



Cabral Gold

Cabral Gold Inc.

An exploration stage company

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company were prepared by management in accordance with International Financial Reporting Standards, and within the framework of the significant accounting policies in the notes to these financial statements. Management is responsible for the preparation and presentation of the consolidated financial statements and Management Discussion and Analysis (“**MD&A**”).

A system of accounting and control is maintained in order to provide reasonable assurance that the assets are safeguarded and that transactions are properly recorded and executed in accordance with management’s authorization. The system includes established policies and procedures, the selection and training of qualified persons, and the appropriate delegation of authority and segregation of responsibilities for a corporation of the size of Cabral Gold Inc.

The Board of Directors, based on recommendations from its Audit Committee, reviews and approves the consolidated financial statements and MD&A. The Audit Committee meets with management and the Company’s independent auditors to ensure that management is fulfilling its responsibility to maintain financial controls and systems and to make recommendations to the Board of Directors for approval of all financial information released to the public. The Audit Committee also meets with the independent auditors to discuss the scope and the results of the audit and the audit report prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements for the years ended December 31, 2022 and 2021 have been audited on behalf of the shareholders by the Company’s independent auditors, DeVisser Gray LLP, in accordance with Canadian generally accepted auditing standards. The auditor’s report outlines the scope of their audit and their opinion on these consolidated financial statements.

“Alan Carter”

Alan Carter
President and Chief Executive Officer

“Paul Hansed”

Paul Hansed
Chief Financial Officer

April 27, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cabral Gold Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cabral Gold Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021 and its financial performance and its cash flows for the years then ended 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company is dependent upon its ability to obtain additional funding to finance its exploration programs and to cover administrative and overhead expenses. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there is the following key audit matter to communicate in our auditor's report.

Key audit matter:	How our audit addressed the key audit matter:
Assessment of impairment indicators of Mineral properties assets.	Our approach to addressing the matter included the following procedures, among others:
<i>Refer to note 3(c) – Significant estimates and critical judgements, note 3(g) – Accounting policy Mineral properties and exploration and development expenditures and note 6 Mineral properties</i>	Evaluated the reasonableness of management's assessment of impairment indicators, which included the following: <ul style="list-style-type: none">Assessed the Company's market capitalization in

Management assesses at each reporting period whether there is an indication that the carrying value of mineral property assets may not be recoverable. Management applies significant judgement in assessing whether indicators of impairment exist that necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in the Company's assessment of whether commercially viable quantities of mineral resources exist within the properties; and (iii) changes in metal prices, capital and operating costs, are evaluated by management in determining whether there are any indicators of impairment.

We considered this a key audit matter due to (i) the significance of the mineral properties asset balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its assessment of impairment indicators, which required significant management judgement.

comparison to the Company's net assets, which may be an indication of impairment.

- Assessed the completeness of the factors that could be considered indicators of impairment, including consideration of evidence obtained in other areas of the audit.
- Confirmed that the Company's right to explore the properties had not expired.
- Obtained management's written representations regarding the Company's future plans for the mineral properties.
- Assessed the reasonability of the Company's financial statement disclosure regarding their mineral property assets.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated 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 and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 auditor's report to the related disclosures in the consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is James Roxburgh.

The image shows a handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Vancouver, BC, Canada
April 27, 2023

Cabral Gold Inc.

Consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes	Dec. 31, 2022	Dec. 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,405,169	\$ 4,898,213
Accounts receivable		136,106	138,276
Prepaid expenses		6,305	185,573
Total Current assets		1,547,580	5,222,062
Non-current assets			
Fixed assets	5	1,888,029	2,030,837
Mineral properties	6	2,866,481	2,277,461
Total Assets		\$ 6,302,090	\$ 9,530,360
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 1,568,720	\$ 900,392
Due to related parties	14(b)	164,895	8,446
Term loan	14(c)	1,089,483	-
Total Current liabilities		2,823,098	908,838
Shareholders' equity			
Share capital	10(a)	33,867,019	30,891,884
Reserves	10(b), 10(c), 10(d)	6,688,672	5,020,479
Accumulated other comprehensive income		(485,080)	(1,045,855)
Accumulated deficit		(36,591,619)	(26,244,986)
Total Shareholders' equity		3,478,992	8,621,522
Total Liabilities and Shareholders' equity		\$ 6,302,090	\$ 9,530,360
Nature of operations and going concern (Note 1)			
Subsequent events (Notes 10(a), 14(c) and 19)			
Commitments and contingent liabilities (Note 18)			

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

Approved by the Board of Directors

"Derrick Weyrauch"
Derrick Weyrauch, Director

"Alan Carter"
Alan Carter, Director

Cabral Gold Inc.

