



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
*(Expressed in US dollars, except tables and otherwise noted) (Unaudited)*

**2021**



**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# CERRADO GOLD INC.

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of U.S. dollars, unaudited)

As at	Note	June 30, 2021	December 31, 2020
<b>ASSETS</b>			
Cash and cash equivalents		\$ 6,908	\$ 6,638
Restricted cash	6	2,499	-
Short-term investments		27	25
Trade and other receivables	7	9,192	8,581
Due from related party	21	347	186
Metal inventory	8	2,573	3,637
Supplies and consumables	8	2,171	2,358
Current assets		23,717	21,425
Other receivables	7	1,196	1,080
Supplies and consumables	8	3,242	3,638
Property, plant and equipment	9	30,169	27,366
Exploration and evaluation assets	10	22,685	13,747
Investment in marketable securities	21	524	354
Non-current assets		57,816	46,185
<b>Total assets</b>		<b>\$ 81,533</b>	<b>\$ 67,610</b>
<b>LIABILITIES</b>			
Trade and other payables	11	\$ 18,486	\$ 14,526
Due to Monte Sinai	10	390	245
Lease obligations	12	325	408
Deferred revenue	14	2,156	1,836
Revolving prepayment facility	15	5,260	6,393
Current liabilities		26,617	23,408
Future consideration payable	6	24,920	23,547
Other liabilities	11	199	182
Lease obligations	12	112	228
Provisions	13	2,068	1,760
Deferred revenue	14	14,390	14,324
Non-current liabilities		41,689	40,041
<b>Total liabilities</b>		<b>\$ 68,306</b>	<b>\$ 63,449</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	\$ 38,677	17,310
Shares to be issued	16	-	6,250
Warrants	16, 17	565	314
Share-based payment reserve	18	1,917	1,658
Accumulated other comprehensive loss		(3,121)	(3,997)
Accumulated deficit		(24,811)	(17,374)
<b>Shareholders' equity</b>		<b>\$ 13,227</b>	<b>\$ 4,161</b>
<b>Total liabilities &amp; shareholders' equity</b>		<b>\$ 81,533</b>	<b>\$ 67,610</b>

### Nature of Operations (Note 1), Commitments and Contingencies (Notes 12 & 22), and Subsequent Events (Note 24)

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

# CERRADO GOLD INC.

## Condensed Consolidated Interim Statements of Operations and Comprehensive Loss For the Three and Six Months Ended June 30, 2021 and 2020

(Expressed in thousands of U.S. dollars, except per share amounts, unaudited)

	Three months ended		Six months ended		
	Note	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>REVENUES</b>					
Metal sales		\$ 17,858	\$ 9,364	\$ 29,021	\$ 9,364
<b>COST OF SALES</b>					
Production costs		12,454	5,736	21,804	5,736
Sales expenses and royalties		2,047	1,453	3,048	1,453
Depreciation and depletion		1,309	865	2,089	865
		<b>15,810</b>	<b>8,054</b>	<b>26,941</b>	<b>8,054</b>
<b>INCOME FROM MINING OPERATIONS</b>					
		<b>2,048</b>	<b>1,310</b>	<b>2,080</b>	<b>1,310</b>
General and administrative expenses		1,918	3,030	4,139	4,133
Transaction costs		32	23	172	392
Listing expense	5	-	-	1,511	-
Finance expense	19	1,340	1,378	2,785	1,843
Foreign exchange		189	372	368	465
Other expense (income)		150	(781)	(125)	(36)
<b>LOSS BEFORE INCOME TAXES</b>					
		\$ (1,581)	\$ (2,712)	\$ (6,770)	\$ (5,487)
Income and mining tax expense		(184)	-	(667)	-
<b>Net loss for the period</b>					
		<b>(1,765)</b>	<b>(2,712)</b>	<b>(7,437)</b>	<b>(5,487)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Translation adjustment		\$ 2,029	804	\$ 876	(2,861)
<b>Other comprehensive loss</b>		<b>2,029</b>	<b>804</b>	<b>876</b>	<b>(2,861)</b>
<b>Total comprehensive loss</b>					
		\$ 264	\$ (1,908)	\$ (6,561)	\$ (8,348)
<b>Basic and diluted loss per share</b>					
		\$ (0.02)	\$ (0.06)	\$ (0.11)	\$ (0.13)
<b>Weighted average number of shares outstanding</b>					
		<b>70,831,949</b>	<b>43,536,715</b>	<b>64,680,475</b>	<b>42,822,394</b>

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

**CERRADO GOLD INC.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(Expressed in thousands of U.S. dollars, unaudited)

