



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in US dollars, except tables and otherwise noted)

2021





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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cerrado Gold Inc.

Opinion

We have audited the consolidated financial statements of Cerrado Gold Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
 - the consolidated statements of operations and comprehensive loss for the years ended December 31, 2021 and December 31, 2020
 - the consolidated statements of changes in equity for the years ended December 31, 2021 and December 31, 2020
 - The consolidated statements of cash flows for the years ended December 31, 2021 and December 31, 2020
 - and notes to the consolidated financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that in order to continue as a going concern, the Company must generate sufficient income and cash flows to repay obligations as they become due, finance its operations and fund its capital investments. The future of the Company is dependent on its ability to attain profitable operations, generate sufficient funds from operations, and obtain new debt or equity financing.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that casts significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.



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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Lee Hodgkinson.

Toronto, Canada
April 14, 2022

CERRADO GOLD INC.
Consolidated Statements of Financial Position
(Expressed in thousands of U.S. dollars)

As at	Note	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,726	\$ 6,638
Restricted cash	6	7,497	-
Short-term investments		29	25
Trade and other receivables	7	9,348	8,581
Due from related party	25	525	186
Metal inventory	8	6,224	3,637
Supplies and consumables	8	2,502	2,358
Offtake receivable	16	18,166	-
		46,017	21,425
Non-current assets			
Other receivables	7	1,800	1,080
Supplies and consumables	8	2,961	3,638
Property, plant and equipment	9	31,685	27,366
Exploration and evaluation assets	10	26,692	13,747
Investment in marketable securities	25	658	354
		63,796	46,185
Total assets		\$ 109,813	\$ 67,610
LIABILITIES			
Current liabilities			
Trade and other payables	11	\$ 21,900	\$ 14,526
Due to Monte Sinai	10	312	245
Future consideration payable	6	10,000	-
Lease obligations	12	691	408
Deferred revenue	14	2,476	1,836
Revolving prepayment facility	15	6,015	6,393
Offtake payable	16	18,166	-
		59,560	23,408
Non-current liabilities			
Future consideration payable	6	16,373	23,547
Other liabilities	11	95	182
Lease obligations	12	1,295	228
Provisions	13	3,348	1,760
Deferred revenue	14	14,020	14,324
		35,131	40,041
Total liabilities		\$ 94,691	\$ 63,449
SHAREHOLDERS' EQUITY			
Share capital	17	\$ 40,367	17,310
Shares to be issued	17	-	6,250
Warrants	18	349	314
Share-based payment reserve	19	3,443	1,658
Accumulated other comprehensive loss		(5,364)	(3,997)
Accumulated deficit		(23,673)	(17,374)
		\$ 15,122	\$ 4,161
Total liabilities & shareholders' equity		\$ 109,813	\$ 67,610

Nature of Operations and Going Concern (Note 1), Commitments and Contingencies (Notes 12 & 26), and Subsequent Events (Note 29)

APPROVED AND AUTHORIZED ON BEHALF OF THE BOARD:

Signed "Mark Brennan"
Director

Signed: "Petra Decher"
Director

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

CERRADO GOLD INC.

Consolidated Statements of Operations and Comprehensive Loss

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

	Note	Year ended December 31,	
		2021	2020
REVENUES			
Metal sales		\$ 70,051	\$ 32,194
COST OF SALES			
Production costs		43,234	24,853
Sales expenses and royalties		7,392	4,094
Depreciation and depletion		5,724	2,504
INCOME FROM MINING OPERATIONS			
		13,701	743
General and administrative expenses	20	9,492	7,699
Transaction costs		105	849
Listing expense	5	1,511	-
Finance expense	21	6,129	4,517
Foreign exchange (gain) loss		(399)	643
Other expense (income)		1,560	(1,086)
OTHER EXPENSES			
		8,906	4,923
LOSS BEFORE INCOME TAXES			
		\$ (4,697)	\$ (11,879)
Income and mining tax expense	27	(1,602)	(690)
Net loss for the period			
		(6,299)	(12,569)
OTHER COMPREHENSIVE INCOME LOSS			
Items that may be reclassified subsequently to profit or loss			
Translation adjustment		\$ (1,367)	(2,383)
Other comprehensive loss			
		(1,367)	(2,383)
Total comprehensive loss			
		\$ (7,666)	\$ (14,952)
Basic and diluted loss per share			
		\$ (0.09)	\$ (0.28)
Weighted average number of shares outstanding			
		69,933,771	44,784,428