Consolidated statements of loss and comprehensive loss

(Expressed in Canadian Dollars except number of shares)

	Notes	Year ended	
		Dec. 31, 2022	Dec. 31, 2021
Expenses			
Exploration and development	11	\$ 7,659,947	\$ 8,260,061
Stock-based compensation	10(c), 10(d)	887,692	1,568,446
Depreciation	5	629,867	372,367
Management	14(a)	440,127	457,825
Marketing		287,467	378,631
Office and administrative		103,693	103,183
Professional fees		103,630	57,801
Listing expense		39,609	38,250
Travel		25,186	10,851
		<u>10,177,218</u>	<u>11,247,415</u>
Other income and expenses			
Interest expense		222,016	-
Foreign exchange loss		60,663	331
Interest income		(48,774)	(42,561)
Other income		(64,490)	-
		<u>10,346,633</u>	<u>11,205,185</u>
Net loss for the year			
		10,346,633	11,205,185
Other comprehensive loss			
Unrealised foreign currency translation items		(560,775)	312,329
		<u>\$ 9,785,858</u>	<u>\$ 11,517,514</u>
Total comprehensive loss for the year			
		\$ 9,785,858	\$ 11,517,514
Loss per share, Basic and diluted		\$ 0.07	\$ 0.09
Weighted average shares outstanding, Basic and diluted		147,484,351	130,487,483

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

Cabral Gold Inc.

Consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars)

	Issued common shares	Share capital	Reserves, Warrants	Reserves, Stock options	Reserves, RSUs	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance at December 31, 2020	119,491,737	\$ 21,197,071	\$ 1,061,358	\$ 1,394,608	\$ 58,703	(\$ 733,526)	(\$ 15,039,801)	\$ 7,938,413
Shares issued for cash:								
Private placement (units)	21,298,000	10,649,000	851,920	-	-	-	-	11,500,920
Exercise of share stock options	419,724	151,520	-	(63,671)	-	-	-	87,849
Exercise of warrants	100,000	25,000	-	-	-	-	-	25,000
Unit issuance costs	-	(1,207,207)	225,615	-	-	-	-	(981,592)
Vesting of RSUs	374,999	76,500	-	-	(76,500)	-	-	-
Stock-based compensation	-	-	-	1,406,958	161,488	-	-	1,568,446
Comprehensive loss	-	-	-	-	-	(312,329)	(11,205,185)	(11,517,514)
Balance at December 31, 2021	141,684,460	30,891,884	2,138,893	2,737,895	143,691	(1,045,855)	(26,244,986)	8,621,522
Balance at December 31, 2021	141,684,460	30,891,884	2,138,893	2,737,895	143,691	(1,045,855)	(26,244,986)	8,621,522
Shares issued for cash:								
Private placements (units)	16,338,358	3,407,589	873,918	-	-	-	-	4,281,507
Unit issuance costs	-	(478,292)	(47,579)	-	-	-	-	(525,871)
Vesting of RSUs	352,606	45,838	-	-	(45,838)	-	-	-
Stock-based compensation	-	-	-	750,396	137,296	-	-	887,692
Comprehensive loss	-	-	-	-	-	560,775	(10,346,633)	(9,785,858)
Balance at December 31, 2022	158,375,424	\$ 33,867,019	\$ 2,965,232	\$ 3,488,291	\$ 235,149	(\$ 485,080)	(\$ 36,591,619)	\$ 3,478,992

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

Cabral Gold Inc.

Consolidated statements of cash flows

(Expressed in Canadian Dollars)

	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021
OPERATING ACTIVITIES		
Net loss for the year	(\$ 10,346,633)	(\$ 11,205,185)
Adjustments for items not involving cash:		
Stock-based compensation	887,692	1,568,446
Depreciation	629,867	372,367
Unrealised foreign exchange	106,509	(81,159)
Accrued interest on term loan	60,139	-
Other income	(64,490)	-
	(8,726,916)	(9,345,531)
Net changes in non-cash working capital:		
Decrease (increase) in accounts receivable	2,170	(22,198)
Decrease (increase) in prepaid expenses	179,268	(117,294)
Increase in accounts payable	716,014	414,370
Increase (decrease) in related party liabilities	156,449	(9,148)
Cash used in operating activities	(7,673,015)	(9,079,801)
INVESTING ACTIVITIES		
Additions to mineral properties	(406,990)	(740,035)
Additions to fixed assets	(308,501)	(1,323,053)
Proceeds on disposal of fixed assets	99,503	-
Cash used in investing activities	(615,988)	(2,063,088)
FINANCING ACTIVITIES		
Issuance of shares and units for cash	4,281,507	11,613,769
Share issuance costs	(525,871)	(981,592)
Term loan	979,336	-
Cash provided by financing activities	4,734,972	10,632,177
Effect of change in exchange rate on cash	60,987	(68,855)
Net decrease in cash and cash equivalents	(3,493,044)	(579,567)
Cash and cash equivalents, beginning of year	4,898,213	5,477,780
Cash and cash equivalents, end of year	\$ 1,405,169	\$ 4,898,213

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

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2022 and December 31, 2021

1. NATURE OF OPERATIONS

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

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

Going concern

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) applicable to a going concern, which assumes the Company will be able to realise its assets and settle its liabilities in the normal course of business. For the year ended December 31, 2022, the Company reported a net loss of \$10,346,633 (year ended December 31, 2021: net loss of \$11,205,185) and cash applied to operating activities of \$7,673,015 (year ended December 31, 2021: \$9,079,801), and as at that date had a net working capital deficit of \$1,275,518 (December 31, 2021: net working capital balance of \$4,313,224).

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

There is no assurance that the Company will be successful in its initiatives to obtain additional funding. These material uncertainties cast significant doubt on the Company’s ability to continue as a going concern.

