CERRADO
GOLD INC.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

*(Expressed in US dollars, except tables and otherwise noted)*

# 2020

## INTRODUCTION

The following Management's Discussion & Analysis ("MD&A") dated April 29, 2021 is a review of the business activities and overview of financial position for Cerrado Gold Inc. ("Cerrado" or the "Company") for the years ended December 31, 2020 and 2019. The MD&A should be read in conjunction with the Consolidated Financial Statements (the "Cerrado Financial Statements") for the years ended December 31, 2020 and 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International accounting Standards Board ("IASB).

This MD&A also reports on items deemed significant that occurred between December 31, 2020 and the date on which the MD&A is approved by the Company's Board of Directors, which is April 29, 2021, inclusively.

The information provided in this MD&A and the audited consolidated financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determinationof future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

Unless otherwise indicated, all reference to "dollar" or the use of the symbol "$" are to the United States dollar in this Management Discussion and Analysis.

## FORWARD-LOOKING STATEMENT AND USE OF ESTIMATES

This MD&A contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") within the meaning of applicable Canadian securities legislation. All information contained in this news release, other than statements of current and historical fact, is forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "guidance", "scheduled", "estimates", "forecasts", "strategy", "target", "intends", "objective", "goal", "understands", "anticipates" and "believes" (and variations of these or similar words) and statements that certain actions, events or results "may", "could", "would", "should", "might" "occur" or "be achieved" or "will be taken" (and variations of these or similar expressions). Forward-looking information is also identifiable in statements of currently occurring matters which may continue in the future, such as "providing the Company with", "is currently", "allows/allowing for", "will advance" or "continues to" or other statements that may be stated in the present tense with future implications. All of the forward-looking information in this MD&A is qualified by this cautionary note. Detailed information regarding risks and uncertainties is provided in the Risk and Uncertainties section of the MD&A.

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgmentwhen applying accounting policies and use assumptions and estimates that affect the amounts of the assets, liabilities, and expenses reported in the consolidated financial statements.

Because the use of assumptions and estimates is inherent to the financial reporting process, the actual results of items subject to assumptions and estimates could differ from original assumptions and estimates.

## ITEM 1 - COMPANY OVERVIEW & BACKGROUND

Cerrado is a public gold mining and exploration company with assets in Argentina and Brazil. Cerrado began trading on the TSX Venture Exchange on February 25, 2021 under the ticker "CERT".

In Argentina, Cerrado is focused on its producing Minera Don Nicolás gold mine ("MDN") located in the mineral rich Deseado Massif in the province of Santa Cruz, Argentina. MDN has been in production since 2017 and has been ramping up to full capacity during 2018 and 2019. The Company acquired 100% of MDN on March 16, 2020 from Minera Don Nicolás S.A via Compañia Inversora En Minas S.A. ("CIMINAS") and Compañia Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA").

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

On April 20, 2018, the Company through its wholly-owned subsidiary Serra Alta Mineracao Ltda. ("Serra Alta") acquired from Monte Sinai Mineracao Ltda. ("Monte Sinai") the Monte do Carmo gold project ("MDC") located in the Tocantins State of Brazil for a total consideration of $6.075 million satisfied by the issuance of 13,500,000 Cerrado common shares, and advances to Monte Sinai amounting to $1.267 million.

MDC consists of 13 exploration permits totaling 52,213 ha's in the state of Tocantins and 1 title in the state of Minas Gerais of 1,999 ha's. The property has access to excellent local infrastructure and strong local support from the community. Regional investment in mineral exploration in the area, by others, is reported to have amounted to US$4.7 million from 1985 through 1995, and over US$20.0 million from 1996 to 2016 by various operators. Since the acquisition of MDC, Cerrado has undertaken various drilling and other exploration activities on site. To date, a Mineral Resource Estimate for the primary Serra Alta deposit, prepared in accordance with Canadian National Instrument 43-101 ("NI 43-101") with an effective date of December 5, 2018, has outlined an initial inferred mineral resource of 13.7 million tonnes, grading 1.85 g/t gold, for a contained gold resource of 813,000 oz. Continuedexploration is planned at Serra Alta and the surrounding area with the objective to rapidly expand this mineral resource base.

## ITEM 2 –2020 HIGHLIGHTS

Cerrado entered 2020 as a private company with its 100% owned MDC gold exploration project located in the Tocantins State of Brazil. The Company came to own the MDC project when its wholly owned subsidiary Serra Alta acquired the project from Monte Sinai on April 20, 2018.

In the first quarter 2020, Cerrado made the transition to a multi-asset operating company when, on March 16, 2020, it completed the acquisition of Minera Don Nicolás S.A. and its namesake MDN operating mine and surrounding properties in Santa Cruz Province, Argentina.

Mining at MDN commenced in late 2017 with the first shipment of doré exported in December 2017. Commercial production was declared in 2018 and throughout the remainder of the year and into 2019 the mine continued to ramp up towards nameplate capacity of 1,000 tpd. As such, fourth quarter 2020 "Q4/20") represents Cerrado's third full operating quarter at MDN since its acquisition of the mine.

**Operational Performance**

### Minera Don Nicolas

Operations at MDN slowed since Q2/20 due to the severe restrictions imposed by the Argentine Government in March 2020 in response to the COVID-19 pandemic. These restrictions were based on social distancing principles and resulted in limiting the number of working staff and crews allowed on site such that the mine camp was forced to occupy one person per room during the shift roster resulting in a 50% decrease in personnel. This approach differed from normal times where a single room with two beds was used by two persons, a 'day shift' employee and a 'night shift' employee. Given the unknown transmission rate and methods of the virus, the extra caution was taken from the very onset of the pandemic which ensued throughout the whole of Q2/20, Q3/20 and Q4/20. These restrictions reduced operating performance in the quarters as a result, such as reduced waste stripping and mining of the higher grade La Paloma region due to the reduced personnel on site.

MDN is a remote mining operation with a self-sustaining camp facility. The new restrictions caused a redistribution of housing to those required to be on site and forced all non-essential employees to stay at their residences on stand-by, and where possible, assume a "work-at-home" routine. The effects of the limited housing caused a 45% reduction in operational workforce, and given the nature of the processing plant operations, priority was given to all processing personnel. Mine operations adjusted to limited operation in the Sulfuro, Cerro Oro and Coyote Open Pits and the re-handling of higher-grade stockpiles. Although in operation, the site continued to be restricted with consumable delivery, workforce roster rotations restricting the implementation of some of the operational improvements planned by Cerrado.

An onsite protocol was established, restricting entry and exit from the site without a proper medical affidavit and quarantine period. The installation of thermal body cameras was completed in strategic areas to ensure any individual that experienced early COVID-19 symptoms was observed.

Metal production for the year ended December 31, 2020 at MDN totalled 16,545 ozs of gold and 36,780 ozs of silver. Milled throughput for the year was 911 tpd reflecting the slow start to operations when the project was acquired in Q2/20 as a result of the onset of the COVID-19 pandemic. Gold and silver processing recoveries for 2020 were 89% and 63% respectively. Average grades at the mines for the year were 2.36 g/t gold and 7.69 g/t silver.

Metal production at MDN in Q4/20 totalled 5,168 ozs of gold and 14,043 ozs of silver. Gold production was up 15% from 4,512 ozs in Q3/20 and silver production up 19% from 11,799 ozs in Q3/20. Milled throughput for the quarter was 1,033 tonnes per day ("tpd"), up 11% from 932 tonnes per day in the previous quarter. Gold processing recoveries were 89%, an improvement over the previous quarter recoveries of 87% and silver recoveries were 64%, in line with Q3/20. The average gold headgrade was 2.38 g/t and the silver head grade was 9.21%, up 6% and 13% from the previous quarter.

The stringent restrictions put in place by the Argentine government in response to the COVID-19 pandemic has not only impacted short term operational performance but has limited Cerrado's ability to fully implement various operational changes that are planned to see improved operational performance going forward such as increased ore sampling, a focus on grade control and reduced mining dilution. Cerrado continues to focus on bringing an increased focus to the mines operational performance as restrictions are lifted and access to the site improves allowing for additional operational upgrades to be implemented.

**Financial Performance**

**Minera Don Nicolas**

For the full year 2020, the Company generated revenues of $32.194 million as a result of the sale of 17,673 ozs of gold and 38,767 ozs of silver from MDN at an average realized price per gold ounce sold of $1,779. Net Income from mining operations generated was $0.743 million and a net loss and basic and diluted loss per share for the year of $12.569 million and $0.28 respectively.

Full year total Cost of Sales and Cash Costs were $31,451 and $24,103 respectively (refer to Note 14 for reconciliation of Non-IFRS performance metrics). Total Cash Costs per ounce of gold sold at MDN for 2020 were $1,364 resulting in an average realized margin per ounce of gold sold of $415. The All-In Sustaining Cost ("AISC") for 2020 on a mine site basis at MDN were $1,734 per ounce sold.