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

CERRADO GOLD INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Expressed in thousands of U.S. dollars)

	Note	Year ended December 31,	
		2021	2020
OPERATING ACTIVITIES			
Net loss		\$ (6,299)	\$ (12,569)
Adjustments for:			
Depreciation and depletion		5,767	2,538
Accretion on future consideration payable	6	2,826	2,122
Share-based payments	19	3,338	2,345
Initial Gold Stream Advance payment	14	-	15,000
Amortization of deferred revenue	14	(2,272)	(888)
Finance costs on deferred revenue	14	2,608	2,048
Gain on short-term investments		(337)	(155)
RTO listing expense	5	1,511	-
Change in provisions		1,550	282
Other		343	203
Operating cash flows before changes in working capital		9,035	10,926
Changes in non-cash working capital items:			
Receivables and other assets		(18,889)	1,393
Inventories		(2,054)	1,883
Trade and other payables		18,526	1,994
Net cash flows provided by operating activities		\$ 6,618	\$ 16,196
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(2,996)	(3,799)
Additions to exploration and evaluation assets		(11,309)	(4,825)
Subscription of short-term investments		(7,457)	(1,322)
Redemption of short-term investments		7,480	2,175
Investment in marketable securities		-	(200)
Restricted cash		(7,497)	-
Acquisition of Minera Don Nicolas, net of cash acquired	6	-	(14,368)
Cash acquired on acquisition of Minera Mariana	4	60	-
Cash acquired on listing transaction	5	563	-
Other		-	(50)
Net cash flows used in investing activities		\$ (21,156)	\$ (22,389)
FINANCING ACTIVITIES			
Revolving prepayment facility borrowings	15	15,000	17,500
Revolving prepayment facility repayments	15	(15,375)	(11,125)
Shareholder loans (repayments)		-	(642)
Advances to related party		(339)	(186)
Interest paid		(351)	(14)
Payments on leases		(673)	-
Agent warrants exercised	18	186	-
Broker warrants exercised	18	10	-
Warrants exercised	18	400	-
Options exercised	18	90	-
Proceeds from private placements, net of share issue costs	17	10,753	7,463
Net cash flows provided by financing activities		\$ 9,701	\$ 12,996
Effect of exchange rates on cash		(75)	(203)
(Decrease) increase in cash and cash equivalents		(4,912)	6,600
Cash and cash equivalents, beginning of period		6,638	38
Cash, end of period		\$ 1,726	\$ 6,638

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

CERRADO GOLD INC.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020
(Expressed in thousands of US dollars)