	Note	Three months ended		Six months ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>OPERATING ACTIVITIES</b>					
Net loss		\$ (1,765)	\$ (2,712)	\$ (7,437)	\$ (5,487)
Adjustments for:					
Depreciation and depletion		1,319	874	2,108	882
Share-based payments	18	463	2,025	641	2,130
Agent warrants exercised	18	129	-	129	-
Initial Gold Stream Advance payment	14	-	-	-	15,000
Amortization of deferred revenue	14	(550)	(281)	(909)	(281)
Finance costs on deferred revenue	14	652	603	1,295	801
Accretion on future consideration payable	6	696	622	1,373	825
Investment income		(144)	-	(178)	-
RTO listing expense		-	-	2,074	-
Other		417	870	413	702
Operating cash flows before changes in working capital		1,217	2,001	(491)	14,572
Changes in non-cash working capital items:					
Receivables and other assets		(900)	(1,426)	(357)	622
Inventories		1,060	(767)	1,251	(682)
Trade and other payables		592	(910)	(119)	(180)
<b>Net cash flows provided by (used in) operating activities</b>		<b>\$ 1,969</b>	<b>\$ (1,102)</b>	<b>\$ 284</b>	<b>\$ 14,332</b>
<b>INVESTING ACTIVITIES</b>					
Additions to property, plant and equipment		(844)	(1,471)	(1,289)	(1,471)
Additions to exploration and evaluation assets		(3,304)	(494)	(5,833)	(847)
Subscription of short-term investments		-	-	-	(522)
Redemption of short-term investments		-	-	-	1,375
Acquisition of Minera Mariana, net of cash acquired	4	-	-	60	-
Acquisition of Minera Don Nicolas, net of cash acquired	6	-	-	-	(14,368)
<b>Net cash flows used in investing activities</b>		<b>\$ (4,148)</b>	<b>\$ (1,965)</b>	<b>\$ (7,062)</b>	<b>\$ (15,833)</b>
<b>FINANCING ACTIVITIES</b>					
Revolving prepayment facility borrowings	15	-	-	7,500	5,000
Revolving prepayment facility repayments	15	(2,250)	(1,333)	(8,625)	(1,333)
Shareholder loans (repayments)		-	(323)	-	(499)
Advances to related party		(88)	-	(161)	-
Interest paid		(95)	(53)	(185)	(65)
Restricted cash	6	(2,499)	-	(2,499)	-
Proceeds from private placements, net of share issue costs	16	-	-	11,013	1,000
<b>Net cash flows (used in) provided by financing activities</b>		<b>\$ (4,932)</b>	<b>\$ (1,709)</b>	<b>\$ 7,043</b>	<b>\$ 4,103</b>
Effect of exchange rates on cash		5	(11)	5	24
(Decrease) increase in cash and cash equivalents		(7,106)	(4,787)	270	2,626
Cash and cash equivalents, beginning of period		14,014	7,451	6,638	38
<b>Cash, end of period</b>		<b>\$ 6,908</b>	<b>\$ 2,664</b>	<b>\$ 6,908</b>	<b>\$ 2,664</b>
Cash and cash equivalents		\$ 6,908	\$ 2,664	\$ 6,908	\$ 2,664
Restricted cash	6	2,499	-	2,499	-
<b>Cash, end of period</b>		<b>\$ 9,407</b>	<b>\$ 2,664</b>	<b>\$ 9,407</b>	<b>\$ 2,664</b>

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

# CERRADO GOLD INC.

## Condensed Consolidated Interim Statements of Changes in Equity

### For the Three and Six Months Ended June 30, 2021 and 2020

(Expressed in thousands of US dollars, unaudited)

	Note	Number of shares	Issued Share Capital	Shares to be issued	Warrants	Share-based payment reserve	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
<b>Balance, December 31, 2019</b>		<b>40,151,371</b>	<b>13,938</b>	<b>104</b>	<b>60</b>	<b>1,422</b>	<b>(1,614)</b>	<b>(4,805)</b>	<b>9,105</b>
Private placement	16	2,000,000	1,000	-	-	-	-	-	1,000
Settlement of shares to be issued	16	370,000	104	(104)	-	-	-	-	-
Shares issued for deferred management compensation	16	400,000	200	-	-	-	-	-	200
Extension of warrants	16	-	-	-	20	-	-	-	20
Share-based payments - RSU vesting	18	-	-	-	-	2,110	-	-	2,110
RSUs redeemed	16, 18	3,686,659	1,809	-	-	(1,809)	-	-	-
Foreign currency translation adjustment		-	-	-	-	-	(2,861)	-	(2,861)
Loss for the year		-	-	-	-	-	-	(5,487)	(5,487)
<b>Balance, June 30, 2020</b>		<b>46,608,030</b>	<b>17,051</b>	<b>-</b>	<b>80</b>	<b>1,723</b>	<b>(4,475)</b>	<b>(10,292)</b>	<b>4,087</b>
<b>Balance, December 31, 2020</b>		<b>46,984,021</b>	<b>17,310</b>	<b>6,250</b>	<b>314</b>	<b>1,658</b>	<b>(3,997)</b>	<b>(17,374)</b>	<b>4,161</b>
Minera Mariana Acquisition	4, 16	1,666,667	1,769	-	-	-	-	-	1,769
Private placement	16	11,111,200	11,014	-	-	-	-	-	11,014
Broker warrants issued	16, 17	-	(306)	-	306	-	-	-	-
Agent warrants exercised	16, 17	161,305	184	-	(55)	-	-	-	129
BB1 RTO share issuance	5, 16	1,937,416	2,074	-	-	-	-	-	2,074
Share issuance on exercise of special warrants	16	8,845,750	6,250	(6,250)	-	-	-	-	-
Share-based payments - RSU vesting	18	-	-	-	-	641	-	-	641
RSUs redeemed	16, 18	736,669	382	-	-	(382)	-	-	-
Foreign currency translation adjustment		-	-	-	-	-	876	-	876
Loss for the year		-	-	-	-	-	-	(7,437)	(7,437)
<b>Balance, June 30, 2021</b>		<b>71,443,028</b>	<b>38,677</b>	<b>-</b>	<b>565</b>	<b>1,917</b>	<b>(3,121)</b>	<b>(24,811)</b>	<b>13,227</b>

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

# CERRADO GOLD INC.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Three and Six Months Ended June 30, 2021 and 2020

(Expressed in thousands of U.S. dollars, except where otherwise noted, unaudited)

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#### 1. NATURE OF OPERATIONS

Cerrado Gold Inc. ("Cerrado" or "the Company") through its 100%-owned Brazilian subsidiaries Templewood Mineração e Participações Societárias Ltda ("Templewood") and Serra Alta Mineração Ltda. ("Serra Alta") owns the Monte de Carmo Gold Project ("MDC") in the State of Tocantins, Brazil. On March 16, 2020, Cerrado closed the U.S.\$47 million acquisition of Minera Don Nicolas ("MDN") and its namesake mine in Santa Cruz, Argentina (see Note 6). Since acquiring MDN in March 2020, the Company is focused on increasing gold production and optimizing mine operations. The Company is also engaged in the evaluation of exploration and advanced development stage mineral resource opportunities, on an ongoing basis. On February 19, 2021, the Company completed a reverse takeover ("RTO") transaction with BB1 Acquisition Corp. ("BB1") whereby Cerrado Gold Inc. amalgamated with a wholly owned subsidiary of BB1 and the shareholders of BB1 received corresponding securities of Cerrado on a 1:8.3 basis for the issuance of Cerrado shares and options. The Company continued under the name Cerrado Gold Inc. following the completion of the RTO (see Note 5) and began trading its common shares on the TSX Venture Exchange under the symbol CERT. The Company's head office, principal address and records office are located at 110 Yonge Street, Suite 501, Toronto, Ontario, Canada, M5C 1T4.