As the Company continues to implement the first phase of operational improvements at the mine, the increased production combined with head-grade improvements is expected to substantially decrease overall unit costs. In addition, as the extra costs related to the current COVID mitigation requirements are reduced, costs are expected to decline significantly.

Also contributing to costs being higher than planned during the year are due to operation disruptions caused by extreme weather conditions in Q3/2020, and higher costs related to COVID mitigation requirements which amounted to approximately $1.458 million during the year or $82 per Au Oz sold. These events have resulted in increased short term fixed costs and lowered production of higher-grade ore and overall production rates during the year. COVID-19 related costs include PCR tests for anyone entering field operations, sanitization, accommodation, charter transportation, and other personnel-related costs, all part of the Company's efforts to curtail the spread of the virus.

During Q4/20, the Company generated revenues of $10.267 million (Q3/20 - $12.563 million) as a result of the sale of 5,552 ozs of gold (Q3/20 – 6,635 ozs) and 15,369 ozs of silver (Q3/20 – 14,771 ozs) from MDN at an average realized price per gold ounce sold of $1,783, down from $1,843 in the previous quarter.

The Company generated loss from mining operations of ($1.193) million in the quarter, down from income of $0.626 million in Q3/20 with a net loss and basic and diluted loss per share in Q4/20 of $5.171 million and $0.11 respectively.

During Q4/20, total Cost of Sales and Cash Costs were $11,460 and $9,218 respectively. Total Cash Costs per ounce of gold sold at MDN for Q4/20 were $1,660, a 20% increase from the previous quarter of $1,386, and resulting in an average realized margin per ounce of gold sold of $123.

(Expressed in US dollars, except tables and otherwise noted)

The All-In Sustaining Cost (”AISC”) in Q4/20 on a mine site basis at MDN was $1,929 per ounce, representing a 5% increase over $1,830 per ounce in Q3/20.

**Exploration**

**Minera Don Nicolas**

On December 2, 2020, the Company filed a Technical report entitled, “Independent Technical Report for the Minera Don Nicolás (“MDN”) Gold Project, Santa Cruz, Argentina”, supporting the updated Mineral Resource Estimate, and the first resource update since 2012 at MDN. The Technical Report dated September 25, 2020 has an effective date of August 31, 2020 and was prepared by SRK Consulting (Canada) Inc. (“SRK”) in accordance with NI 43-101 and Form 43-101F1.

Highlights from the Mineral Resource Estimate include:

- Resources are on an “as purchased” basis and do not include any additional ounces added by Cerrado Gold.
- M & I Resources of 1,126,200 tonnes grading 5.49 g Au/t and 8.37 g Ag/t for 198,808 ozs Au and 241,903 oz Ag.
- Inferred Resources of 4,663,700 tonnes grading 2.33 g Au/t and 4.78 g Ag/t for 348,693 ozs Au and 320,118 oz Ag.
- Don Nicolás Operation consists of nine separate deposits and 12 high priority targets.
- The property contains numerous opportunities to expand resources and extend mine life via further drilling in surrounding areas such as the Baritina, Chulengo and Goleta areas, as well as drilling at depth for underground resources at Sulfuro Vein.
- Property encompasses over 272,000 hectares and is located within the highly prolific Deseado Massif region, home to several multi-million-ounce deposits including Cerro Vangaurdia (Anglo Gold), Cerro Negro (Newmont), Cerro Moro (Yamana).

A summary of the updated Mineral Resource Estimate is set out in the table below:

| Category | Quantity | Grade | | Metal | |
|---|---|---|---|---|---|
| | tonne | Au gpt | Ag gpt | Au Oz | Ag oz |
| **Open Pit** Cut-off 0.3 g/t gold** | | | | | |
| Measured | 249,400 | 4.32 | 5.50 | 34,668 | 44,100 |
| Indicated | 820,600 | 5.77 | 9.61 | 152,237 | 183,126 |
| Measured and Indicated | 1,070,000 | 5.43 | 8.39 | 186,905 | 227,226 |
| Inferred | 4,108,400 | 1.59 | 3.75 | 210,476 | 195,252 |
| **Underground** Cut-off 3.0 g/t gold** | | | | | |
| Measured | 0 | 0.00 | 0.00 | 0 | 0 |
| Indicated | 56,200 | 6.59 | 8.12 | 11,903 | 14,677 |
| Measured and Indicated | 56,200 | 6.59 | 8.12 | 11,903 | 14,677 |
| Inferred | 555,300 | 7.74 | 8.41 | 138,217 | 124,867 |
| **Combined Mining** | | | | | |
| Measured | 249,400 | 4.32 | 5.50 | 34,668 | 44,100 |
| Indicated | 876,800 | 5.82 | 9.48 | 164,140 | 197,803 |
| Measured and Indicated | 1,126,200 | 5.49 | 8.37 | 198,808 | 241,903 |
| Inferred | 4,663,700 | 2.33 | 4.78 | 348,693 | 320,118 |

Notes:
*Mineral resources are reported in relation to a conceptual pit shell. Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. All composites have been capped where appropriate.
**Open pit mineral resources are reported at a cut-off grade of 0.3 g/t gold for the open pit portion and 3.0 g/t gold for the underground deposits. Cut-off grades are based on a price of US$1,550 per ounce of gold and gold recoveries of 95 percent at Martinetas and 88 percent at La Paloma, without considering revenues from other metals.

This updated Mineral Resource Estimate for MDN provides an initial base-case resource that supports the Company's strong outlook for current gold production and provides a baseline from which to build a strategic exploration program to achieve targeted resource growth.

The Company acquired the mine for its significant overall growth potential as MDN comprises one of the largest land packages in the prolific Santa Cruz province in Argentina. While the two main mining areas are of major focus, there are numerous unexploited greenfield and brownfield opportunities that warrant follow up as indicated by exploration work to date. There are at least 12 advanced stage targets that need additional drilling as well as 48 other targets that need mapping, sampling and trenching. Prioritizing and testing of these targets will be included in the proposed drill program at the project.

### Minera Mariana

On January 22, 2021 the Company completed an agreement with Capella Minerals Ltd. ("Capella Minerals") to acquire 100% of its Argentine subsidiary Minera Mariana Argentina S.A. ("Minera Mariana") (the "Transaction"). Under the terms of the agreement, the Company paid the purchase price consisting of an initial payment of US$50 thousand and US$1,769 (Cdn$2,250) by the issuance of 1,666,667 common shares of the Company to Capella Minerals at a deemed share price of Cdn$1.35, based on the price of the Company's shares in the concurrent financing associated with listing on the TSX Venture Exchange via the announced business combination between BB1 Acquisition Corp and the Company.

The principal assets owned by Minera Mariana include the Las Calandrias and Los Cisnes projects (together the "Projects"). The Projects are located in the Santa Cruz province of Argentina. In total, the Projects consist of approximately 60,400 ha with the bulk of the land holdings on the property adjacent to Cerrado's Minera Don Nicolas ("MDN") gold mine property.

The most advanced project at this time at Minera Mariana is the Las Calandrias gold and silver project, which borders the northern boundary of Cerrado's MDN property. The main focus of work to date on the Projects has been on the Calandria Sur and Calandria Norte deposits. These deposits are characterized as low to intermediate sulphidation, epithermal-precious-metal quartz vein and vein-breccia types.

In 2018, Capella Minerals completed a National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") compliant Technical Report and Mineral Resource Estimate by AGP Mining Consultants Inc. (AGP), titled "Las Calandrias Project Technical Report and Resource Estimate Santa Cruz Province, Argentina" (the "Capella Mineral Resource Estimate"). The effective date for the Mineral Resource Estimate is September 14, 2018. To the best of Cerrado's knowledge, information, and belief, there is no new material scientific or technical information that would make the disclosure of the mineral resources, in the Mineral Resource Estimate inaccurate or misleading. However, Cerrado has not completed it own technical report on this project and therefore treats the Capella Mineral Resource Estimate as "historical" until Cerrado has done sufficient work to support it. References may be made in this section to historic Mineral Resource estimates. None of these are NI 43-10 compliant as related to Cerrado and a qualified person has not done sufficient work to classify these historic estimates as a current Mineral Resource. They should not be relied upon and Cerrado does not treat them as current Mineral Resources

### Monte do Carmo Project

On October 14, 2020, Cerrado announced the results of a Preliminary Economic Assessment ("PEA") on the current Mineral Resource Estimate for the Serra Alta deposit at its MDC gold project in Brazil. The results of the PEA demonstrate robust economics with an after-tax $NPV_{8\%}$ of $377 million and IRR of 76%. The final PEA Technical Report completed by GE21 Consultoria Mineral Ltda ("GE21"), in accordance with NI 43-10, was filed on December 2, 2020 with an effective date of April 23, 2020.

