pay CBC a royalty (the CBC Royalty) equal to 1.5% of the gross revenue of the future undertaking of the transferred CBC Mineral Rights, when there is mining activity on the CBC Mineral Rights. Lavras Gold has a right of first refusal for any proposed transfer by CBC of the CBC Royalty.

Vidal de Souza Option Agreement

On October 22, 2004, RTDM entered into an option agreement with Vidal de Souza (the VSOA) for **certain** mineral rights (the VSOA Mineral Rights) that have been subsequently replaced with purchase agreements. Lavras Gold has paid US\$35,000 as at September 30, 2023 and US\$20,000 in October 2023 to conclude agreements with the various family members of the VSOA. The agreements call for additional payments aggregating US\$945,000 upon the transfer of title of the VSOA Mineral Rights from the VSOA family members to LDSM.

If mining activities in at least one of the VSOA Mining Rights do not begin within six years from the transfer of title, LDSM must pay a single instalment of US\$120,000. If mining activities in at least one of the VSOA Mining Rights do not begin within ten years from the transfer of title, LDSM must pay annual instalments of US\$80,000 until the beginning of mining activities.

Lavras Gold must pay the VSOA family members a royalty (the VSOA Royalty) equal to 1.5% of the gross revenue of the future undertaking of the transferred VSOA Mineral Rights, when there is mining activity on the VSOA Mineral Rights. Lavras Gold has a right of first refusal for any proposed transfer by the VSOA family members of the VSOA Royalty.

IAMGOLD Agreement

On May 28, 2021, Amarillo entered into an agreement with IAMGOLD Corporation (IAMGOLD) to purchase four mineral rights (the IAMGOLD Purchase Agreement).

Under the terms of the IAMGOLD Purchase Agreement, Border Prospecções Minerais Ltda. (BPML), a subsidiary of IAMGOLD, agreed to assign and transfer to Amarillo a 100% interest in four mineral rights (the BPML Mineral Rights). Pursuant to an assignment agreement between Amarillo, Lavras Gold and IAMGOLD, all rights and obligations of Amarillo were assigned to, and assumed by, Lavras Gold and LDSM.

The purchase price payable by Lavras Gold for the BPML Mineral Rights is US\$700,000, payable as follows:

- a) US\$50,000, payable within 12 months from the date of execution of the IAMGOLD Purchase Agreement, which was paid in June 2022
- b) US\$50,000, within 10 days from the date the BPML Mineral Rights are transferred and assigned to Lavras Gold
- c) US\$100,000, within 10 days from the date that Lavras Gold submits to the ANM an economic exploitation plan for any of the titles comprising the BPML Mineral Rights that indicates the technical and economic feasibility of the project
- d) US\$100,000, within 10 days from the date that Lavras Gold discloses in a news release for the first time a feasibility study for any of the titles comprising the BPML Mineral Rights
- e) US\$400,000, within 12 months from the date that Lavras Gold discloses in a news release for the first time the commencement of commercial production for any of the titles comprising the BPML Mineral Rights.

In addition, IAMGOLD received a 3.0% net smelter return royalty on the titles comprising the BPML Mineral Rights. Lavras Gold may, at any time, elect to purchase from IAMGOLD 1.0% of the royalty by paying to IAMGOLD the amount of US\$1,000,000.

As additional consideration, US\$50,000 was paid by Lavras Gold to BPML as the ANM did not annotate the assignment of the mineral rights within one year from the date that the requests for assignments were lodged with the ANM.

The IAMGOLD Purchase Agreement provides that the completion of the assignment and transfer of the BPML Mineral Rights will occur after all necessary authorizations and consents are obtained by Lavras Gold, including as required under the Border Law.

6. Property and equipment

| | Right-of-use \$ | Leasehold improvements \$ | Furniture and equipment \$ | Computer software \$ | Computer hardware \$ | Total \$ |
|---|--------------------|---------------------------------|----------------------------------|----------------------------|----------------------------|----------------|
| Cost | | | | | | |
| Acquired under the Arrangement (Note 1) | 349,816 | – | 13,840 | – | 8,294 | 371,950 |
| Additions for the year | – | 33,688 | 11,579 | 57,154 | 7,763 | 110,184 |
| Balance as at December 31, 2022 | 349,816 | 33,688 | 25,419 | 57,154 | 16,057 | 482,134 |
| Adjustments | (22,374) | – | – | – | – | (22,374) |
| Additions for the period | – | – | 14,337 | 182,422 | 13,543 | 210,302 |
| Balance as at September 30, 2023 | 327,442 | 33,688 | 39,756 | 239,576 | 29,600 | 670,062 |
| Accumulated depreciation | | | | | | |
| Depreciation for the year | 52,472 | 4,094 | 1,873 | 17,861 | 2,481 | 78,781 |
| Balance as at December 31, 2022 | 52,472 | 4,094 | 1,873 | 17,861 | 2,481 | 78,781 |
| Depreciation for the period | 51,569 | 5,512 | 2,982 | 71,107 | 4,196 | 135,366 |
| Balance as at September 30, 2023 | 104,041 | 9,606 | 4,855 | 88,968 | 6,677 | 214,147 |
| Carrying amounts | | | | | | |
| At December 31, 2022 | 297,344 | 29,594 | 23,546 | 39,293 | 13,576 | 403,353 |
| At September 30, 2023 | 223,401 | 24,082 | 34,901 | 150,608 | 22,923 | 455,915 |

Depreciation for the nine months ended September 30, 2023, amounting to \$108,270 (December 31, 2022: \$54,656) has been included in exploration and evaluation properties.