The business of exploring for gold involves a high degree of risk and there can be no assurance that current or future exploration programs will result in the discovery of mineral reserves and the establishment of profitable operations. The Company's continued existence is dependent upon the preservation of its interests in its underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

As at June 30, 2021 the Company had a cash balance of \$6.9 million. The Company's liquidity position is, however, sensitive to a number of variables which cannot be predicted with certainty, including, but not limited to, meeting increased production targets, metal prices, foreign exchange rates, operational costs, and capital expenditures. If the Company's cash flow from operations is not sufficient to satisfy its requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Cerrado. Management expects that the Company's existing cash at June 30, 2021 together with cash from MDN operations and additional financing secured in February 2021 (See Note 16) will be sufficient to fund cash requirements in the ordinary course of business for a period of at least twelve months.

#### 2. BASIS OF PRESENTATION

##### (a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards board ("IASB"). These condensed interim consolidated financial statements do not contain all the required annual disclosures and should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2020.

The Condensed Consolidated Interim Financial Statements have been prepared on a historical cost basis except for financial instruments, as set out in the accounting policies in Note 3 of the 2020 annual consolidated financial statements.

These Condensed Consolidated Interim Financial Statements were approved by the Company's Board of Directors on August 26, 2021.

##### (b) Basis of consolidation

###### **Subsidiaries**

These condensed interim consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries:

- Minera Don Nicolas ("MDN"), incorporated in Argentina;
- Templewood Mineração e Participações Societárias Ltda. ("Templewood"), incorporated in Brazil;
- Serra Alta Participações Imobiliárias SA ("Serra Alta SA"), incorporated in Brazil; and
- Serra Alta Mineração Ltda. ("Serra Alta Mineração"), incorporated in Brazil

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

**CERRADO GOLD INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(Expressed in thousands of U.S. dollars, except where otherwise noted, unaudited)

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The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases

**(c) Functional and presentation currency**

These financial statements are presented in thousands of U.S. dollars ("USD"). The functional currency of the Company is the USD, while the functional currency of the Company's Brazilian subsidiaries is the Brazilian Real ("BRL") and Argentine MDN is the USD.

**(d) Reclassifications**

Certain of the prior period figures have been reclassified to conform to the current period's presentation.

**(e) Use of estimates and judgments**

The preparation of these financial statements in conformity with IFRS requires judgements and estimates that affect the amounts reported. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2020.

**3. ADOPTION OF NEW ACCOUNTING STANDARDS**

**(a) Standards and amendments issued but not yet effective or adopted**

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. An assessment will be performed prior to the effective date of January 1, 2022 to determine the impact to the Company's financial statements.

IAS 12, Income Taxes

The IASB issued an amendment to IAS 12, Income Taxes to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. Instead, a deferred tax asset and a deferred tax liability will need to be recognized for temporary differences arising on initial recognition of certain transactions, such as leases and decommissioning provisions. The amendment is effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. An assessment will be performed prior to the effective date of January 1, 2023 to determine the impact to the Company's financial statements.

IAS 1, Presentation of Financial Statements

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. An assessment will be performed prior to the effective date of January 1, 2023 to determine the impact to the Company's financial statements.



**CERRADO GOLD INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(Expressed in thousands of U.S. dollars, except where otherwise noted, unaudited)

**4. ACQUISITION OF MINERA MARIANA ARGENTINA**

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”). Under the terms of the agreement, the Company paid the purchase price consisting of an initial cash payment of \$0.05 million and \$1.8 million (CAD\$2.3 million) satisfied by the issuance of 1,666,667 common shares of the Company to Capella Minerals at a deemed share price of CAD\$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 Note 5).

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 \$1.8 million and has been allocated to the acquired identifiable assets and liabilities of Minera Mariana as follows:

<b>Purchase Price</b>	
Cash Paid	\$ 50
Fair value of 1,666,667 shares issued	1,769
	<b>\$ 1,819</b>
<b>Purchase Price Allocation</b>	
Cash	60
Fiscal credit receivables	212
Prepays and other assets	27
Exploration and evaluation assets	1,654
Total identifiable assets acquired	1,953
Trade and other payables	(75)
Payroll obligations	(53)
Other payables	(6)
Total identifiable liabilities assumed	(134)
<b>Total identifiable net assets</b>	<b>\$ 1,819</b>

# CERRADO GOLD INC.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Three and Six Months Ended June 30, 2021 and 2020

(Expressed in thousands of U.S. dollars, except where otherwise noted, unaudited)

#### 5. REVERSE TAKEOVER TRANSACTION

On February 19, 2021, the Company completed an RTO transaction with BB1, whereby the shareholders of BB1 became shareholders of the Company. On closing, the Company issued 1,937,416 common shares valued at CAD\$1.35 each in exchange for all the issued and outstanding common shares of BB1 at an exchange ratio of one (1) security of BB1 for each equivalent security of the Company. The RTO was structured as a three-cornered amalgamation, as a result of which the Company became 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 under the symbol CERT.

The substance of the transaction is a reverse takeover 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. Accordingly, there is no goodwill recognized, and the difference between the consideration and fair value of the net assets acquired results in an RTO listing expense of \$1.5 million.

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The fair value of the consideration is as follows:	
Fair value of 1,937,416 Cerrado common shares	\$ 2,074
The consideration has been allocated as follows:	
Cash	574
Trade and other payables	(11)
Reverse takeover listing expense	1,511
	<hr/> \$ 2,074

#### 6. ACQUISITION OF MINERA DON NICOLAS

On March 16, 2020 (the "Closing Date"), the Company entered into an Agreement to acquire MDN and its namesake operating mine and surrounding properties in Argentina. The Company acquired the MDN mine in Argentina to add an operating asset that will complement the Company's Monte do Carmo gold exploration project in Brazil. Under the terms of the agreement the Company paid the Compañía Inversora En Minas ("CIMINAS") and Compañía Inversora Argentina Para La Exportacion S.A. ("CIAPEXSA") (together the "Sellers") an initial payment of \$15 million at closing, with future payments due of \$10 million in 24 months, \$2 million in 36 months, \$10 million in 48 months and \$10 million in 60 months from the Closing Date and will be payable from a sinking fund, to be set up by the Company. The future consideration payable amount was initially recorded at a fair value of \$21.4 million. The payable amount is discounted using a rate of 12%, which was the Company's estimated weighted-average cost of capital. For the six months ended June 30, 2021, the discount was amortized by \$1.4 million which were included in finance costs. As at June 30, 2021, the amount held in restricted cash of \$2.5 million relates to the sinking fund set up by the Company.