Results of the PEA highlight the significant potential Cerrado anticipates at the MDC gold project. The Serra Alta deposit is the first of 5 analogue deposits Cerrado is developing and while current resources remain relatively modest in scale, the completion of the PEA underscores the extremely robust economics that should only improve as the resources continue to grow with further drilling.

Highlights and key assumptions of the results include:

- Long Term Gold Price US$1,550
- 7 Year annual production targeted at approx. 103,000 ounces gold
- Initial Capex US$110 million (including US$25 million contingency)
- Total after-tax free cash flow estimated US$78 million per annum (Cumulative US$548 million)
- Average Cash Costs of US$480.95/oz; Avg AISC US$498/oz
- Potential to be amongst lowest 10% of AISC cost mines in the world
- Upside potential from continued drilling & resource expansion

A summary of the PEA results is as follows:

| *PEA Summary Table* *All Figures in US$ unless otherwise noted* | | |
|---|---|---|
| **NPV 8% After Tax** | **$ millions** | **$377** |
| **NPV 5% After Tax** | **$ millions** | **$432** |
| **IRR After Tax** | **%** | **76.4** |
| Long Term gold price | US$/oz Au | $1,550 |
| Initial Capex | $ millions | $110 |
| Sustaining LOM Capital | $ millions | 1.6 |
| LOM average annual Production | koz | 103.5 |
| LOM Annual Tonnes mined | MM tonnes | 1.888 |
| LOM Stripping Ratio | waste:ore | 7.79:1 |
| Opex | $/t | $26.39 |
| Avg Cash Cost | US$/oz Au | $480 |
| Avg LOM AISC | US$/oz Au | $498 |
| Royalties | % | 3% |
| Life of Mine | years | 7 |
| Payback | years | 1.5 |
| Mine closure provision | $ millions | $11.25 |

The PEA is based on the current Mineral Resource Estimate completed by MICON International Limited, and prepared in accordance with NI 43-101, with an effective date of December 5, 2018 which is outlined in the table below. It should be noted that mineral resources which are not mineral reserves do not have demonstrated economic viability.

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

The PEA summarized in this document is intended to provide only an initial, high level review of the project potential and design options. The PEA mine plan and economic model include numerous assumptions and the use of Inferred Mineral Resources. Inferred Mineral Resources are considered to be too speculative to be used in an economic analysis except as allowed for by Canadian Securities Administrators' NI 43-101 in PEA studies. There is no guarantee the project economics described herein will be achieved.

On October 15, 2020, Cerrado announced the commencement of the 2020 drill program at MDC. The program will focus on the Serra Alta deposit and is expected to consist of approximately 17,000 metres of drilling utilizing 4 drills aimed at significantly expanding the total ounces in the current Mineral Resource Estimate on the deposit. Cerrado expects the drill program to be completed by March 2021 and followed by an updated Mineral Resource Estimate.

On December 16, 2020, the Company announced the successful results from the first drill hole, FSA-94, falling well within the PEA open pit shell and demonstrated more extensive intercepts and greater visible gold that previous drill program.

Drill hole FSA-94 highlights include:
• From 30.10m TO 135.10m, True thickness 105.00m at 3.48g Au/t
o Including 40.30m to 54.00m, True thickness 13.70m at 2.50g Au/t
o including 108.35m to 135.10m, True thickness 26.75m at 10.93g Au/t
o including 114.40m to 115.38m, True thickness 0.98m at 218g Au/t
and 175.10m to 214.60m, True thickness 39.50m at 1.90g Au/t
and 229.78m to 234.02m, True thickness 4.24m at 4.62g Au/t

Assuming the results from the additional holes of this drill program are in line with the Company's expectations of the project, we would expect to commence a second phase drill program in in the second half of 2021 to test the other similar analogous deposit targets along strike such as Capitao, 5 km to the south, Fartura and Ferradura, 2 and 5 kms to the northwest respectively.

Other Corporate Highlights

On November 5, 2020, Cerrado announce the appointments of Dr. Jonathan Gilligan and Mr. David Ball to the Company's Board of Directors.

Dr. Gilligan is currently Vice President, Automated Mine Design at Torex Gold Resources Inc., a mid-tier gold producer with assets in Mexico. He previously held senior technical and operating roles with SSR Mining and prior to that, multiple executive positions with BHP. During his 35-year career in the mining industry Dr. Gilligan has led teams in advanced exploration, resource development, capital projects, technical services and mine operations. Dr. Gilligan brings extensive technical, advanced projects, mines start-up and operating experience across multiple commodities in South America, Australia and Central/Southern Africa. Dr. Gilligan holds a Bachelor of Science with Honors in Geology (University College London) and a Doctorate in economic geology (University of Southampton).

Mr. Ball is currently Chief Financial Officer of Santiago Metals Limitada. A private Chilean based copper producer and portfolio company of US Private Equity group, Denham Capital. Prior to his current role he held several positions at Macquarie Capital, an Australian Investment Bank. During his career in the metals and mining sector, Mr. Ball has been actively involved in M&A, corporate advisory and fund raising of both equity and debt. Mr. Ball brings mining focused operational and capital markets experience from Australia, South East Asia and North & South America. Mr. Ball holds a Bachelor of Commerce with Distinction (Curtin University) and a Masters of Finance (INSEAD).

## ITEM 3 – SUBSEQUENT EVENTS

### *Acquisition of Minera Mariana Argentina S.A., Reverse Takeover and Concurrent Financing Transaction*

On January 19, 2021 the Company completed an agreement with Capella Minerals Ltd. ("Capella Minerals") to acquire 100% of its Argentine subsidiary Minera Mariana Argentina S.A. ("Minera Mariana") (the "Transaction"). Under the terms of the agreement, the Company paid the purchase price consisting of an initial payment of US$50 thousand and US$1,769 (Cdn$2,250) by the issuance of 1,666,667 common shares of the Company to Capella Minerals at a deemed share price of Cdn$1.35, based on the price of the Company's shares in the concurrent financing associated with listing on the TSX Venture Exchange via the announced business combination between BB1 Acquisition Corp and the Company (see below).

After evaluating all the facts surrounding this transaction, Management determined that the transaction does not constitute a business combination, as Minera Mariana does not meet the definition of a business under IFRS 3, Business Combinations and was recorded as an asset acquisition.

The acquisition cost, consisting of the initial cash paid and fair value of the consideration shares, totalled $1,819 and has been allocated to the acquired identifiable assets and liabilities of Minera Mariana.

### *Private Placement and Reverse Takeover Transaction ("RTO")*

On February 17, 2021, the Company completed a private placement of 11,111,200 common shares at a price of Cdn$1.35 per common share for aggregate gross proceeds of Cdn$15,000 (the "Offering"). The Company granted 666,672 Broker warrants exercisable at $1.35 until February 17, 2022. The closing of the Offering was a key step towards completion of the previously announced reverse take-over ("RTO") transaction of BB1 Acquisition Corp. ("BB1"). The net proceeds of the Offering will be used to advance the Company's Monte de Carmo project in Brazil, for advancing the Company's Minera Don Nicolas mine in Argentina, and for general corporate purposes.

On February 19, 2021, the Company and BB1 completed the previously announced RTO transaction. The RTO was structured as a three-cornered amalgamation, as a result of which the Company has become a wholly-owned subsidiary of BB1, changing its name to "Cerrado Gold Corp.", and completed a vertical short-form amalgamation to amalgamate itself with the Company and carry on under the corporate name "Cerrado Gold Inc." prior to the resumption of trading on the TSXV.

Pursuant to the RTO, all securities of the Company were exchanged for securities of BB1 at an exchange ratio of one (1) security of BB1 for each equivalent security of the Company. Following completion of the RTO, there are 70,545,054 Common Shares, 2,000,000 Warrants, 4,000,000 Options and 6,780,003 RSUs and 1,295,412 Broker Warrants issued and outstanding of Cerrado Gold Inc.

The substance of the transaction is a reverse takeover ("RTO") of a non-operating company. After evaluating all the facts surrounding this transaction, Management determined that the transaction does not constitute a business combination, as BB1 does not meet the definition of a business under IFRS 3, Business Combinations. As a result, the transaction is accounted for as an asset acquisition with Cerrado Gold Inc. being identified as the acquirer and the equity consideration accounted for in accordance with IFRS 2, Share-based payments, measured at fair value. Thus, there is no goodwill recognized, and the difference between the consideration and fair value of the net assets acquired results in a listing expense of $655.

### Revolving Prepayment Facility

In March 2021, the Company revised the repayment terms of the $7,500 facility (see Notes 13 and 26 of the Financial Statement) to six months with the final draw of the Company to be made on June 30, 2022 unless mutually agreed otherwise.

## ITEM 4 – OUTLOOK

In Argentina, Cerrado remains focused on the operational improvement initiatives at MDN focused on enhanced dilution control activities tightening in pit ore control processes to further increase the average head-grades delivered to the mill and improve recovery rates while sustaining the mill throughput rate at its design capacity of 1,000 tpd. These initiatives are expected to provide significant short-term benefits with very limited capital expenditure and ultimately support the investment thesis for the acquisition of the operation.