7. Lease liabilities

As a result of the acquisition of net assets under the Arrangement (Note 1), we recognized a lease liability of \$349,816 on April 1, 2022, related to the long-term lease contracts for office space and core sheds in the town of Lavras do Sul with terms of up to 5 years at an incremental borrowing rate of 13%.

| | September 30, 2023 | December 31, 2022 |
|--|-----------------------|----------------------|
| | \$ | \$ |
| Lease liabilities, beginning of the period | 310,657 | – |
| Acquired under the Arrangement (Note 1) | – | 349,816 |
| Adjustment due to change in estimates | (22,374) | – |
| Repayments | (66,677) | (71,600) |
| Interest portion | 31,031 | 32,441 |
| Total | 252,637 | 310,657 |
| Less: current portion | 69,895 | 58,484 |
| Non-current portion | 182,742 | 252,173 |

As at September 30, 2023, remaining minimum payments are as follows:

| | \$ |
|------|---------|
| 2023 | 30,782 |
| 2024 | 112,580 |
| 2025 | 102,673 |
| 2026 | 96,873 |
| 2027 | 44,925 |
| | 387,833 |

8. Capital stock

A) AUTHORIZED

Unlimited number of common shares.

B) ISSUED

| | Notes | Shares # | Amount \$ |
|---|-------|-------------------|-------------------|
| Issued at incorporation on November 25, 2021 | (i) | – | 1 |
| Balance, December 31, 2021 | | – | 1 |
| Issued under the Arrangement | (ii) | 41,103,869 | 16,441,547 |
| Balance, December 31, 2022 | | 41,103,869 | 16,441,548 |
| Exercise of stock options | | 25,000 | 15,355 |
| Issued under private placement, net of issue cost | (iii) | 10,146,647 | 13,380,529 |
| Balance, September 30, 2023 | | 51,275,516 | 29,837,432 |

- (i) Lavras Gold was incorporated on November 25, 2021, and issued one-tenth of one incorporation share (one pre-consolidation incorporation share).
- (ii) Lavras Gold issued 41,038,694 common shares on April 1, 2022, to the former shareholders of Amarillo for the LDS Project net assets. On June 7, 2022, Lavras Gold consolidated its issued and outstanding common shares based on 10 pre-consolidation common shares for one post-consolidation common share resulting in 41,103,869 post-consolidation common shares.

- (iii) On September 28, 2023, the Company closed a non-brokered private placement (the Private Placement) through the issuance of 10,146,647 common shares of the Company at a subscription price of \$1.35 per common share for aggregate gross proceeds to the Company of \$13,697,973. Management and directors of the Company subscribed for 527,029 common shares for an aggregate amount of \$711,489. Cost of issue including finders', filing and legal fees amounted to \$317,444 resulting in net proceeds of \$13,380,529.

C) STOCK OPTIONS

We have a stock option plan (the Plan) for directors, senior officers, employees, consultants, and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of Lavras Gold.

Options are granted for a five-year term and vest at the discretion of the Board when granted to directors, senior officers, employees, and consultants (other than those performing investor relations).

Options granted to consultants performing investor relations activities vest over a minimum period of 12 months.

| | Options # | Weighted average exercise price \$ |
|-----------------------------|--------------|--|
| Balance, December 31, 2022 | 2,407,500 | 0.44 |
| Granted | 1,500,000 | 0.23 |
| Exercised | (25,000) | (0.35) |
| Expired | (155,000) | (0.35) |
| Balance, September 30, 2023 | 3,727,500 | 0.36 |

Details of the stock options outstanding and exercisable are as follows:

| Number of options | Exercisable at September 30, 2023 # | Exercise price \$ | Fair value at date of grant \$ | Remaining contractual life years |
|-------------------|---|-------------------------|---|---|
| 1,500,000 | 1,050,000 | 0.50 | 499,500 | 3.55 |
| 727,500 | 376,250 | 0.35 | 192,206 | 3.82 |
| 1,400,000 | 725,000 | 0.23 | 245,000 | 4.79 |
| 100,000 | 100,000 | 0.22 | 16,700 | 4.80 |
| 3,727,500 | 2,251,250 | 0.36 | 953,406 | 4.10 |