In addition to the above, 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 an 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 million if Mineral Reserves in accordance with an 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 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 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 have been valued at \$nil and are not included in the purchase price calculation below.

# CERRADO GOLD INC.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Three and Six Months Ended June 30, 2021 and 2020

(Expressed in thousands of U.S. dollars, except where otherwise noted, unaudited)

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 \$36.4 million.

Acquisition related transaction costs of \$0.7 million were recorded in the Company's consolidated statements of operation and comprehensive income in 2020.

Subsequent to the quarter-end, the Company finalized a working capital adjustment and resolved certain other matters related to the Minera Don Nicolas acquisition, which included a payment of \$0.5 million by the Company to the Sellers made subsequent to quarter end, and a further \$0.5 million to be paid by April 15, 2022.

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.

#### 7. TRADE AND OTHER RECEIVABLES

	June 30 2021	December 31 2020
<b>Current</b>		
Trade receivables	\$ 1,084	\$ 519
Sales tax and other statutory receivables	7,003	7,278
Other assets	1,105	784
	<b>9,192</b>	<b>8,581</b>
<b>Non-current</b>		
Other assets	1,196	1,080
	<b>\$10,388</b>	<b>\$ 9,661</b>

Current taxes receivable relates to refundable Harmonized Sales Tax ("HST") paid in Canada and Value Added Tax in Argentina. Non-current other assets relate to the non-current portion of supplier advances in Argentina.

#### 8. INVENTORIES

	June 30 2021	December 31 2020
Ore stockpiles	\$ 929	\$ 1,001
In-circuit	991	2,636
Finished metal	653	-
<b>Metal Inventories</b>	<b>\$2,573</b>	<b>\$ 3,637</b>

	June 30 2021	December 31 2020
Supplies and consumables	\$5,413	\$ 5,996
Less: non-current portion of supplies and consumables	(3,242)	(3,638)
<b>Current Supplies and Consumables</b>	<b>\$2,171</b>	<b>\$ 2,358</b>

Long-term supplies and consumables represent materials and supplies that are expected to be used beyond the next 12 months.

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**9. PROPERTY, PLANT AND EQUIPMENT**

	Property, Plant and Equipment	Assets Under Construction	Land and Building	Total
<b>Cost</b>				
December 31, 2020	23,270	6,394	128	29,792
Additions	3,172	406	-	3,577
Reclassifications	1,063	-	-	1,063
Change in provision for environmental rehabilitation	271	-	-	271
As at June 30, 2021	27,776	6,800	128	34,703
<b>Accumulated depreciation and amortization</b>				
December 31, 2020	2,359	-	67	2,426
Charge for the period	2,089	-	19	2,108
As at June 30, 2021	4,448	-	86	4,534
<b>Net book value</b>				
Balance, December 31, 2020	20,911	6,394	61	27,366
<b>Balance, June 30, 2021</b>	<b>\$ 23,328</b>	<b>\$ 6,800</b>	<b>\$ 42</b>	<b>\$ 30,169</b>

**10. EXPLORATION AND EVALUATION ASSETS**

***Monte do Carmo (MDC) Gold Project – Brazil***

The Monte do Carmo Gold Project is located in the state of Tocantins, Brazil, immediately east of the town of Monte do Carmo. The Serra Alta Deposit is the main focus of exploration at the Monte do Carmo project.

The MDC project was acquired from Monte Sinai Mineração Ltda. ("Monte Sinai") in April 2018. Liabilities assumed on acquisition relate to expenses incurred by Monte Sinai prior to the acquisition, are payable directly to Monte Sinai, have no fixed terms of repayment and bear no interest. As at June 30, 2021 these liabilities have a balance of \$0.4 million.

The terms of the acquisition provide for a 2% net smelter royalty granted to the former owners of the project. The royalty can be reacquired by the Company for \$2 million. The Company did not measure or recognize a contingent liability in relation to the net smelter royalty.

In December 2020, the Company exercised its option to buy back the 2% net smelter return ("NSR") royalty for a total purchase price (aggregate cash consideration) of \$1.3 million, and recognized a \$0.1 million advance as at December 31, 2020. The remaining payments were made as follows, \$0.65 million was paid in March 2021, with the balance of \$0.5 million paid in May 2021 upon which the Company obtained the rights to the NSR royalty.

As per the terms of the MDC Acquisition Agreement dated April 20, 2018 and the Royalty buyback agreement, the sellers of the project have the right to a payment \$1.5 million if an aggregate of 2,500,000 oz of gold are identified in a mineral resource estimate in accordance with NI 43-101. The Company has not measured or recognized a contingent liability in relation to the above payments.

***Las Calandrias and Los Cisnes Gold-Silver Projects - Argentina***

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"). Minera Mariana is the owner of the Las Calandrias and Los Cisnes gold-silver projects, in addition to a portfolio of exploration concessions located in the Eastern Deseado Massif, Santa Cruz Province, southern Argentina.

During the six months ended June 30, 2020, the Company incurred \$1.7 million (December 31, 2020 - \$0.1 million) in costs related to the acquisition of Minera Mariana. (see note 4).

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The following is a summary of the Company's exploration and evaluation capitalized costs for the six months ended June 30, 2021:

		Monte do Carmo Gold Project	Minera Don Nicolas Mine	Minera Mariana	Total
Balance at January 1, 2020		\$ 12,885	\$ 829	\$ 33	\$13,747
Acquisition through business combination	4	-	-	1,654	1,654
Net additions		5,696	1,699	9	7,404
Reclassifications		-	(1,063)	-	(1,063)
Effect of movements in exchange rates		943	-	-	943
<b>Balance at June 30, 2021</b>		<b>\$ 19,524</b>	<b>\$ 1,465</b>	<b>\$1,696</b>	<b>\$22,685</b>

**11. TRADE AND OTHER PAYABLES**

	June 30 2021	December 31 2020
<b>Current</b>		
Trade payables	\$ 10,646	\$ 7,013
Accrued liabilities	5,664	5,560
Payroll and government remittances	2,126	1,891
Other liabilities	50	62
	<b>\$ 18,486</b>	<b>\$ 14,526</b>
<b>Non-current</b>		
Other liabilities	\$ 199	\$ 182
	<b>\$ 18,685</b>	<b>\$ 14,708</b>

Other liabilities represent obligations to Company employees and principally include accrued year-end compensation costs.