With the success of the Mineral Resource Estimate update at MDN and the commencement of exploration activities at the project, management remains focused on and excited for the significant exploration potential it believes exists at the property to extend the mine life through the identification of additional mineralization in current open pit mining areas as well as underground.

On the back of Mineral Resource Estimate update success, on February 17, 2021, the Company announced the commencement of its 2021 exploration drill program at the MDN project. The new drill program is expected to consist of approximately 12,000 metres of core drilling and supporting assay work to build upon the current resources outlined at the MDN project. The Company expects the program to becompleted by July 2021 with the publication of a new NI 43-101 Mineral Resource estimate thereafter.

Current production has been limited to open pit operations where most mines in the region have evolved from open pit to underground. Cerrado will also investigate the potential to increase production by way of processing the significant amounts of low-grade stockpiles via heap leaching in the future as is seen at nearby operations.

In Brazil, the Company has made significant headway already with the current 17,000-metre drill program commenced in Q4/20 at the Serra Alta deposit at MDC. Just following the quarter, on January 14, 2021, Cerrado announced drill results from six additional drill holes FSA93 thru FSA98

Drill hole highlights included:

FSA94 *(remainder of the hole from 234.02 to 487.53 metres E.O.H.)*

- From 290.48m TO 309.50m, true thickness 19.02m at 1.92g Au/t
    - o including 301.20m to 309.50m, true thickness 8.30m at 3.97g Au/t

FSA95

- From 206.35m TO 219.22m, true thickness 9.98m at 2.26g Au/t
    - o including 208.37m to 211.43m, true thickness 2.37m at 4.78g Au/t

FSA97

• From 299.68m TO 318.10m, true thickness 12.84m at 1.25g Au/t
  o including 3.48m to 318.10m, true thickness 3.48m at 2.38g Au/t

FSA98

• From 156.00m TO 172.00m, true thickness 11.15m at 1.53g Au/t
  o including 169.00m to 172.00m, true thickness 2.09m at 4.48g Au/t

On February 24, results for a further six holes, FSA99 to FSA102 and FSA104 to FSA106, were announced.

Drill hole highlights included:

FSA102

• True thickness 41.96 metres at 1.82g/t Au, from 114.30m to 161.60m
  o including true thickness 11.44 metres at 4.86g/t Au, from 129.70m to 142.60m

FSA105

• True thickness 6.30 metres at 3.09g Au/t, from 37.60 to 43.90m

FSA106

• True thickness 14.15 metres at 5.98g/t Au, from 103.85m to 118.00m
  o including true thickness 2.00 metres at 37.85g/t Au, from 116.00m to 118.00m

Results from additional drill holes will be announced as assays are made available over the months following this report. Results to date support management's objective of expanding and upgrading the known resource at Serra Alta. The Company expects to commence the next phase of drilling immediately following this program in April and targeting even further resource growth for 2021.

## ITEM 5 – DISCUSSION OF OPERATIONS

The following table provides a summary of the Company's key operating information and statistics for the three months and full year ended December 31, 2020. Full year results only include operations of MDN for the period from acquisition, March 16, 2020 to December 31, 2020.

### Selected Operating and Financial Information

*Figures do not include results from the Don Nicolas mine operations for the period prior to the acquisition date (March 16, 2020)

| Key Operating Information | | Unit | Three months ended December 31, 2020 | Year ended December 31, 2020 (*) |
|---|---|---|---|---|
| **Operating Data** | | | | |
| Ore Mined | | ktonnes | 59.80 | 185.20 |
| Waste Mined | | ktonnes | 850.69 | 2,679.77 |
| Total Mined | | ktonnes | 925.50 | 2,899.12 |
| Strip Ratio | | waste/ore | 14.23 | 14.47 |
| Mining rate | | tpd | 12.18 | 10.78 |
| | | | | |
| Ore Milled | | tonnes | 78.52 | 245.04 |
| Head Grade Au | | g/t | 2.38 | 2.36 |
| Head Grade Ag | | g/t | 9.22 | 7.69 |
| Recovery Au | | % | 89% | 89% |
| Recovery Ag | | % | 64% | 63% |
| | | | | |
| Mill Throughput | | tpd | 1,033 | 911 |
| Gold Ounces Produced | | oz | 5,168 | 16,545 |
| Silver Ounces Produced | | oz | 14,043 | 36,780 |
| Gold Ounces Sold | | oz | 5,552 | 17,673 |
| Silver Ounces Sold | | oz | 15,369 | 38,767 |
| | | | | |
| **Average realized price and Average realized margin** | | | | |
| Metal Sales | | $ 000's | 10,267 | 32,194 |
| Cost of Sales | | $ 000's | 11,460 | 31,451 |
| Gross Margin from Mining Operations | | $ 000's | (1,193) | 743 |
| | | | | |
| Average realized price per gold ounce sold | (1) | $/oz | 1,783 | 1,779 |
| | | | | |
| Total Cash Costs | (1) | $ 000's | $9,218 | $24,103 |
| Total cash costs per ounce sold | (1) | $/oz | $1,660 | $1,364 |
| AISC - Minera Don Nicolas | (1) | $/oz | $1,929 | $1,734 |

(1) This is a non-IFRS performance measure, see non-IFRS Performance Measures
(*) Includes key operating information and statistics for the period from March 16, 2020 to December 31, 2020 at Minera Don Nicolas

The Company's business, operations and financial condition have been significantly adversely affected by COVID-19. Actions taken to reduce the spread of COVID-19 have resulted in volatility and disruptions in regular business operations, supply chains and financial markets.

The extent to which Cerrado's operational and financial results are affected by COVID-19 will also depend on additional actions taken by business and governments in response to the pandemic and the speed and effectiveness of responses to combat the virus. The Company continues to carefully monitor the evolving situation of the COVID-19 pandemic. The safety and protection of its staff remains a top priority. Additional information regarding risk factors including, but not limited to, business risks is available in our Annual Information Form, a copy of which may be accessed through the SEDAR website (www.sedar.com).

| Financial | | Unit | Three months ended December 31, 2020 | Year ended December 31, 2020 (*) |
|---|---|---|---|---|
| Total revenue | | $ 000's | 10,267 | 32,194 |
| Mine operating expenses | | $ 000's | 11,460 | 31,451 |
| Income (loss) from mining operations | | $ 000's | (1,193) | 743 |
| Net income (loss) | | $ 000's | (5,171) | (12,569) |
| Adjusted EBITDA | (1) | $ 000's | (2,469) | (2,084) |
| Operating cash flow before movements in working capital | (1) | $ 000's | (3,229) | 10,926 |
| Operating cash flow | | $ 000's | (2,140) | 16,196 |
| Cash and cash equivalents | | $ 000's | 6,638 | 6,638 |
| Working capital surplus (deficiency) | | $ 000's | (1,983) | (1,983) |
| Capital Expenditures | | $ 000's | 660 | 4,334 |

(1) This is a non-IFRS performance measure, see non-IFRS Performance Measures
(*) Includes key operating information and statistics for the period from March 16, 2020 to December 31, 2020 at Minera Don Nicolas

The Company recognizes revenue from provisional invoicing once all the performance obligations have been fulfilled and control is transferred to the customer. Final metal pricing occurs according to the quotational period stated in the sales agreements and changes in metal prices during the quotational period may have a significant impact on the financial results of the Company.

### Full year ended December 31, 2020 ("2020") - including the period from March 16 to December 31, 2020 relating to MDN.

Full year 2020 includes the period from January 1, 2020 to March 15, 2020 in which Cerrado only held ownership in the MDC exploration project only, and the period from March 16, 2020 to December 31, 2020 in which the Company transitioned to an operating Company with the acquisition and addition of Minera Don Nicolas to its asset portfolio.

In 2020 MDN operating results only account for the additional 16 operating days prior to the end of Q1/20 that Cerrado owned the mine.

During the year 2020, the Company produced 16,545 gold ounces and 36,780 silver ounces. Head grades for the year were 2.36 g/t gold and 7.69 g/t silver with gold recoveries of 89% and silver recoveries of 63%.

The Company incurred general and administrative expenses of $7.699 million primarily consisting of salaries and wages of $2.936 million, which included a year-end bonus accrual of $1.03 million, followed by non-cash share-based payment expense of $2.345 million, as well as professional fees of $1.146 million and consulting fees of $573 million, largely the result of an increase in corporate activities related to the acquisition of MDN. Other expenses incurred of $4.923 million during the year include $4.517 million in finance costs, which consist largely of non-cash finance costs of $2,122 million related to accretion of future consideration payable and $2,048 million related to accretion of deferred revenue.

Net loss and basic and diluted loss per share for 2020 were $12.569 million and $0.28 respectively.