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

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

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2022 and December 31, 2021

In the event the Company is unable to arrange appropriate financing, the carrying value of its assets and liabilities could be subject to material adjustment, and the Company would be unable to meet its obligations as they become due in the normal course of business.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of April 27, 2023, the effective date the Board of Directors approved these financial statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements as at and for the period ended December 31, 2022.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All amounts are presented in Canadian Dollars unless otherwise indicated. A summary of significant accounting policies is as follows:

(a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

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

	Location	Ownership	Functional currency
Cabral Gold B.C. Inc.	Canada	100%	\$
Magellan Minerais Prospecção Geológica Ltda.	Brazil	100%	R\$

The Company's interest in Magellan Minerais Prospecção Geológica Ltda. ("**Magellan Brazil**") is held through its wholly-owned subsidiary, Cabral Gold B.C. Inc. ("**CG B.C.**").

The Company's interest in Poconé Gold Mineração Ltda. ("**PGM**") was held through Magellan Brazil. The Company's interest in PGM was disposed of in September 2018.

All intercompany transactions and balances have been eliminated upon consolidation.

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2022 and December 31, 2021

Subsidiaries are those entities which Cabral Gold Inc. controls. The Company has control over an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is obtained by Cabral Gold Inc. and are deconsolidated from the date that control ceases.

(c) Significant estimates and critical judgement

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

Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding short and long-term financing, investing and operating activities, and management's strategic planning. Management has applied judgement in the assessment of the Company continuing as a going concern by taking into account all available information. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate, as discussed in Note 1.

Functional currency

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

Impairment of mineral properties

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

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2022 and December 31, 2021

Title to mineral properties

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

(d) Foreign currency translation

Functional currency

Items included in the financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of loss.

Subsidiaries

The results and financial position of the Company's subsidiaries that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date
- Income and expenses are translated at average exchange rates for the period
- Equity is translated using historical rates
- All resulting exchange differences are recognised in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve (a component of other comprehensive loss). When a foreign operation is sold, such exchange differences are recognised in the statement of loss as part of the gain or loss on sale.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and short-term investments, which are readily convertible into cash or which have maturities of three months or less when purchased.

(f) Fixed assets

Fixed assets are recorded at cost. Depreciation of all depreciable fixed assets is provided on a straight-line basis over four years.

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2022 and December 31, 2021

Fixed assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(g) Mineral properties and exploration and development expenditures

Costs relating to the acquisition and claim maintenance of mineral properties (including option payments and annual fees to maintain the property in good standing) are capitalised and deferred by property until the project to which they relate is sold, abandoned, impaired or placed into production.

The Company expenses all exploration, evaluation and development expenditures until management concludes that a future economic benefit is more likely than not to be realised. In evaluating if expenditures meet this criterion to be capitalised, management considers the following:

- The extent to which reserves or resources, as defined in National Instrument 43-101, have been identified in relation to the property in question;
- The conclusions of National Instrument 43-101 compliant preliminary economic assessment studies, preliminary feasibility studies and/or feasibility studies regarding the property in question;
- The status of environmental permits; and
- The status of mining leases or permits.

Once the Company considers that a future economic benefit is more likely than not of being realised, all subsequent costs directly relating to the advancement of the related area of interest are capitalised.

Capitalised mineral property costs are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped into CGUs. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(h) Decommissioning provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the

Cabral Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years ended December 31, 2022 and December 31, 2021

current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2022, the Company did not have any decommissioning obligations.

(i) **Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) **Share capital**

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and stock options are recognised as a deduction from equity, net of any related income tax effects.

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(k) Stock-based compensation

The Company grants stock options to certain of its employees, directors and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognised over the tranche's vesting period based on the number of awards expected to vest. This number is reviewed annually, with any change in estimate recognised immediately in compensation expense with a corresponding adjustment to reserves. Upon exercise of a stock option, consideration paid together with the stock-based compensation amount previously recognised in reserves is recorded as an increase to share capital.

The Company grants restricted share units ("RSUs") to certain of its employees, directors and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant based on the market price of the Company's common shares as at that date. Upon exercise of a RSU, the stock-based compensation amount previously recognised in reserves is recorded as an increase to share capital.

(l) Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by the treasury stock method.

(m) Accounting standards effective in 2022

The Company has determined that new accounting standards or amendments to existing accounting standards that were effective for annual periods commencing on or after January 1, 2022 are either not applicable or do not have a significant impact on the Company's consolidated financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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5. FIXED ASSETS

	Land	Buildings	Vehicles	Equipment	Total
Cost:					
December 31, 2021	\$ 556,296	\$ 587,796	\$ 350,973	\$ 1,159,908	\$ 2,654,973
Additions	15,141	111,177	-	182,183	308,501
Disposals	-	-	(80,752)	-	(80,752)
Foreign exchange differences	74,569	104,539	43,303	141,932	364,343
December 31, 2022	646,006	803,512	313,524	1,484,023	3,247,065
Accumulated depreciation:					
December 31, 2021	-	(145,958)	(157,556)	(320,622)	(624,136)
Depreciation expense	-	(193,245)	(94,763)	(341,859)	(629,867)
Disposals	-	-	45,739	-	45,739
Foreign exchange differences	-	(48,141)	(30,528)	(72,103)	(150,772)
December 31, 2022	-	(387,344)	(237,108)	(734,584)	(1,359,036)
Net book value:					
December 31, 2021	556,296	441,838	193,417	839,286	2,030,837
December 31, 2022	\$ 646,006	\$ 416,168	\$ 76,416	\$ 749,439	\$ 1,888,029

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

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6. MINERAL PROPERTIES

Year ended December 31, 2022				
	Jan. 1, 2022	Additions	Foreign exchange	Dec. 31, 2022
Cuiú Cuiú	\$ 2,082,180	\$ 348,516	\$ 204,916	\$ 2,635,612
Bom Jardim	169,914	9,252	21,576	200,742
Other	25,367	1,536	3,224	30,127
	\$ 2,277,461	\$ 359,304	\$ 229,716	\$ 2,866,481

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

The Company's primary mineral property is Cuiú Cuiú.