**12. LEASE OBLIGATIONS**

	June 30 2021	December 31 2020
Total minimum lease payments	\$ 491	\$ 799
Effect of discounting	(53)	(163)
Present value of minimum lease payments	437	636
Less: current portion	(325)	(408)
	<b>\$ 112</b>	<b>\$ 228</b>
<b>Minimum payments under leases</b>		
Due no later than 1 year	374	496
Due later than 1 year less than 5 years	117	303
	<b>\$ 491</b>	<b>\$ 799</b>

The Company sub-leases an office space from a company with directors and officers in common (see Note 21). The total minimum lease payments related to the sub-lease were \$0.1 million for the six months ended June 30, 2021 (December 31, 2020 - \$0.1 million).

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#### 13. PROVISIONS

##### *Decommissioning and restoration*

The Company's provision for environmental rehabilitation consists of costs accrued based on the best estimate of mine closure and reclamation activities that will be required at the MDN mine site upon completion of mining activity. These costs will largely be incurred on mine closure. These activities include costs for earthworks, including land re-contouring and re-vegetation, water treatment and demolition.

#### 14. DEFERRED REVENUE

On March 13, 2020, the Company entered into the Metals purchase and sale agreement with Sprott Private Resource Streaming and Royalty Corp. ("Sprott") whereby the Company received an Initial Advance Payment of \$15 million against delivery of 6.25% of payable gold and silver over the remainder of MDN's mine life (the "Metals Streaming Agreement").

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

This agreement includes a step-down provision whereby the stream percentage will be reduced from 6.25% down to 2.5% upon delivery of 21,250 gold equivalent ounces. At any time within twelve months following the step-down, the Company has a one-time buy-down option by further reducing the stream percentage from 2.5% to 1.25% with repayment to Sprott of \$2.5 million in immediately available funds.

The Company recorded the Initial Advance Payment received as deferred revenue and recognizes amounts in revenue as gold and silver is delivered to Sprott. The Company determines the amortization of deferred revenue on a per unit basis using the estimated total number of gold and silver ounces expected to be delivered to Sprott over the life of the MDN mine. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months based on the mine plan.

Deferred revenue consists of: 1) initial cash deposit received by the Company for future delivery of payable gold and silver under the terms of the Metals Purchase and Sale Agreement, and 2) a significant financing component of the Metals Purchase and Sale Agreement resulting from the difference in the timing of the upfront consideration received and the promised goods delivered. As such, the Company recognizes interest expense at each reporting period and will accrete the deferred revenue balance to recognize the significant financing element that is part of the Metals Streaming Agreement. The interest rate of 17.02% is determined based on the rate implicit in the Metals Streaming Agreement at the date of inception.

The initial consideration received from the Metals Streaming Agreement is considered variable, subject to changes in the total gold and silver ounces to be delivered in the future. Changes to variable consideration will be reflected in the consolidated statement of comprehensive income and loss.

The following table summarizes deferred revenue:

Opening balance December 31, 2020	\$	16,160
Amortization of derred revenue:		
Deferred revenue recognized		(909)
Finance costs on deferred revenue		1,295
Balance, June 30, 2021	\$	16,546

		<b>June 30, 2021</b>
Current portion	\$	2,156
Non-current portion		14,390
Total	\$	16,546

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#### 15. REVOLVING PREPAYMENT FACILITY

On March 12, 2020, the Company entered into an advance sales transaction pursuant to which, the Company received advanced consideration of \$5 million. On December 3, 2020, the Company increased the revolving credit facility by \$2.5 million, for total advanced consideration of \$7.5 million. In March 2021, the Company revised the repayment terms of the facility from four to six months with the final draw of the Company to be made on June 30, 2022 unless mutually agreed otherwise. The advanced consideration is accounted for as a financial liability. The facility may be immediately renewable upon full repayment. During the six months ended June 30, 2021, the Company had drawn down a total \$7.5 million and repaid a total \$8.6 million under the revolving prepayment facility. As at June 30, 2021 the \$5.3 million balance bears interest at the rate of 3 Month LIBOR + 5.85% until repaid.

#### 16. SHARE CAPITAL

Authorized share capital of the Company is comprised of an unlimited number of common and preferred shares, without par value.

	Note	Number of shares	Issued Share Capital	Shares to be issued
<b>Balance, December 31, 2020</b>		<b>46,984,021</b>	<b>17,310</b>	<b>6,250</b>
Minera Mariana acquisition	(i)	1,666,667	1,769	-
Private placement	(ii)	11,111,200	11,014	-
Broker warrants	(ii)	-	(306)	-
Agent warrants	(ii)	161,305	184	-
BB1 RTO Transaction	(iii)	1,937,416	2,074	-
Share issuance on exercise on Special Warrants	(iv)	8,845,750	6,250	(6,250)
RSUs redeemed		736,669	381	-
<b>Balance, June 30, 2021</b>		<b>71,443,028</b>	<b>\$ 38,676</b>	<b>\$ -</b>

- (i) On January 22, 2021, the Company completed an agreement with Capella Minerals to acquire 100% of its Argentine subsidiary Minera Mariana. Under the terms of the agreement, the Company paid the purchase price consisting of an initial cash payment of \$0.1 million and \$1.8 million (CAD\$2.3 million) satisfied by the issuance of 1,666,667 common shares of the Company to Capella Minerals at a deemed share price of CAD\$1.35.
- (ii) On February 17, 2021, the Company completed a private placement of 11,111,200 common shares at a price of CAD\$1.35 per common share for aggregate gross proceeds of CAD\$15 million (the "Offering"). The Company granted 666,672 Broker warrants exercisable at CAD\$1.35 until February 17, 2022 (See Note 17).
- (iii) On February 19, 2021, the Company and BB1 completed the previously announced RTO transaction (See Note 5). 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 for a total of 1,937,416 common shares.
- (iv) On February 19, 2021, upon completion of the RTO the Company issued shares in connection with the previously completed private placement of 8,845,750 special warrants at a price of \$0.80 per share, for aggregate gross proceeds of \$7 million and cash issuance costs of \$0.5 million. The Company had previously granted 505,115 Agent Warrants and 123,625 Finder's Warrants exercisable in whole or in part by the Agent at \$0.80 per share for a total value of \$0.3 million (See Note 17).