The grant date fair value of the options granted was estimated using the Black-Scholes option pricing model using the following estimates:

| | September 30, 2023 | December 31, 2022 |
|--|-----------------------|----------------------|
| Weighted average fair value per options (\$) | 0.17 | 0.31 |
| Weighted average risk-free interest rate (%) | 3.71 | 2.71 |
| Expected life (years) | 5.0 | 5.0 |
| Weighted average expected volatility (%) | 100 | 100 |
| Expected rate of forfeiture | Nil | nil |
| Expected dividend yield | nil | nil |

The fair value compensation and contributed surplus relating to stock options vested for the three months ended September 30, 2023, was \$187,706 (2022: \$142,913); \$161,876 (2022: \$108,478) was expensed and the remaining \$25,830 (2022: \$34,435) was capitalized to exploration and evaluation properties.

The fair value compensation and contributed surplus relating to stock options vested for the nine months ended September 30, 2023, was \$288,471 (2022: \$430,819); \$218,400 (2022: \$396,384) was expensed and the remaining \$70,071 (2022: \$34,435) was capitalized to exploration and evaluation properties.

9. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended September 30, 2023, was based on the loss attributable to common shareholders of \$576,378 (2022: \$622,832), divided by the weighted average number of common shares outstanding of 41,441,396 (2022: 41,103,869).

The calculation of basic and diluted loss per share for the nine months ended September 30, 2023, was based on the loss attributable to common shareholders of \$1,590,404 (2022: \$1,413,631), divided by the weighted average number of common shares outstanding of 41,217,614 (2022: 41,103,869).

10. Related party transactions

Lavras Gold incurred charges with directors, officers (Chief Executive Officer and Chief Financial Officer who are the key management personnel), and a company with common directors as follows.

These transactions were in the normal course of business and are measured at amounts representing normal commercial terms:

| | Three months ended | | Nine months ended | |
|-----------------------------------|--------------------|---------|-------------------|---------|
| | September 30 | | September 30 | |
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ |
| Salaries paid to officers | 85,000 | 77,500 | 240,000 | 155,000 |
| Directors' fees | 15,000 | 43,750 | 40,000 | 96,250 |
| Stock-based compensation | 148,520 | 55,500 | 198,470 | 343,406 |
| Aeromagnetic survey (capitalized) | - | 122,373 | - | 296,604 |
| Consulting fees | - | 30,000 | 30,000 | 60,000 |
| | 248,520 | 329,123 | 508,470 | 951,260 |

Accounts payables and accrued liabilities include \$40,000 (2022: \$45,250) accrued directors' fees.

11. General and administrative expenses

General and administrative expenses consist of the following:

| | Three months ended | | Nine months ended | |
|----------------------------------|--------------------|----------------|-------------------|----------------|
| | September 30 | | September 30 | |
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ |
| Consulting fees | 44,624 | 144,647 | 241,484 | 250,417 |
| Professional fees | 85,869 | 64,894 | 212,298 | 148,413 |
| Salaries and benefits | 117,081 | 103,294 | 354,857 | 223,382 |
| Directors' fees | 15,000 | 43,750 | 40,000 | 96,250 |
| Marketing and promotion | 85,413 | 41,383 | 269,969 | 140,020 |
| Filing and transfer agent fees | 23,257 | 13,922 | 76,011 | 26,888 |
| Travel | 3,613 | – | 12,242 | 4,392 |
| Other general and administrative | 34,165 | 34,082 | 128,577 | 57,324 |
| | 409,022 | 445,972 | 1,335,438 | 947,086 |

12. Segmented information

We operate in one reportable operating segment – mineral exploration. Our resource properties are in Brazil and our corporate assets are in Canada. We are in the exploration stage and, accordingly, have no reportable segment revenues.

Total assets by geographic region are as follows:

| | Canada | Brazil | Total |
|---------------------------------------|-------------------|-------------------|-------------------|
| | \$ | \$ | \$ |
| September 30, 2023 | | | |
| Current assets | 14,080,072 | 316,084 | 14,396,156 |
| Exploration and evaluation properties | – | 14,409,251 | 14,409,251 |
| Property and equipment | 150,609 | 305,306 | 455,915 |
| | 14,230,681 | 15,030,641 | 29,261,322 |
| December 31, 2022 | | | |
| Current assets | 4,320,593 | 548,404 | 4,868,997 |
| Exploration and evaluation properties | – | 10,620,554 | 10,620,554 |
| Property and equipment | 39,293 | 364,060 | 403,353 |
| | 4,359,886 | 11,533,018 | 15,892,904 |

13. Contingencies

Due to the nature of our operations, various legal and tax matters arise in the ordinary course of business. We accrue for these items when a liability is both probable and the amount can be reasonably estimated.

14. Subsequent event

On November 10, 2023 the Company granted a total of 125,000 stock options to employees with an exercise price of \$1.15, expiring in five years and vesting over three years.