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

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

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

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

(a) Cuiú Cuiú

Surface access agreement, garimpeiro condominium

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

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The February 19, 2006 agreement has since been amended and extended several times the most recent of which was on March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R\$ 5,400 per year (equivalent of \$1,383 as at December 31, 2022) to each of the 20 majority stakeholders and R\$ 2,700 per year (\$692) to each of the 62 minority stakeholders.

Payments totalling approximately \$70,000 are due to the garimpeiros (both majority and minority stakeholders) in April and May 2023 in connection with the surface access fee in respect of the year ended March 2024.

The agreement specifies that in the event that an economically viable gold resource is identified, Magellan Brazil will make an additional payment to the holders of the traditional surface rights based on the amount of gold defined (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Less than 1.0 million ounces: US\$ 2,000,000
- 1.0 million ounces to 2.0 million ounces: US\$ 3,000,000
- 2.0 million ounces to 3.0 million ounces: US\$ 4,000,000
- 3.0 million ounces to 4.0 million ounces: US\$ 6,000,000
- More than 4.0 million ounces: an additional US\$ 3,000,000 for every additional million ounces identified in excess of 4.0 million ounces of contained gold.

Upon delivery and approval of the final research reports on the areas under consideration to the Brazilian National Department of Mineral Production now called the Brazilian Department of Mines (“ANM”) or at any time if the size of the gold reserve is found to be economically viable (pursuant to a formal feasibility study), Magellan Brazil is to provide written notice to the condominium following which the aforementioned payment is to be made within 90 days.

Acquisition of garimpeiro interests

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

During 2022, the Company acquired the interest of a majority stakeholder for total consideration of R\$ 434,600 (approximately \$110,000).

During 2021, the Company acquired the interest of five majority stakeholders and one minority stakeholder for total consideration of R\$ 2,534,280 (\$590,000) of which R\$ 173,000 (\$44,323) is due for payment in July 2023.

Surface access and purchase agreements within the Cuiú Cuiú district

During 2020, the Company entered into three surface access and purchase agreements relating to a total of 9,285 hectares located northeast and east of the main Cuiú Cuiú property. The total monthly fee for all three properties was initially R\$ 24,000 (approximately \$5,900).

Each of the three agreements include an option pursuant to which Magellan Brazil may purchase the subject property by making a payment to the owner based on the amount of gold defined on the

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applicable property at the time of activation and payment (as measured in accordance with provisions defined by the Brazilian National Mining Agency (*Agencia Nacional de Mineraçao*) as follows:

- Less than 1.0 million ounces: US\$ 1,000,000
- 1.0 million ounces to 2.0 million ounces: US\$ 2,000,000
- 2.0 million ounces to 3.0 million ounces: US\$ 3,000,000
- 3.0 million ounces to 4.0 million ounces: US\$ 4,000,000
- More than 4.0 million ounces: an additional US\$ 1,000,000 for every additional million ounces identified in excess of 1.0 million ounces of contained gold to a maximum of US\$ 2,000,000.

In June 2021, the Company entered into a fourth surface access and purchase agreements relating to a total of 2,168 hectares located east of the main Cuiú Cuiú property for a monthly fee of R\$ 12,500. The agreement does not have a purchase option.

Monthly rental fees are adjusted on an annual basis. The total monthly fee for all four properties was R\$ 53,300 as at December 2022 (approximately \$13,655).

Sandstorm NSR

In May 2012, Magellan Minerals Ltd. (“**Magellan Minerals**”), the former parent company of Magellan Brazil, and Magellan Brazil granted Sandstorm Gold Ltd. (“**Sandstorm**”) a 1.0% net smelter royalty (“**NSR**”) on the Cuiú Cuiú project for consideration of US\$ 500,000. The Company is required to pay an advance royalty of US\$ 250,000 on the date that it obtains a feasibility study that recommends placing all or part of the Cuiú Cuiú project into production and a further advance royalty payment of US\$ 250,000 on each one year anniversary of this date thereafter until the property enters commercial production. As part of the transaction, Magellan Minerals provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Cuiú Cuiú project.

Magellan Minerals’ rights and responsibilities associated with this agreement were transferred to Cabral pursuant to an agreement dated May 2, 2016.

Equinox NSR

A 0.5% royalty on the Cuiú Cuiú property is held by Equinox Gold Corp. (“**Equinox**”). The Equinox NSR is subordinate to the Sandstorm NSR.

Sandbox

In May 2022, Sandstorm and Equinox created Sandbox Royalties Corp. (“**Sandbox**”), a new metals royalty company, and both the Sandstorm NSR and the Equinox NSR were sold to this entity.

(b) Bom Jardim

In December 2020, the Company finalised an option agreement pursuant to which the Company agreed to provide an option to a third party to acquire a 51% interest in part of the Bom Jardim property. The object of the option agreement comprised approximately 6% of the total area of the Bom Jardim property. The agreement provided for the following:

- Option payments totalling US\$ 300,000 over three years, and

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- Exploration expenditures totalling a minimum of US\$ 2,000,000 over three years.