#### 17. WARRANTS

As at June 30, 2021 and December 31, 2020, warrants outstanding were as follows:

Expiry Date	Note	June 30, 2021			December 31, 2020		
		Exercise Price (US\$)	Number of Warrants	Exercisable	Exercise Price (US\$)	Number of Warrants	Exercisable
October 3, 2021	(i)	\$0.20	2,000,000	2,000,000	\$0.20	2,000,000	2,000,000
September 11, 2022	(ii)	\$0.80	467,435	467,435	\$0.80	628,740	628,740
February 17, 2022	(iii)	\$1.35	666,672	666,672	-	-	-
		\$0.53	3,134,107	3,134,107	\$0.34	2,628,740	2,628,740

At June 30, 2021, the weighted average remaining contractual life of the warrants was 0.48 years (December 31, 2020 – 0.98 years).

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(i) On October 3, 2017, the Company issued a total of 2,000,000 warrants to officers and directors of the Company. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of US\$0.20 per share on or before October 3, 2019. The estimated fair value of the warrants was deemed to be \$Nil. The value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 65%, a risk-free rate of 1.52% and an expected life of 1 year.

On September 11, 2018, the Company extended these warrants until October 3, 2020. The Company used the Black-Scholes option pricing model to fair value the warrant extension, which was estimated to be \$0.1 million. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 60%, and risk-free rate of 2.28%.

On June 24, 2020, the Company further extended these warrants until October 3, 2021. The Company used the Black-Scholes option pricing model to fair value the warrant extension, which was estimated to be \$0.1 million. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 80%, and risk-free rate of 0.26%.

(ii) On September 11, 2020, the Company granted 505,115 Agent Warrants and 123,625 Finder's Warrants exercisable in whole or in part by the Agent at US\$0.80 in relation to the concurrent financing transaction. The estimated fair value of the warrants was \$0.2 million. The value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 80%, a risk-free rate of 0.25% and an expected life of 2 years.

(iii) On February 17, 2021, the Company granted 666,672 Broker Warrants exercisable at CAD\$1.35 in relation to the Private Placement and RTO transaction. The estimated fair value of the warrants was \$0.3 million. The value of the broker warrants was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 80%, a risk-free rate of 0.29% and an expected life of 2 years.

Warrants transactions are summarized as follows:

	Note	Number of Warrants	Exercise Price (US\$)	Warrants
Balance December 31, 2019		2,000,000	\$0.20	\$ 60
Agent and finder's warrants granted	(ii)	628,740	\$0.80	214
Warrants extended		-	-	40
Balance December 31, 2020		2,628,740	\$0.34	\$ 314
Broker warrants granted	(iii)	666,672	\$0.46	306
Agent warrants exercised	(ii)	(161,305)	\$0.34	(55)
Balance June 30, 2021		3,134,107	\$0.37	\$ 565

## 18. SHARE-BASED PAYMENT RESERVE

	June 30, 2021			December 31, 2020		
	Stock Options	Restricted share units	Share-based payment reserve	Stock Options	Restricted share units	Share-based payment reserve
Balance, beginning of period	\$ 1,000	\$ 658	\$ 1,658	\$ 1,000	\$ 422	\$ 1,422
RSU vesting expense	-	641	641	-	2,200	2,200
RSUs redeemed	-	(382)	(382)	-	(1,945)	(1,945)
RSUs cancelled	-	-	-	-	(19)	(19)
Balance, end of period	\$ 1,000	\$ 917	\$ 1,917	\$ 1,000	\$ 658	\$ 1,658

### Options

On February 27, 2019, the Company's shareholders approved the Stock Option Plan ("the Option Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase common shares of the Company. The Option Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Option Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.



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As at June 30, 2021, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Expiry Date	June 30, 2021			December 31, 2020		
	Exercise Price (US\$)	Number of Stock Options	Exercisable	Exercise Price (US\$)	Number of Stock Options	Exercisable
October 3, 2024	\$0.45	4,000,000	4,000,000	\$0.45	4,000,000	4,000,000
	\$0.45	4,000,000	4,000,000	\$0.45	4,000,000	4,000,000

As at June 30, 2021, the weighted average remaining contractual life of the stock options was 3.26 years (December 31, 2020 – 3.76 years).

**Restricted Share Units (“RSUs”)**

On February 27, 2019, the Company’s shareholders approved the Restricted Share Unit Plan (the “RSU Plan”), whereby RSUs may be granted to directors, officers, consultants or employees at the discretion of the Board of Directors. The RSU Plan provides for share unit awards (the “RSUs”) to be granted by the Board of Directors to employees of the Company. An RSU is a unit representing the right to receive one common share issued from treasury. The RSU Plan provides for the issuance of RSUs to acquire up to 10% of the Company’s issued and outstanding capital. The RSU Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of RSUs will increase as the Company’s issued and outstanding share capital increases.

As at June 30, 2021 and December 31, 2020 the Company had restricted share units enabling the holders to redeem common shares as follows:

Grant Date	Note	June 30, 2021			December 31, 2020		
		Number of RSUs Granted	Grant date fair value/RSU (US\$)	Number of RSUs Vested & Outstanding	Number of RSUs Granted	Grant date fair value/RSU (US\$)	Number of RSUs Vested & Outstanding
February 27, 2019	(i)	2,260,000	\$0.45	-	2,260,000	\$0.45	686,669
June 24, 2020	(ii)	9,000,000	\$0.50	5,450,004	9,000,000	\$0.50	5,650,004
September 14, 2020	(ii)	350,000	\$0.45	233,334	350,000	\$0.45	233,334
November 13, 2020	(iv)	315,000	\$0.80	210,000	315,000	\$0.80	210,000
June 1, 2021		500,000	\$1.45	450,000	-	-	-
		12,425,000	\$0.58	6,343,338	11,925,000	\$0.50	6,780,007

(i) On February 27, 2019, the Company granted 2,260,000 RSUs to certain eligible participants under the Company’s RSU Plan, including certain officers, directors, and employees. The 2,260,000 RSUs granted will vest in accordance with the following schedule: (i) one third immediately; (ii) one third one year from the date of the grant; and (iii) one third two years from the date of the grant.