### Three months ended December 31, 2020 ("Q4/20")

During Q4/20, the Company produced 5,168 gold ounces and 14,043 silver ounces. Ore milled in the quarter was 78.52 kt with a mill throughput rate of 1,033 tpd. Head grades for the quarter were 2.38 g/t gold and 9.22 g/t silver with gold recoveries of 89% and silver recoveries of 64%.

Revenues in Q4/20 amounted to $10.267 million related to the sale of 5,552 ozs of gold and 15,369 ozs of silver at an average realized price per gold ounce sold of $1,783 and an average realized margin per gold ounce sold of $123. Mine operating expenses amounted to $11.460 million resulting in loss from mining operations for the quarter of $1.193 million.

Total Cash Costs per ounce of gold sold for Q4/20 at MDN were $1,660 resulting in an average realized margin per ounce of gold sold of $123. The All-In Sustaining Cost ("AISC") in Q4/20 on a mine site basis at MDN was $1,929 per ounce and $2,386 per ounce on a consolidated basis.

Net loss and basic and diluted loss per share for the three months ended December 31, 2020 was $5.171 million and $0.11 respectively.

As the Company continues to implement the first phase of operational improvements at the mine, the increased production combined with head-grade improvements is expected to substantially improve the Company's profitability through higher production levels combined with higher grade ore via improved dilution controls. Current regulations in place by the Argentine government in relation to the COVID-19 pandemic restrict the required labour to operate the mine efficiently and effectively hindering anticipated normal production levels. These regulations are expected to remain in place in the following quarters.

## ITEM 6 - LIQUIDITY & CAPITAL RESOURCES

At December 31, 2020, the Company had an accumulated deficit of $17.374 million, an increase from $4.805 million at December 31, 2019, which has been funded primarily by the issuance of equity.

Working capital deficit at December 31, 2020 was $1.983 million. Working capital is expected to improve as the Company is able to increase cash from operations as operational efficiencies are implemented at MDN and trade payables are reduced. Subsequent to year-end, the Company revised the repayment terms of the $7,500 facility to six months with the final draw of the Company to be made on June 30, 2022 unless mutually agreed otherwise.

The Company's cash and cash equivalents balance at December 31, 2020 was $6.638 million. This is an increase from the last stated cash and cash equivalents balance of $0.03 million at December 31, 2019. Cerrado's liquidity position is, however, sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting increased production targets, metal prices, foreign exchange rates, operational costs, and capital expenditures. If the Company's cash flow from operations is not sufficient to satisfy its requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado. Management expects that the Company's existing cash at December 31, 2020 together with cash from MDN operations will be sufficient to fund cash requirements in the ordinary course of business for a period of at least twelve months.

### Cash Flows

Cash provided from operating activities during the year ended December 31, 2020 of $16.196 million was primarily due to the advance payment of $15.0 million from the metals purchase and sale agreement with Sprott Private Resource Streaming and Royalty Corp. the Company entered into on March 13, 2020. (see note 12 in the Cerrado Financial Statements).

Cash used in investing activities during the period was $22.389 million and primarily consisted of the net cash payments of $14.368 million made by Cerrado as part of the Minera Don Nicolas S.A. acquisition. See note 4 in the Cerrado Financial Statements).

Cash generated by financing activities during the year ended December 31, 2020 was $12.996 million and consisted primarily of the cash inflow related to the private placement of 8,845,750 special warrants closed in September 2020 for gross proceeds of approximately $7.076 million, a private placement of 2 million shares closed in January 2020 for gross proceeds of approximately $1.0 million, and an advanced sales transaction occurring on March 12, 2020, in which the Company received an advanced consideration of $5.0 million in exchange for future quarterly physical deliveries of gold and silver dore from MDN. At December 31, 2020, the Company had drawn down a total $17.5 million and repaid a total $11.125 million under the revolving prepayment facility. The $6.393 million balance remaining bears interest at the rate of 3 Month LIBOR + 5.85% until repaid. (see note 13 in the Cerrado Financial Statements)

The Company's cash and liquidity position is, however, sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting production targets, metal prices, foreign exchange rates, operational costs, capital expenditures and the success of the above noted operational initiatives. If the Company's cash flow from operations is not sufficient to satisfy its requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.
Subsequent year end, on February 17, 2021 the Company completed a private placement financing for gross proceeds of Cdn$15.0 million. With the proceeds from the private placement financing along with the revolving prepayment facility

and cash generated from operations at MDN, management believes the Company to have sufficient funds for future cash requirements and debt obligations in the ordinary course of business for a period of at least twelve months from December 31, 2020.

The Company believes it has sufficient funds to finance its current operating, development and exploration expenditures. Longer term, the Company may pursue opportunities to raise additional capital through equity and or debt markets as it progresses with its properties and projects. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2020 and year ended December 31, 2019.

(Expressed in $000's)

| | **December 31 2020** | December 31 2019 |
|---|---|---|
| Equity | **$ 4,161** | $ 9,105 |
| Debt | **6,393** | - |
| | **$ 10,554** | $ 9,105 |

## Commitments and Contingencies

There are three royalty agreements that apply to the Company's Don Nicolás Mine, described as follows:

(i) A royalty payable to the province of Santa Cruz in the amount up to 3% of the metal value extracted from the mine. The value of the royalty is calculated based on the market value of metals contained in the commercial production from the mine, less the direct and/or operating costs required to commercialize the metals, not including any financial costs, amortization expense or any profit distribution.

(ii) A 2% royalty on the refined product, payable to Royal Gold Inc. based on a royalty agreement enacted and updated on August 16, 2013. The royalty is applicable to all areas of the Company and its properties which are currently under production. The obligations under this royalty agreement are backed by a first mortgage granted to Royal Gold on a number of the Company's mineral properties owned in the province of Santa Cruz, named as follows: Syrah, La Paloma I, Micro I, Micro II, Mar III, Mar IV, Gol I, Gol II, Armadillo, Dorcón 3, Dorcón 4, Estrella I and Estrella II.

(iii) A royalty of $3 per gold ounce, to a maximum of $2.0 million payable to Sandstorm Gold Limited based on an agreement executed on February 28, 2006. This royalty is applicable to all areas of the Company and its properties which are currently under production.

As at December 31, 2020, the Company did not have any material provisions for litigation claims or regulatory assessments. Further, the Company does not believe claims or regulatory assessments, for which no provision has been recorded, will have a material impact on the financial position of the Company.

As at December 31, 2020, the Company had the following contractual commitments.

(Expressed in $000's)

| | | **Payments due by period** | | | |
|---|---|---|---|---|---|
| | | <1 years | 1-5 years | 5> years | Total |
| Trade and other payables | $ | 14,526 | - | - | 14,526 |
| Operating commitments (i) | $ | 226 | 56 | - | 282 |
| Lease obligations (i) | $ | 496 | 303 | - | 799 |
| MDN acquisition payments (i) | $ | - | 32,000 | - | 32,000 |
| Revolving prepayment facility (i) | $ | 6,393 | - | - | 6,393 |
| Environmental rehabilitation provision (i) | $ | 175 | - | 2,970 | 3,145 |
| | $ | 21,816 | 32,359 | 2,970 | 57,145 |

(i) Reported on an undiscounted basis

## SELECTED ANNUAL INFORMATION

The following table sets forth selected annual information extracted from the Company's audited Consolidated Financial Statements for the years ended noted:

| | | Year Ended December 31, 2020 | Year Ended December 31, 2019 | Year Ended December 31, 2018 |
|---|---|---|---|---|
| Revenue | $ 000's | 32,194 | - | - |
| General and admnistrative expenses | $ 000's | 7,699 | 2,392 | 1,480 |
| Other expenses | $ 000's | 4,923 | 503 | 97 |
| Net loss for the period | $ 000's | (12,569) | (2,895) | (1,578) |
| Loss per share - basic | $/share | (0.28) | (0.07) | (0.08) |
| Loss per share - diluted | $/share | (0.28) | (0.07) | (0.08) |
| Total assets | $ 000's | 67,610 | 13,768 | 13,133 |
| Non-current financial liabilities | $ 000's | 40,041 | 196 | 192 |
| Cash dividends declared | $ 000's | - | - | - |

## ITEM 7 – CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common and preferred shares, where each common share provides the holder with one vote.

As of April 29, 2021, the total number of common shares outstanding or issuable pursuant to other outstanding securities is as follows:

| **Common Shares** | | **Number** |
|---|---|---|
| Outstanding | (i) | 70,545,054 |
| Issuable upon exercise of Finder's Warrants and Agent Options | (ii) | 1,295,412 |
| Issuable upon exercise of Cerrado Options | (iii) | 4,000,000 |
| Issuable upon exercise of Cerrado Warrants | (iv) | 2,000,000 |
| Issuable upon redemption of Cerrado RSUs | (v) | 6,780,003 |
| **Diluted common shares** | | **84,620,469** |

(i) Includes 1,666,667 common shares issued to Capella Minerals for the acquisition of Minera Mariana, 8,845,750 common shares issued upon conversion of the previously issued Special Warrants, 11,111,200 common shares from the February 17, 2021 private placement, and 1,937,416 common shares issued to BB1 upon completion of the RTO transaction on February 19, 2021.