As at December 31, 2022 and April 27, 2023, the Company had received US\$ 50,000 in option payments from the optionee. The payment of the second option payment of US\$ 100,000 was to have been paid in December 2021; pursuant to an amendment dated February 21, 2022, the payment deadline was deferred to May 31, 2022 and the payment increased to US\$ 130,000. The third and final option payment of US\$ 150,000 was due in December 2022.

Neither the second nor third option payment was received by the Company and therefore the option agreement is no longer in good standing and has been terminated.

7. POCONÉ

The Company was a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso were to be identified, explored and developed. The first agreement was entered into between Magellan Minerals and ECI Exploration & Mining Inc. (“**ECI**”) on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the “**ECI Venture**”). The second set of agreements was between Magellan, ECI and Brasil Central Engenharia Ltda. (“**Brasil Central**”) pursuant to which Magellan, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through a newly incorporated entity, PGM. Magellan Brazil held a 35% interest in PGM through September 26, 2018.

Magellan’s rights and responsibilities associated with both the ECI Venture and PGM were transferred to CG B.C. effective April 15, 2016.

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

In August 2015, ECI received notification that a former optionor of one of the property interests acquired by ECI on behalf of the ECI Venture had filed a claim against ECI and PGM in connection with an option agreement that had been entered into with the ECI Venture in December 2009. As of April 27, 2023, no claim had been filed against the Company, however, the Company is responsible for 50% of costs of ECI pursuant to the ECI Venture agreement. The plaintiff is claiming an amount of US\$ 780,000 plus damages.

On September 26, 2018, an agreement was entered into pursuant to which the shares of PGM held by both Magellan Brazil and the Brazilian subsidiary of ECI were transferred to Brasil Central in exchange for Brasil Central taking over the debts of PGM and making nominal cash payments.

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

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Recent decisions of the applicable courts have gone against the defendants in this case which increases the risk that the Company may ultimately incur a loss. As at April 27, 2023, however, the significant uncertainty present regarding the outcome of the case and related issues is such that at this time, management is unable to estimate the likelihood of a loss ultimately being realised by the Company or the quantum and timing of any such loss should it occur. No provision has been made in the accounts for any amount associated with the claim (see Note 18(a)).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Dec. 31, 2022	Dec. 31, 2021
Brazil:		
Drilling and assay	\$ 698,745	\$ 385,369
Interest	159,223	-
Third party permitting and other studies	103,603	-
Payroll and related costs	76,306	204,573
Security	59,476	9,571
Claims purchase (see Note 6(a))	44,323	84,175
Equipment rental	39,455	38,903
Poconé	36,343	17,565
Cuiú Cuiú condominium liability	17,737	16,881
Freight and travel	8,134	2,269
Claim settlement	-	48,064
Other	71,166	60,884
Canada:		
Exploration	173,884	-
Marketing	19,000	6,200
Professional fees	33,552	19,184
Other	27,773	6,754
	<u>\$ 1,568,720</u>	<u>\$ 900,392</u>

9. INCOME TAXES

A reconciliation of income taxes at the statutory rate is as follows:

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	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021
Net loss before income taxes	(\$ 10,346,633)	(\$ 11,205,185)
Statutory tax rate	32.19%	32.12%
Expected income tax recovery	(3,330,581)	(3,599,105)
Effect of deductible/non-deductible items for income tax purpose	371,966	284,861
Unrecognised benefit of non-capital losses	2,958,615	3,314,244
Deferred income tax expense	-	-

The Company's deductible temporary differences and unused tax losses consist of the following amounts:

	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021
Non-capital losses	\$ 43,102,281	\$ 30,516,752
Mineral properties	(2,866,481)	(2,277,461)
Fixed assets	(1,888,029)	(2,030,837)
Share issue costs	1,027,573	961,345
	\$ 39,375,344	\$ 27,169,799

The Company has non-capital losses of approximately \$10,420,000 in its Canadian operations and \$32,600,000 in its Brazilian operations for income tax purposes which are available to reduce future taxable income.

10. SHAREHOLDERS' EQUITY

(a) Share capital

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

November 2022 non-brokered private placement

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

Each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant is exercisable for two years following the closing of the private placement and previously entitled the holder to purchase one common share at an exercise price of \$0.30 in the first year following closing, or \$0.40 per common share in the second year following closing. In March 2023, the Company announced that the exercise price had been reduced from \$0.30 to \$0.205 through November 25, 2023 and from \$0.40 to \$0.30 from November 26, 2023 through November 24, 2024.

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The Company paid cash finder's fees of \$3,000 and issued an aggregate of 15,000 finder warrants. Each finder warrant entitles the holder to purchase one common share of the Company at a purchase price of \$0.20 for a period of 24 months following closing.

Total unit issuance costs amounted to \$17,970 (excluding the estimated value of the finder warrants of \$615).

June 2022 brokered private placement

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

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

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

Total unit issuance costs amounted to \$507,901 (excluding the estimated value of the compensation options of \$41,855).

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

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

July 2021 bought-deal financing

In July 2021, the Company announced that it had closed a bought-deal prospectus offering selling an aggregate of 21,298,000 units at a price of \$0.54 per unit for aggregate gross proceeds of \$11,500,920.