(ii) On June 24, 2020, the Company granted 9,000,000 Performance RSUs to certain eligible participants under the Company’s RSU Plan, including certain officers, directors, employees and a related party (See Note 22). The 9,000,000 Performance RSUs granted will vest in accordance with the following schedule: (i) one third immediately; (ii) one third one year from the date of the grant only if the value of Cerrado’s shares in the market remain at or above US\$1.00 for a period of 30 consecutive days prior to the vesting date; and (iii) one third two years from the date of the grant only if the value of Cerrado’s shares in the market remain at US\$1.00 for a period of 30 consecutive days prior to the vesting date.

These Performance RSUs are accounted for as equity awards. The fair value of the Performance RSUs, based on the condition that the Company’s shares trade at US\$1.00 for a period of 30 consecutive dates prior to the vesting date, was estimated by the application of a Monte Carlo simulation model to simulate future share prices of Cerrado.

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The relative weighted average assumptions used for this fair value estimate is set out as follows:

Assumption	Note	Monte Carlo simulation
Risk-free interest rate		2.09%
Expected volatility	1	82%
Dividend yield		0%
Expected life (in years)		4.15 years
Weighted average fair value of Performance RSU award granted		\$0.36

- The expected volatility of Cerrado is based on the historical volatility of the shares of a comparative peer group of companies.

The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the performance stock awards, to calculate the fair value of the awards. Expected volatilities used in the model were estimated using historical volatility of the shares of a comparative peer group of companies over a look-back term generally equivalent to the expected life of the award from the grant date. The risk-free interest rate was based on the Government of Canada Marketable Bonds measured over a term commensurate with the expected term for each annual performance period of the awards. The expected term is based on the time between the valuation date and the end of each annual performance period of the awards. The valuation model assumes no dividends.

(iii) On September 14, 2020, the Company granted 350,000 RSUs to certain eligible participants under the Company's RSU Plan. The 350,000 RSUs granted will vest in accordance with the following schedule: (i) one third immediately; (ii) one third one year from the date of the grant; and (iii) one third two years from the date of the grant.

(iv) On November 13, 2020, the company granted 315,000 RSUs to certain eligible participants under the Company's RSU Plan, including certain officers, directors, and employees. The 315,000 RSUs will vest in accordance with the following schedule: (i) one third immediately; (ii) one third one year from the date of the grant; and (iii) one third two years from the date of the grant.

(v) On June 1, 2021, the company granted 500,000 RSUs to certain eligible participants under the Company's RSU Plan, including certain officers, directors, and employees. The 500,000 RSUs will vest in accordance with the following schedule: (i) one third immediately; (ii) one third one year from the date of the grant; and (iii) one third two years from the date of the grant.

Restricted share unit vesting transactions are summarized as follows:

	Note	Number of RSUs Outstanding	Grant date fair value/RSU (US\$)	Share-based payment reserve
Balance December 31, 2019		1,506,665	\$0.45	\$ 422
RSUs granted	(ii)-(iv)	9,665,000	\$0.51	-
RSUs vesting expense		-	\$0.51	2,200
RSUs redeemed		(3,908,325)	\$0.50	(1,945)
RSUs forfeited/cancelled		(483,333)	\$0.49	(19)
Balance December 31, 2020		6,780,007	\$0.50	\$ 658
RSUs granted	(ii)-(iv)	500,000	\$1.45	-
RSUs vesting expense		-	\$0.92	641
RSUs redeemed		(736,669)	\$0.52	(382)
RSUs forfeited/cancelled		(200,000)	\$0.50	-
Balance June 30, 2021		6,343,338	\$0.58	\$ 917

As of June 30, 2021, there were 6,343,338 RSUs outstanding (December 31, 2020 – 6,780,007 RSUs outstanding).

For the six months ended June 30, 2021 and 2020, the Company recognized share-based payment expense relating to the vesting of RSUs of \$0.6 million and \$0.2 million, respectively.

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**19. FINANCE ITEMS**

	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
<b>Finance income</b>					
Interest income		\$ (145)	\$ -	\$ (170)	\$ (2)
		(145)	-	(170)	(2)
<b>Finance costs</b>					
Accretion of future consideration payable		\$ 696	\$ 622	\$ 1,373	\$ 825
Accretion of deferred revenue	12	652	603	1,295	801
Interest on revolving prepayment facility		101	71	176	83
Finance fees and bank charges		35	80	109	132
Interest on finance lease		1	2	2	4
		1,485	1,378	2,955	1,845
<b>Net finance cost</b>		<b>\$ 1,340</b>	<b>\$ 1,378</b>	<b>\$ 2,785</b>	<b>\$ 1,843</b>

**20. FINANCIAL INSTRUMENTS**

**Fair value and carrying value of financial instruments:**

The following represents the carrying value and fair value of the Company's financial instruments and non-financial derivatives:

<b>Recurring measurements</b>		<b>June 30</b>	<b>December 31</b>
		<b>2021</b>	<b>2020</b>
<b>Financial assets</b>			
Amortised cost			
Cash	(i)	\$ 6,908	\$ 6,638
Short-term investments	(i)	27	25
Receivables and other assets	(i)(ii)	9,192	8,581
Fair value through profit or loss			
Investment in marketable securities	(iii)	524	354
<b>Total financial assets</b>		<b>\$ 16,651</b>	<b>\$ 15,598</b>
<b>Financial liabilities</b>			
Amortised cost			
Trade and other payables	(i)(ii)	\$ 18,486	\$ 14,526
Shareholder loans		-	-
Revolving prepayment facility		5,260	6,393
<b>Total financial liabilities</b>		<b>23,746</b>	<b>20,919</b>
<b>Net financial asset (liability)</b>		<b>\$ (7,095)</b>	<b>\$ (5,321)</b>

- (i) Cash, short-term investments, receivables and other assets, and trade and other payables are recorded at carrying value, which approximates fair value due to their short-term nature and generally negligible credit losses.  
(ii) Excludes tax and other statutory amounts.  
(iii) Investments are carried at their fair value, which is determined using quoted market bid prices in active markets for listed entities.