(ii) In connection with the private placement of Special Warrants, the Company granted Haywood Securities Inc. (the "Agent") 123,625 Finder's Warrants and 505,115 Agent Options exercisable at $0.80.

(iii) There were 4,000,000 stock options under the Company's share plan outstanding to directors and officers with an exercise price of $0.45 and expiring on February 27, 2024.

(iv) There were 2,000,000 common share purchase warrants with an exercise price of $0.20 and expiring on October 3, 2021.

(v) There were 6,780,003 RSUs outstanding pursuant to RSUs granted on February 27, 2019, June 24, 2020, September 14, 2020, and November 13, 2020.

Cerrado has not issued any preferred shares.

## ITEM 8 - OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2020, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

## ITEM 9 - RELATED PARTY TRANSACTIONS AND BALANCES

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

### (a) Compensation of key management personnel

During the year ended December 31, 2020 and 2019 compensation of key management personnel is summarized as follows:

(Expressed in $000's)

| | December 31 2020 | December 31 2019 |
|---|---|---|
| Management compensation | **$ 2,550** | $ 359 |
| Share-based payments | **1,916** | 497 |
| Termination benefits | **226** | - |
| | **$ 4,692** | $ 856 |

**(b) Due to related parties**

During the year ended December 31, 2020 and 2019, Directors and Officers of the Company had extended loans to financing the working capital of the Company. The loans have no fixed terms of repayment, bear interest of 4.75% and are due on demand. As at December 31, 2020 amounts due to related parties in reference to these loans is $nil (December 31, 2019 - $648).

In addition to the transactions detailed elsewhere in profit or loss, the Company shares administrative services and office space with Ascendant Resources Inc. ("Ascendant'), a related company by virtue of common directors and officers, and from time to time will incur third party costs on behalf of related parties. Related party transactions are recognized at the amounts agreed between the parties. Outstanding balances are due on demand, unsecured and settlement occurs in cash. As at December 31, 2020, the amount payable from Ascendant for lease obligations was $119.

During the year ended December 31, 2020, Cerrado paid $194 in shared services owed from Ascendant (December 31, 2019 - $Nil). As at December 31, 2020 amounts owed from Ascendant in relation to shared services are $186 (December 31, 2019 - $Nil).

On June 24, 2020, Ascendant was granted a total of 200,000 RSUs in the capital of Cerrado in exchange for administrative services provided. During the year ended December 31, 2020 Ascendant received 66,667 common shares of Cerrado in accordance with the vesting terms of the 200,000 RSUs granted on June 24, 2020.

On October 5, 2020, Cerrado subscribed for a total of 2,650,000 units of Ascendant at a cost of Cdn$0.10 per unit for a total cost of Cdn $265. Cerrado accounts for this investment at FVTPL, with a fair value at December 31, 2020 of $354 (Cdn$450).

## ITEM 10 - PROPOSED TRANSACTIONS

Refer to Subsequent Events note (Item 3 of the MD&A).

## ITEM 11 - ACQUISITION OF MINERA DON NICOLAS

On March 16, 2020 (the "Closing Date"), the Company entered into an Agreement to acquire MDN and its namesake operating mine and surrounding properties in Argentina. Under the terms of the agreement the Company paid the Compania Inversora En Minas ("CIMINAS") and Compañia Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA") (together the "Sellers") an initial payment of $15.0 million at closing, with future payments of $10,000 in 24 months, $2.0 million in 36 months, $10.0 million in 48 months and $10.0 million in 60 months from the Closing Date and will be payable from a sinking fund, to be set up by the Company. The future consideration payable amount was initially recorded at fair value of $21.425 million. The payable amount is discounted using a rate of 12%, which is the Company's estimated weighted-average cost of capital. During the three and nine months ended September 30, 2020, the discount was amortized by $0.639 million and $1.464 million, respectively, which were included in finance costs.

In addition to the agreed upon payment of $47.0 million, the Sellers are entitled to the following "Initial Bonus" amounts, 48 months from closing date, provided the terms of agreement as described are met;

- $2.5 million if Mineral Reserves in accordance with NI 43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by between 250,000 and 499,999 ounces of gold
- $5.0 million if Mineral Reserves in accordance with NI 43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by at least 500,000 ounces of gold

In addition to the above, the Sellers are entitled to a "Final Bonus" of $5.0 million, 30 months from the final payment date, if Mineral reserves in accordance with NI 43-101 technical report, exceed closing Mineral Reserves of 215,000 ounces of gold by at least 750,000 ounces of gold.

The "Initial and Final Bonus" payment will not be payable to the Seller if the average LBMA gold price per ounce is below $1.250 million in the six months preceding the payment date as described.

As described above the "Initial and Final Bonus" is contingent upon meeting several criteria, including the completion of the NI 43-101 report. These contingent payments are valued at $Nil and are not included in the purchase price calculation below.

With the completion of the transaction, MDN has become a wholly owned subsidiary of Cerrado, and the Company is now the owner and operator of MDN, an open-pit gold mine in the province of Santa Cruz, Argentina.

The Company determined that the transaction represents a business combination under IFRS 3 Business Combinations ("IFRS 3"), with Cerrado identified as the acquirer and as such, the transaction has been accounted for using the acquisition method of accounting in accordance with IFRS 3. The total purchase price consideration of the acquisition was $36.425 million.

Acquisition related transaction costs of $0.467 million were recorded in the Company's condensed consolidated statements of operation and comprehensive income in 2020.

The table below presents the purchase price consideration and the Company's preliminary valuation of the assets acquired and liabilities assumed. In line with the requirements of IFRS 3.

(Expressed in $000's)

| **Purchase Price** | | |
|---|---|---|
| Cash paid | $ | 15,000 |
| Fair value of consideration payable | | 21,425 |
| | **$** | **36,425** |

| **Purchase Price Allocation** | | |
|---|---|---|
| Cash and cash equivalents | $ | 632 |
| Short-term investments | | 871 |
| Trade and other receivables | | 1,646 |
| Fiscal credit receivable | | 4,346 |
| Inventories - current | | 7,965 |
| Inventories - non-current | | 4,264 |
| Other receivables | | 4,440 |
| Property, plant and equipment | | 24,136 |
| Total identifiable assets acquired | | **48,300** |
| Trade and other payables | | (7,927) |
| Payroll obligations | | (1,426) |
| Tax obligations - current | | (44) |
| Finance lease obligations - current | | (359) |
| Loans payable - current | | (24) |
| Finance lease obligations - non-current | | (510) |
| Other liabilities - non-current | | (221) |
| Provisions | | (1,364) |
| Total identifiable liabilities assumed | | (11,875) |
| **Total identifiable net assets** | **$** | **36,425** |

In addition to the cash consideration paid and the deferred purchase price, the final purchase price is subject to a working capital adjustment. The working capital adjustment has not been finalized and is subject to further review and negotiation with the Sellers and, failing that, to a dispute resolution mechanism. Therefore, the Company is unable to estimate an amount for the working capital adjustment to be included in the final purchase price. Once finalized, the working capital adjustment will be recognized in the statement of operations.

The Company began consolidating the operating results, cash flows and net assets of MDN from March 16, 2020. As such, MDN contributed revenue of $32.893 million, income before income taxes of $1.415 million to the Company's results for the year ended December 31, 2020. If the acquisition of MDN had taken place on January1, 2020, pro forma total consolidated revenue and loss before income taxes for the Company would have been approximately $41.17 million and ($11.131 million), respectively for the year ended December 31, 2020.

As at the date of acquisition, MDN had approximately $66 million of excess tax basis, the benefit of which has not been recognized in the purchase equation or these financial statements.

## ITEM 12 - CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

Refer to Note 2 of the Cerrado Financial Statements for the years ended December 31, 2020 and 2019.

## ITEM 13 - CHANGES IN ACCOUNTING POLICIES

Refer to Note 3 of the Cerrado Financial Statements for the years ended December 31, 2020 and 2019.

## ITEM 14 - NON-IFRS PERFORMANCE MEASURES

The non-IFRS performance measures presented do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be directly comparable to similar measures presented by other issuers.