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

The Company paid a cash commission of \$562,853 and issued an aggregate of 1,042,320 underwriters' warrants. Each underwriters' warrant is exercisable into one common share at an exercise price of \$0.54 per share until July 6, 2023.

Total share issuance costs amounted to \$981,592 (excluding the estimated value of the Underwriters' Warrants of \$272,046).

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(b) Share purchase warrants

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

	Expiry date	Number of warrants	Weighted average exercise price
December 31, 2020		244,000	0.22
Issued:			
Warrants (July 2021 bought deal)	July 6, 2023	10,649,000	0.80
Underwriters' Warrants (July 2021 bought deal)	July 6, 2023	1,042,320	0.54
Exercised:			
Pre-2017 RTO warrants	May 26, 2021	(100,000)	0.25
December 31, 2021		11,835,320	0.77
Issued:			
Warrants (June 2022 private placement)	June 27, 2024	10,038,358	0.50
Compensation options (June 2022 private placemer)	June 27, 2024	476,170	0.30
Warrants (July 2022 private placement)	July 19, 2024	100,000	0.50
Warrants (Nov. 2022 private placement)	Nov 25, 2024	6,200,000	*
Finder warrants (Nov. 2022 private placement)	Nov 25, 2024	15,000	0.20
Expiration:			
Broker warrants (June 2020 private placement)	June 19, 2022	(144,000)	0.20
December 31, 2022		28,520,848	0.57

* Exercise price of \$0.205 in the first year following closing through November 25, 2023, or \$0.30 in the second year following closing through November 25, 2024 (reduced from \$0.30 and \$0.40, respectively, in March 2023)

The fair value of the finder warrants and compensation options issued in 2021 and 2022 in connection with the July 2021 bought-deal financing, the June 2022 brokered private placement and the November 2022 non-brokered private placement, were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	Nov. 25, 2022 (\$0.20)	June 28, 2022 (\$0.30)	July 6, 2021 (\$0.54)
Dividends	-	-	-
Expected volatility (average)	70%	79%	104%
Risk-free interest rate	4.0%	3.0%	1.0%
Expected life (months)	24	24	24

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

	Expiry date	Exercise price	Number of warrants
Warrants (July 2021 bought deal)	July 6, 2023	0.80	10,649,000
Underwriters' warrants (July 2021 bought deal)	July 6, 2023	0.54	1,042,320
Warrants (June 2022 private placement)	June 27, 2024	0.50	10,038,358
Compensation options (June 2022 private placement)	June 27, 2024	0.30	476,170
Warrants (July 2022 private placement)	July 19, 2024	0.50	100,000
Warrants (Nov. 2022 private placement)	Nov 25, 2024	*	6,200,000
Finder warrants (Nov. 2022 private placement)	Nov 25, 2024	0.20	15,000
		0.57	28,520,848

* Exercise price of \$0.205 in the first year following closing through November 25, 2023, or \$0.30 in the second year following closing through November 25, 2024 (reduced from \$0.30 and \$0.40, respectively, in March 2023)

The weighted average remaining life of outstanding share purchase warrants as at December 31, 2022 was 14 months (December 31, 2021: 18 months).

(c) Stock options

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

	Expiry date	Number of options	Weighted average exercise price
December 31, 2020		8,770,948	0.28
Issued:			
April 12, 2021	April 11, 2026	600,000	0.49
August 31, 2021	August 30, 2026	4,050,000	0.51
Exercised		(419,724)	0.21
Expired		(618,000)	0.24
December 31, 2021		12,383,224	0.37
Expired		(1,240,000)	0.45
December 31, 2022		11,143,224	0.37

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

Stock-based compensation relating to stock options totalled \$750,396 in the year ended December 31, 2022 (year ended December 31, 2021: \$1,406,958).

All stock options granted in 2021 will vest in five equal tranches over 24 months including an initial tranche vesting on the date of issuance.

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

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

No stock options were exercised subsequent to December 31, 2022 through April 27, 2023.

(d) Restricted share units

Under the terms of the Company's Restricted Share Unit Plan ("RSU Plan") the Board of Directors may, from time to time, grant to employees, officers and consultants, restricted share units ("RSUs") in such numbers and for such terms as may be determined by the Board of Directors. RSUs granted under the RSU Plan are exercisable after the vesting conditions, as specified by the Board of Directors, are met. The vesting period may not exceed three years.

In April 2021, the Company granted a total of 584,374 RSUs effective April 12, 2021, as follows:

- 126,041 RSUs to three directors of the Company of which 50% vested on October 12, 2022 and the remaining 50% will vest on April 12, 2024
- 216,666 RSUs to three officers of the Company all of which will vest on April 12, 2024
- 218,750 RSUs to two employees of the Company all of which will vest on April 12, 2024
- 22,917 RSUs to one employee of the Company all of which vested on October 12, 2022.

The fair value of the RSUs granted was determined based on the Company's share price on the date of grant being \$0.49.

In August 2020, the Company granted a total of 575,000 RSUs to five officers and directors of the Company effective July 30, 2020. Fifty percent of the RSUs vested on January 30, 2022 and the remaining 50% will vest on July 30, 2023. The fair value of the RSUs granted was determined based on the Company's share price on the date of grant being \$0.26.