*Fair value hierarchy*

The Company's financial assets and liabilities are recorded and measured as follows:

- a) The fair values for cash, receivables and other assets, trade and other payables, and other liabilities approximate carrying values due to the immediate or short-term maturities of these financial instruments and are classified as Level 1 in accordance with their fair value hierarchy.

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The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels on the date of the event or change in circumstances that caused the transfer. During the six months ended June 30, 2021 and year ended December 31, 2020, the Company did not make any transfers.

**21. RELATED PARTY TRANSACTIONS AND BALANCES**

In accordance with IAS 24 Related Party Disclosures, 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 six months ended June 30, 2021 and 2020 compensation of key management personnel is summarized as follows:

	<b>June 30</b>	June 30
	<b>2021</b>	2020
Management and director compensation	<b>\$ 1,042</b>	\$ 390
Share-based payments	<b>527</b>	1,397
	<b>\$ 1,569</b>	\$ 1,787

**(b) Due to and from related parties**

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 June 30, 2021, the amount payable from Ascendant for lease obligations was \$0.2 million.

As at June 30, 2021, amounts owed from Ascendant in relation to shared services are \$0.4 million (June 30, 2020 - \$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. Subsequent to the quarter-end, the Company approved the accelerated vesting of the final tranche of the 200,000 RSUs granted to Ascendant.

On October 5, 2020, Cerrado subscribed for a total of 2,650,000 units of Ascendant at a cost of CAD\$0.10 per unit for a total cost of CAD\$0.4 million. Each unit consists of one common share of Ascendant and one-half of one common share purchase warrant. Each warrant entitles Cerrado to acquire one common share at a price of CAD\$0.15 per share for a 24-month period following the closing date of private placement. Cerrado accounts for this investment at FVTPL, with a fair value at June 30, 2021 of \$0.4 million (CAD\$0.5 million).

# CERRADO GOLD INC.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Three and Six Months Ended June 30, 2021 and 2020

(Expressed in thousands of U.S. dollars, except where otherwise noted, unaudited)

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#### 22. COMMITMENTS AND CONTINGENCIES

##### (a) Commitments

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

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

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

(iii) A royalty of \$3 per gold ounce, to a maximum of \$2 million payable to 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.

##### (a) Contingencies

By their nature, contingencies will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. The assessment of contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

The Company operates in countries where it may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to matters such as income and other taxes, duties and environmental matters. The Company is diligent, and exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review by the regulatory authorities and in connection with such reviews, disputes may arise with respect to the Company's interpretations about the amounts due and paid.

The Company may also be subject to various litigation actions. In-house counsel, outside legal advisors, and other subject matter experts assess the potential outcome of litigation and regulatory assessments. Accordingly, the Company establishes provisions for future disbursements considered probable.

As at June 30, 2021, 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.

#### 23. SEGMENT REPORTING

Cerrado Gold Inc. is a mining and minerals production and exploration company focused on precious metals in Brazil and Argentina. The Company's chief operating decision maker ("CODM") reviews the operating results, assesses performance and makes decisions about allocation of resources to these segments at the geographic region level or mine/project where the economic characteristics of the individual mines or projects within a geographic region are not alike. As a result, these operating segments also represent the Company's reportable segments. Other includes corporate office, elimination of intercompany transactions, and other items necessary to reconcile to consolidated amounts.

The CODM reviews segment income or loss, defined as gold and silver sales less production costs applicable to sales, depreciation and depletion, projects, and exploration costs, for all segments. Gold and silver sales and production costs applicable to sales for the reportable segments are reported net of intercompany transactions. The assessment of exploration activities is dependent principally on non-financial date.

Significant information relating to the Company's reportable operating segments for the periods presented is summarized in the tables below:

# CERRADO GOLD INC.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Three and Six Months Ended June 30, 2021 and 2020

(Expressed in thousands of U.S. dollars, except where otherwise noted, unaudited)

Period ended June 30, 2021	Argentina		Brazil	Other	Total
	Don Nicolas Mine	Monte do Carmo Project		Corporate	
Revenue from gold and silver sales	\$ 29,021	\$ -	\$ -	\$ -	\$ 29,021
Production costs applicable to sales	(21,804)	-	-	-	(21,804)
Sales expenses and royalties	(3,048)	-	-	-	(3,048)
Depreciation and depletion	(2,089)	-	-	-	(2,089)
Income (loss) from mining operations	2,080	-	-	-	2,080
General and administrative expenses	(401)	(18)	(3,720)		(4,139)
Other expenses	(405)	(8)	(4,298)		(4,711)
Income (loss) before income taxes	1,274	(26)	(8,018)		(6,770)
Income taxes	(667)	-	-		(667)
<b>Net income (loss)</b>	<b>\$ 607</b>	<b>\$ (26)</b>	<b>\$ (8,018)</b>	<b>\$ (7,437)</b>	

As at June 30, 2021	Argentina		Brazil	Other	Total
	Don Nicolas Mine	Monte do Carmo Project		Corporate	
Total assets	(i) \$ 59,158	\$ 18,588	\$ 3,787	\$ -	\$ 81,533
Total liabilities	\$ 18,482	\$ 1,790	\$ 48,034	\$ -	\$ 68,306

(i) Segment assets include receivables, inventories, property, plant and equipment and exploration and evaluation assets.

#### 24. SUBSEQUENT EVENTS

Subsequent to June 30, 2021, a total of 2,191,667 RSUs were redeemed for 2,191,667 common shares of the Company.

On August 9, 2021, the Company granted a total of 2,370,000 options to certain eligible participants under the Company's Omnibus Plan, including certain officers, directors, and employees. The 2,370,000 options will vest in accordance with the following schedule: (i) 33 1/3% immediately; (ii) 33 1/3% one year from the date of the grant; and (iii) 33 1/3% two years from the date of the grant.