### Non-IFRS reconciliation of Adjusted EBITDA

EBITDA is a non-IFRS measure that represents an indication of the Company's continuing capacity to generate earnings from operations before taking into account management's financing decisions, share based compensation, and costs of consuming capital assets, and management's estimate of their useful life. EBITDA comprises revenue less operating expenses before interest expense (income), property, plant and equipment amortization and depletion, and income taxes. Adjusted EBITDA has been included in this document. Under IFRS, entities must reflect in compensation expense the cost of share-based payments. In the Company's circumstances, share-based payments involve a significant accrual of amounts that will not be settled in cash but will settled by the issuance of shares in exchange for cash. EBITDA and adjusted EBITDA do not have any standardized meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA and adjusted EBITDA exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA and adjusted EBITDA differently. As such, the Company has made an entity specific adjustment to EBITDA for these expenses. The Company has also made an entity-specific adjustment to the foreign currency exchange (gain)/loss.

The following table provides a reconciliation of net income (loss) to adjusted EBITDA:

| Adjusted EBITDA | Unit | Three months ended December 31, 2020 | Year ended December 31, 2020 (*) |
|---|---|---|---|
| Net income (loss) | $ 000's | (5,171) | (12,569) |
| *Adjusted for:* | | | |
| Depreciation | $ 000's | 990 | 2,538 |
| Metal inventory adjustment | $ 000's | - | 442 |
| Finance items | $ 000's | 1,327 | 4,517 |
| Share-based payments | $ 000's | (358) | 2,345 |
| Foreign currency exchange gain/loss | $ 000's | 743 | 643 |
| Income taxes | $ 000's | - | - |
| **Adjusted EBITDA** | **$ 000's** | **($2,469)** | **($2,084)** |

(*) Includes key operating information and statistics for the period from March 16, 2020 to December 31, 2020 at Minera Don Nicolas

### Total cash costs

Total cash costs is a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. Cerrado Gold reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance.

Total cash costs include production costs such as mining, processing, refining and site administration, less share-based compensation and net of silver sales divided by gold ounces sold to arrive at total cash costs per gold ounce sold. The measure also includes other mine related costs incurred such as mine standby costs and current inventory write downs. Production costs are exclusive of depreciation. Production costs include the costs associated with providing the royalty in-kind ounces. Other companies may calculate this measure differently.

### Average realized price and Average realized margin

Average realized price and average realized margin per ounce sold are used by management and investors to better understand the gold price and margin realized throughout a period.

Average realized price is calculated as metal sales per the statement of comprehensive earnings and includes realized gains and losses on gold derivatives, less silver sales, per ounce sold. Average realized margin represents average realized price per gold ounce sold less total cash costs per ounce sold.

| Average realized price and Average realized margin | | Three months ended December 31, 2020 | Year ended December 31, 2020 (*) |
|---|---|---|---|
| Metal sales | $ 000's | 10,267 | 32,194 |
| Less: Silver sales | $ 000's | (366) | (750) |
| Revenues from gold sales | $ 000's | 9,901 | 31,444 |
| Gold ounces sold | oz | 5,552 | 17,673 |
| Average realized price per gold ounce sold | $/oz | 1,783 | 1,779 |
| (*) Includes key operating information and statistics for the period from March 16, 2020 to December 31, 2020 at Minera Don Nicolas | | | |

### All-in Sustaining Costs

All- Sustaining Costs per gold payable ounces includes mine direct operating costs (mining, administration and other mine related costs incurred) as well as refining and freight costs, royalties, corporate G&A and sustaining capital costs, less by-product credits, divided by gold payable ounces sold. The measure does not include depreciation, depletion, amortization and reclamation expenses.

The following table provides a reconciliation of direct operating costs and All-in Sustaining Costs to mine operating expenses, as reported in the Company's consolidated statement of income (loss) for the years ended December 31, 2020 and 2019:

| Direct operating cost | | Three months ended December 31, 2020 | Year ended December 31, 2020 (*) |
|---|---|---|---|
| Mine operating expenses (from consolidated financial statements) | $ 000's | 11,460 | 31,451 |
| Deduct: Depreciation in production | $ 000's | (981) | (2,504) |
| Total cash costs (including royalties) | $ 000's | 10,479 | 28,947 |
| Deduct: Royalties and production taxes | $ 000's | (895) | (4,094) |
| **Direct operating costs** | **$ 000's** | **$9,584** | **$24,853** |
| (*) Includes key operating information and statistics for the period from March 16, 2020 to December 31, 2020 at Minera Don Nicolas | | | |

| AISC per Au payable pound sold | Unit | Three months ended December 31, 2020 | Year ended December 31, 2020 (*) |
|---|---|---|---|
| Gold ounces sold | oz | 5,552 | 17,673 |
| **Total Cash Cost Reconciliation** | | | |
| Direct operating costs | $ 000's | 9,584 | 24,853 |
| Deduct: Silver sales | $ 000's | (366) | (750) |
| **Total Cash Costs** | $ 000's | 9,218 | 24,103 |
| **Total cash costs per ounce sold** | **$/oz** | **$1,660** | **$1,364** |
| **All-In Sustaining Costs (AISC) Reconciliation.** | | | |
| Total Cash Costs | $ 000's | 9,218 | 24,103 |
| Add: Sustaining Capital Expenditures | $ 000's | 597 | 2,450 |
| Add: Royalties and production taxes | $ 000's | 895 | 4,094 |
| Add: Corporate G&A, excluding depreciation and amortization | $ 000's | 2,532 | 7,665 |
| **Total All-in Sustaining Costs - Consolidated** | **$ 000's** | **$13,242** | **$38,311** |
| Deduct: Corporate G&A, excluding depreciation and amortization | $ 000's | (2,532) | (7,665) |
| **Total All-in Sustaining Costs - Minera Don Nicolas** | **$ 000's** | **$10,710** | **$30,646** |
| **All-In Sustaining Costs per Ounce Sold - Minera Don Nicolas** | **$/oz** | **$1,929** | **$1,734** |
| (*) Includes key operating information and statistics for the period from March 16, 2020 to December 31, 2020 at Minera Don Nicolas | | | |

(1) If the Company were to include Corporate G&A expenses, AISC / Au oz would be $2,385 and $2,168 for the 3 and 12 months ended December 31, 2020, respectively, noting that the 12 months period ended December 31, 2020 is not representative of the time the Company owned and operated the mine since March 16, 2020.

### Additional Non-IFRS measures

The Company uses other financial measures, the presentation of which is not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. The following other financial measures are used:

- Operating cash flows before movements in working capital - excludes the movement from period-to-period in working capital items including trade and other receivables, prepaid expenses, deposits, inventories, trade and other payables and the effects of foreign exchange rates on these items.

The terms described above do not have a standardized meaning prescribed by IFRS, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. The Company's management believes that their presentation provides useful information to investors because cash flows generated from operations before changes in working capital excludes the movement in working capital items. This, in management's view, provides useful information of the Company's cash flows from operations and are considered to be meaningful in evaluating the Company's past financial performance or its future prospects. The most comparable IFRS measure is cash flows from operating activities.

## ITEM 15 - RISKS & UNCERTAINTIES

The Company's is subject to significant risks, challenges, and uncertainties, similar to other mineral exploration, development and productions, due to the nature of the mining industry. These risks and uncertainties include, but are not limited to the following:

### Limited Operating History

The Company has a limited history of operating and generating earnings from operations. The Company's continued operation will be dependent upon its ability to generate operating revenues and to procure additional financing.

### Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Cerrado's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Resources and Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Cerrado will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

### Dependence on Minera Don Nicolas

While the Company holds and may invest in additional mining and exploration projects in the future, the Don Nicolas mine is currently the Company's only producing asset, providing all of the Company's operating revenue and cash flows. Consequently, a delay or any difficulty encountered in the operations at the Minera Don Nicolas would materially and adversely affect the financial condition and financial sustainability of the Company. Any adverse changes or developments, such as, but not limited to, the inability to successfully complete other work programs or expansions, obtain financing on commercially suitable terms, or hire suitable personnel and mining contractors, may have a material adverse effect on the Company's financial performance, results of operations and liquidity. In addition, the results of operations of the Company could be materially and adversely affected by any events which cause the mine to operate at less than optimal capacity, including, among other things, equipment failure or shortages of spares, consumables and reagents, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure to produce expected amounts of gold.

### Uncertainty of Resource Estimates

The Company has engaged internal and expert independent technical consultants to advise it on, among other things, Mineral Resources, geotechnical, metallurgy and project engineering. The Company believes that these experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. If, however, the work conducted by, and the Mineral Resource estimates of these experts are ultimately found to be incorrect or inadequate in any material respect, such events could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

The Mineral Resource Estimate with respect to the Monte Do Carmo project in Brazil are based on limited information acquired through historical drilling conducted by outside third parties as well as from drilling completed by Cerrado. No assurance can be given that anticipated tonnages and grades will be achieved or that the indicated level of recovery or economic value will be realized.

### No Defined Mineral Reserves

The Company has not defined any Mineral Reserves on its concessions at the Monte Do Carmo project in Brazil or at the Don Nicolas mine in Argentina and there can be no assurance that any of the concessions under exploration contain commercial quantities of any minerals. Even if commercial quantities of minerals are identified, there can be no assurance that the Company will be able to exploit the resources or, if the Company is able to exploit them, that it will do so on a profitable basis. Substantial expenditures may be required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; ongoing costs of production; and availability and cost of additional funding.