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A continuity of the Company's RSUs is as follows:

	Number of RSUs
December 31, 2020	841,666
Issued:	
April 12, 2021	584,374
Vested	(374,999)
December 31, 2021	1,051,041
Vested	(352,606)
December 31, 2022	698,435

The vesting profile of the RSUs outstanding as at December 31, 2022 is as follows:

Date of vesting	RSUs
July 30, 2023	200,000
April 12, 2024	498,435
	698,435

Stock-based compensation relating to RSUs totalled \$137,296 in the year ended December 31, 2022 (year ended December 31, 2021: \$161,488).

11. EXPLORATION AND DEVELOPMENT

	Year ended December 31, 2022			
	Cuiú Cuiú	Other	Logistical support	Total
Drilling	\$ 2,361,295	\$ -	\$ -	\$ 2,361,295
Field costs	1,976,894	16,314	-	1,993,208
Payroll	1,660,631	-	45,504	1,706,135
Consulting, third parties	555,241	-	-	555,241
Freight and travel	510,648	-	17,272	527,920
Assay	383,482	-	-	383,482
Office and logistics	-	-	132,666	132,666
	\$ 7,448,191	\$ 16,314	\$ 195,442	\$ 7,659,947

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Year ended December 31, 2021				
	Cuiú Cuiú	Other	Logistical support	Total
Drilling	\$ 2,859,967	\$ -	\$ -	\$ 2,859,967
Field costs	2,277,875	15,221	-	2,293,096
Payroll	1,700,871	-	52,515	1,753,386
Freight and travel	779,064	-	11,206	790,270
Assay	343,423	-	-	343,423
Office and logistics	-	-	150,529	150,529
Consulting, third parties	69,390	-	-	69,390
	\$ 8,030,590	\$ 15,221	\$ 214,250	\$ 8,260,061

12. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the year ended December 31, 2022 amounted to \$2,181,192 (year ended December 31, 2021: \$2,240,364).

13. SEGMENTED INFORMATION

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

	Canada	Brazil	Total
Non-current assets:			
December 31, 2022	\$ 1,262	\$ 4,753,248	4,754,510
December 31, 2021	2,297	4,306,001	4,308,298
Net loss:			
Year ended December 31, 2022	1,667,500	8,679,133	10,346,633
Year ended December 31, 2021	\$ 1,954,357	\$ 9,250,828	11,205,185

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14. RELATED PARTY TRANSACTIONS

(a) Related party transactions

	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021
Management:		
Employment remuneration	\$ 179,000	\$ 179,000
Consulting fees	238,956	234,333
Payroll related costs	22,171	22,908
Stock-based compensation, stock options	214,983	338,322
Stock-based compensation, RSUs	46,765	54,319
	<u>701,875</u>	<u>828,882</u>
Directors (excluding management):		
Stock-based compensation, stock options	141,849	308,303
Stock-based compensation, RSUs	48,878	76,558
	<u>190,727</u>	<u>384,861</u>
	<u>\$ 892,602</u>	<u>\$ 1,213,743</u>

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

During the year ended December 31, 2022, the Company paid and accrued \$129,400 to Geofin for consulting services (year ended December 31, 2021: \$139,367).

During the year ended December 31, 2022, the Company paid and accrued \$109,556 (year ended December 31, 2021: \$116,550) to HCC for consulting services.

A total of \$66,050 was paid to officers of the Company during 2022 or accrued as liabilities owing to officers as at December 31, 2022 in respect of 2022 company expense reimbursements (in respect of the year ended December 31, 2021: \$76,460). Such expense reimbursements related to various expenses including marketing, travel, office and regulatory costs. All such expenditures are recharged to the Company without margin or discount at the actual cost incurred.

With the exception of the term loan described in Note 14(c), all transactions with related parties have occurred in the normal course of operations and have been measured at the exchange amount, which is the amount agreed to by the related parties.

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(b) Related party liabilities

As at December 31, 2022, the Company owed officers of the Company \$38,371 (December 31, 2021: \$8,446) for various expenses, including but not limited to marketing, travel, office and regulatory costs.

As at December 31, 2022, the Company owed officers of the Company \$126,524 (December 31, 2021: nil) for unpaid remuneration.

With the exception of the term loan (see Note 14(c)), the amounts owing to officers are non-interest bearing, unsecured and have no set terms of repayment.

(c) Term loan

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

The loan agreement provides for the funds to be advanced to the Company in either \$ or US\$. The lender elected to advance the funds in US\$.

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

The outstanding balance of the term loan as at December 31, 2022 amounted to US\$ 804,403 (\$1,089,483) comprising principle of US\$ 760,000 (\$1,029,344) and accrued interest of US\$ 44,403 (\$60,139) charged at a rate of 10% per annum. No interest has been paid on the loan since being advanced and no further funds were advanced by the lender subsequent to December 31, 2022.

In March 2023, the original loan agreement was replaced by a new loan agreement (the "**Loan Agreement**").

The new agreement acknowledges the total of US\$ 760,000 that Dr. Carter had advanced to the Company through January 31, 2023 (the "**Loan Amount**") and US\$ 50,858 of unpaid interest that had accrued on these advances through this date. Pursuant to the Loan Agreement, the Company will pay the lender an initial payment of the Loan Amount equal to 15% of the gross proceeds of the private placement that closed in March 2023 (see Note 19(a)) on or before the tenth business day following the date on which the Company has determined that it has working capital in the amount of not less than \$3,000,000. The Loan Agreement requires the remainder of the Loan Amount and all interest thereon to be paid in full by December 31, 2023.

Interest will be charged on the unpaid balance of the Loan Amount at a rate of 12.5% per annum from February 1, 2023 through December 31, 2023. If the Company has not paid the Loan Amount and all interest thereon in full on or before December 31, 2023, the Company will be considered to be in default and the rate of interest charged on the unpaid balance of the Loan Amount will increase from 12.5% to 15.0% per annum.

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

(d) Other related party issues

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

15. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are as follows:

- To safeguard its ability to continue as a going concern
- To have sufficient capital to be able to meet its strategic objectives including the continued exploration and development of its existing mineral projects and the identification of additional projects.

Given the current exploration stage of its projects, the Company's primary source of capital is derived from equity issuances. Capital consists of equity attributable to common shareholders.

The Company has no externally imposed capital requirements and manages its capital structure in accordance with its strategic objectives and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares in the form of private placements and/or secondary public offerings.

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

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

16. FINANCIAL INSTRUMENTS

(a) Carrying value and fair value

The Company's financial instruments comprise cash and cash equivalents, accounts receivable (excluding sales taxes), accounts payable and accrued liabilities, amounts due to related parties and the term loan.

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

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

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

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

(b) Financial risks

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, liquidity risk, credit risk and interest rate risk.

Foreign exchange risk

The Company operates primarily in Brazil and is therefore exposed to foreign exchange risk arising from transactions denominated in Brazilian reais ("R\$"). Other than Canadian dollar balances, the Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities are denominated in R\$ and US\$. Accordingly, the Company is subject to foreign exchange risk relating to such balances in connection with fluctuations against the Canadian dollar. The Company has no program in place for hedging foreign currency risk.

The Company held the following foreign currency denominated balances as at December 31, 2022 and December 31, 2021:

	December 31, 2022		December 31, 2021	
	R\$	US\$	R\$	US\$
Cash and cash equivalents	36,018	(5,974)	4,656,142	20,353
Receivables and prepaid expenses	34,895	-	699,804	-
Accounts payable and accrued liabilities	(5,130,801)	(73,750)	(3,816,499)	-
Term loan	-	(804,403)	-	-
	(5,059,888)	(884,127)	1,539,447	20,353
Equivalent in Canadian dollars	(1,296,343)	(1,197,462)	350,224	25,804

Based on the balances held as at December 31, 2022, a 10% decrease in the \$ per R\$ and \$ per US\$ exchange rates on this date would have resulted in an increase in the net loss for the year then ended of approximately \$249,831.

Liquidity risk

Liquidity risk encompasses the risk that an entity cannot meet its financial obligations in full as they become due. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 15. For the year ended December 31, 2022, the Company reported a net loss of \$10,346,633 (year ended December 31, 2021: net loss of \$11,205,185), and as at that date had a net working capital deficit of \$1,275,518 (December 31, 2021: net working capital balance of

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\$4,313,224). The continuation of the Company depends up on the support of equity investors, which cannot be assured. See Note 1.

Credit risk

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

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at December 31, 2022.

Interest rate risk

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

As at December 31, 2022, the Company had two interest bearing liabilities. In May 2022, the Company's President and CEO provided the Company with a short-term, unsecured term loan of up to \$1,500,000 bearing interest at a rate of 10% per annum; the amount ultimately advanced was US\$ 760,000 and the rate of interest was increased to 12% per annum effective February 1, 2023 pursuant to a replacement loan agreement (see Note 14(c)). Also, the Company is incurring penalty interest of 3% per month on an overdue trade balance in Brazil of approximately R\$ 3,040,000 (\$780,000) as at December 31, 2022.

Otherwise, the Company did not have any interest-bearing liabilities outstanding as at December 31, 2022.

17. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Year ended		Year ended	
	Dec. 31, 2022		Dec. 31, 2021	
Accounts payable relating to mineral properties	\$	62,060	\$	109,476
Share issuance costs paid in warrants		42,470		272,046

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18. CONTINGENT LIABILITY

(a) Litigation

Various legal, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations and the Company is therefore subject to litigation in the counties in which it operates. As at December 31, 2022 and April 27, 2023, there was one legal case outstanding which had not been settled. The Company is not a defendant in this litigation, however, it does have a potential exposure pursuant to the terms of a historic joint venture agreement and a related indemnification provided to a third party in connection with the sale of its 35% interest in a company in 2018. Management is monitoring the progress of this case in the Brazilian courts and is continuing to support the defendants in their vigorous defence against this claim. Recent decisions of the applicable courts have gone against the defendants which increases the risk that the Company may ultimately incur a loss. As at April 27, 2023, however, the significant uncertainty present regarding the outcome of the case and related issues is such that at this time, management is unable to estimate the likelihood of a loss ultimately being realised by the Company or the quantum and timing of any such loss should it occur. No provision has been made in the accounts for any amount associated with the claim.

(b) COVID-19

The Company's operations could be significantly and adversely impacted by the effects of a widespread global outbreak of a contagious disease, such as the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

19. SUBSEQUENT EVENT

(a) March 2023 non-brokered private placement

On March 17, 2023, the Company closed a non-brokered private placement financing consisting of a total of 27,900,000 units at a price of \$0.10 per unit for gross proceeds of \$2,790,000.

Each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.20 per share until March 17, 2025.

The Company paid cash finder's fees of \$12,000.