### Metal Price Risk

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals contained in a deposit will be such that the Company's properties can be mined at a profit. The Company is particularly exposed to the risk of movement in the price of gold. Declining market prices for gold could have a material effect on the Company's profitability.

### Foreign Currency Risk

There continue to be risks relating to the uncertain and unpredictable political and economic environment in Argentina, especially at the provincial level in Santa Cruz where Don Nicolas mine is located. Inflation remains a challenge in Argentina and Argentina's central bank enacted a number of foreign currency controls in 2019 and 2020 in an effort to stabilize the local currency.

The MDN mine, which was acquired on March 16, 2020, is a U.S. dollar functional currency entity. Argentina has been considered a hyperinflationary environment with a cumulative inflation rate of over 100% for the last three years.

Effective December 23, 2019, changes to Argentina's tax laws proposed by the new Argentine Government were implemented. The changes ratified and extended legislation which was to expire on December 31, 2019 and allow the Argentine Central Bank to regulate funds coming into and flowing out of Argentina in order to maintain stability and support the economic recovery of the country. The Argentine Government has not set an expiry date for these restrictions, and they currently remain in place. These capital controls together with additional temporary controls enacted on May 29, 2020, have the effect of: requiring exporters to convert the equivalent value of foreign currency received from the export into Argentine Pesos; requiring the prior consent of the Argentine Central Bank to the payment of cash dividends and distributions of currency out of Argentina; requiring Argentine companies to convert foreign currency loans received from abroad into Argentine Pesos; and restricting the sale of Argentine Pesos for foreign currency. Accordingly, the Company is required to convert the equivalent value of proceeds received in foreign currency from the export of all gold doré from the Don Nicolas Mine, into Argentine Pesos. In addition, the Company would be required to obtain the prior consent of the Argentine Central Bank to the payment of cash dividends and distributions of profits out of Argentina.

Most recently, on September 16, 2020, Argentina's central bank enacted a new resolution requiring companies to refinance, with at least a two-year term, sixty percent of any debt maturing between October 15, 2020 and March 31, 2021. However, we do not hold any external debt at MDN. Therefore, this newly enacted resolution, as well as other previously enacted currency controls, are not expected to have a material impact on our financial statements.

In addition, the Argentine Central Bank has also issued a temporary measure in effect until June 30, 2021, which requires the consent of the Central Bank to the repayment of certain types of intercompany loans. There can be no assurance that the temporary measure will not be extended.

### Competition and Agreements with Other Parties

The mining industry is competitive in all its phases. The Company will compete with numerous other participants in the search for the acquisition of mineral properties, in the marketing of mineral resources, technical capacity and for financial resources. Their competitors include mining companies that have substantially greater financial resources, staff and facilities than those of the Company, as the case may be. The Company's ability to increase resources in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of mineral resources include price and methods and reliability of delivery.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

### Regulatory

The nature of operating in an emerging country, such as Brazil and Argentina, increases the Company's regulatory risk profile. Cerrado's current and future mining operations including but not limited to exploration, development, production, pricing, marketing and transportation are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

The Company's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary approvals, licenses and permits that may be required to carry out exploration and development at its projects. A failure to obtain such approval on a timely basis or material conditions imposed by such authority in connection with the approval would materially affect the prospects of the Company.

### Environmental

All phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of resources or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

### Permits and Licenses

The Company is required to maintain approvals, licenses and permits from various governmental authorities in order to conduct its business. Such approvals, licenses and permits are complex and time consuming to obtain and, depending on the location of the project, may involve multiple governmental agencies.

In addition, the receipt, duration, amendment or renewal of such approvals, licenses and permits are subject to many variables outside the Company's control, including potential legal challenges from various stakeholders such as environmental groups, non-governmental organizations, community groups or other claimants. The requirements to obtain or maintain such licenses and permits are constantly subject to change. The costs and delays associated with obtaining the necessary permits, consents, authorizations and agreements required for the Company's operations may stop or materially delay or restrict it from proceeding with the development of an exploration project or the operation or further development of an existing mine, resulting in a material adverse impact on its business, financial condition and results of operations.

### Substantial Capital Requirements & Liquidity

The Company may have to make substantial capital expenditures for the acquisition, exploration, development and production of mineral resources in the future. There can be no assurance that such capital will be available or, if available, will be on reasonable terms.

### Issuance of Debt

From time to time, Cerrado may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that Cerrado may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

### Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, civil unrest and political instability, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability. The Company will maintain insurance to protect against certain other risks in such amounts as it considers reasonable. However, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### Title Matters

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

### Future Financing Requirements

The development and exploration of Cerrados' properties may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Cerrado.

With the acquisition of producing Minera Don Nicolas, the Company is reliant on the expected cash flows from operations of the mine to fund its current and future liabilities. There can be no assurance that operating cash flow or any additional financing will be sufficient for any unexpected development or other costs for the mine.

The amount and timing of raising additional capital, which may involve debt or equity, or a combination of both, may be materially impacted by the economic climate in the capital markets. As a result, the cost and availability of any debt and or equity financing may be restricted. Accordingly, there can be no assurance that the Company will be able to raise sufficient funds to satisfy its contractual obligations or to further explore and develop its projects, as applicable, upon terms acceptable to the Company, or at all.

### Dilution

The Company grants stock options and registered share units under its share-based compensation plan. Holders are given an opportunity to profit from an increase in the market price of the Company's common shares with a resulting dilution in the interest of shareholders. The holders of stock options and registered share units may exercise such securities at a time when the Company may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. The increase in the number of common shares in the market, if all of part pf these outstanding rights were exercised, and the possibility of sales of these additional shares may have a negative effect on the price on the Company's common shares.

In addition, the Company may need to raise additional financing in the future through the issuance of additional equity securities. If the Company raises additional funding by issuing additional equity securities, such financings may substantially dilute the interests of shareholders of the Company and reduce the value of their investment in the Company's securities.

### Reliance on Management

Shareholders of the Company will be dependent on the management of the Company in respect of the administration and management of all matters relating to the Company and its properties and operations. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result and other persons would be required to manage and operate the Company.

### Conflicts of Interest

Certain directors and officers of the Company are also directors and officers of other reporting issuers involved in mineral exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Company, as the case may be, and as officers and directors of such other companies.

### Possible Failure to Realize Anticipated Benefits of Future Acquisitions

The Company may complete acquisitions to strengthen its position in the mineral exploration industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own.

### Currency Risk

Currency Risk By virtue of the location of its operations and exploration activities, the Company incurs costs and expenses in a number of currencies other than the U.S. dollar. The Company has historically raised and expects to continue to raise capital through equity financings principally in U.S. dollars, while the majority of its operating and capital costs are incurred in Argentine Pesos and Brazilian Real, giving rise to potential significant foreign currency translation and transaction exposure which could have a material adverse impact upon the Company.

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### Unfavourable Economic Conditions

The Company's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could strain our suppliers, possibly resulting in supply disruption, or cause delays in payments for our services by third-party payors. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current our future economic climate and financial market conditions could adversely impact our business.

### COVID-19 and Other Health Crisis

The current COVID-19 pandemic and any future emergence of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations and the operations of its suppliers, contractors and service providers and the ability to obtain financing and maintain necessary liquidity, the demand for and ability to transport the Company's products and its ability to advance its projects and other growth initiatives. Travel bans may also adversely impact the Company's operations and the ability of the Company to advance its projects. In particular, should any employees or consultants of the Company become infected with COVID-19, it could have a material negative impact on the Company's operations and prospects.

The outbreak of COVID-19 and the resulting global upheavals have caused significant volatility in commodity prices. The outbreak and its declaration as a global pandemic is causing companies and governments around the world to impose sweeping restrictions on the movement of people and goods, including social distancing measures and restrictions on group gatherings and isolation and quarantine requirements, closure of business and government offices, travel advisories and travel restrictions. The duration of these measures, and the related business, social and government disruptions and financial impact cannot be reasonably estimated at this time. The Company cannot estimate whether or to what extent these measures, and the resulting impacts may adversely impact the Company's business, financial condition and results of operations. The Company is working closely with national and local authorities, including labour unions, and continues to closely monitor each site's situation, including public and employee sentiment to ensure that stakeholders are in alignment with continued safe operation of its sites.

## ITEM 16 - MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this MD&A and the Consolidated Financial Statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the consolidated financial statements.

### Additional Information

Additional information relating to the Company can also be found on the Company's website www.cerradogold.com.

## ITEM 17 - TECHNICAL INFORMATION

All technical information contained herein has been reviewed and approved by Robert A. Campbell, M.Sc, P.Geo, an officer and director of the Company. Mr. Campbell is a "qualified person" within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.