	Note	Number of shares	Issued Share Capital	Shares to be issued	Warrants	Share-based payment reserve	Acumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance, December 31, 2019		40,151,371	13,938	104	60	1,422	(1,614)	(4,805)	9,105
Private placement	17	2,000,000	1,000	-	-	-	-	-	1,000
Settlement of shares to be issued	17	370,000	104	(104)	-	-	-	-	-
Special Warrant financing	17	-	-	7,077	214	-	-	-	7,291
Special Warrant financing - issuance costs, cash	17	-	-	(513)	-	-	-	-	(513)
Special Warrant financing - issuance costs, Agent & Finder's Warrants	17, 18	-	-	(314)	-	-	-	-	(314)
Shares issued for deferred management compensation	17	-	-	-	-	-	-	-	-
Shares issued for deferred management compensation	17	400,000	200	-	-	-	-	-	200
Share-based payments - compensation	17	154,325	123	-	-	-	-	-	123
Extension of warrants	17	-	-	-	40	-	-	-	40
Share-based payments - RSU vesting	19	-	-	-	-	2,200	-	-	2,200
RSUs redeemed	17, 19	3,908,325	1,945	-	-	(1,945)	-	-	-
RSUs cancelled	19	-	-	-	-	(19)	-	-	(19)
Foreign currency translation adjustment		-	-	-	-	-	(2,383)	-	(2,383)
Loss for the year		-	-	-	-	-	-	(12,569)	(12,569)
Balance, December 31, 2020		46,984,021	17,310	6,250	314	1,658	(3,997)	(17,374)	4,161
Minera Mariana Acquisition	4, 17	1,666,667	1,769	-	-	-	-	-	1,769
Private placement	17	11,111,200	10,753	-	-	-	-	-	10,753
Broker warrants issued	17, 18	-	(219)	-	219	-	-	-	-
BB1 RTO share issuance	5, 17	1,937,416	2,074	-	-	-	-	-	2,074
Share issuance on exercise of special warrants	17	8,845,750	6,257	(6,250)	-	-	-	-	7
Agent warrants exercised	17, 18	234,605	267	-	(81)	-	-	-	186
Broker warrants exercised	17, 18	8,850	13	-	(3)	-	-	-	10
Warrants exercised	17, 18	2,000,000	500	-	(100)	-	-	-	400
Options exercised	17, 19	65,000	111	-	-	(21)	-	-	90
Share-based payments - Option vesting	19	-	-	-	-	833	-	-	833
Share-based payments - RSU vesting	19	-	-	-	-	1,544	-	-	1,544
RSUs redeemed	17, 19	3,627,230	1,532	-	-	(1,532)	-	-	-
Share-based payments - DSU vesting	17, 19	-	-	-	-	961	-	-	961
Foreign currency translation adjustment		-	-	-	-	-	(1,367)	-	(1,367)
Loss for the year		-	-	-	-	-	-	(6,299)	(6,299)
Balance, December 31, 2021		76,480,739	40,367	-	349	3,443	(5,364)	(23,673)	15,122

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

CERRADO GOLD INC.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 (“MDC”) Project in the State of Tocantins, Brazil. On March 16, 2020, Cerrado closed the \$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. 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 comparative figures presented are those of Cerrado. The Company’s head office, principal address and records office are located at 200 Bay Street, Suite 3205, Toronto, Ontario, Canada, M5J 2J2.

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 December 31, 2021 the Company had a cash balance of \$1.7 million and a working capital deficiency of \$13.5 million. In order to continue as a going concern, the Company must generate sufficient income and cash flows to repay its obligations as they become due, finance its operations and fund its capital investments. The future of the Company is dependent on its ability to attain profitable operations, generate sufficient funds from operations, and obtain new debt or equity financing. The Company’s liquidity position is 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.

Accordingly, these conditions represent a material uncertainty that cast significant doubt about the Company’s ability to continue as a going concern. The consolidated financial statements do not include adjustments to the carrying values of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements (the “Financial Statements”) have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively “IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Financial Statements were approved by the Company’s Board of Directors on April 14, 2022.

The Financial Statements have been prepared on a historical cost basis except for financial instruments, as set out in the accounting policies in note 3.

(b) Functional and presentation currency

These financial statements are presented in thousands of United States 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 subsidiaries MDN and Minera Mariana is the USD.

(c) Impact of COVID-19 Pandemic

The Company continues to actively monitor the impact of the COVID-19 pandemic, including the impact on economic activity and financial reporting. During the year ended December 31, 2021, the Company has taken a number of measures to safeguard the health of its employees and their local communities while continuing to operate safely and responsibly. Incremental costs resulting from COVID-19 across all mine sites include community support, the acquisition of additional

CERRADO GOLD INC.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

personal protective equipment, higher transportation costs, and overtime costs resulting from lower headcount levels on site to accommodate social distancing. As the pandemic continues to progress and evolve, it is difficult to predict the full extent and duration of resulting operational and economic impacts for the Company, which are expected to impact a number of reporting periods. This uncertainty impacts judgements made by the Company, including those relating to determining the recoverable values of the Company's non-current assets as discussed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and by all Company entities.

(a) Basis of consolidation

Subsidiaries

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

- Minera Don Nicolas ("MDN"), incorporated in Argentina;
- Minera Mariana Argentina S.A. ("Minera Mariana"), 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(b) Translation of foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which that entity operates (its functional currency). The functional currency of the Canadian parent company is the USD, the functional currency of the Argentine subsidiaries is the USD and the functional currency of the Brazilian subsidiary companies is BRL.

Management determines the functional currency of each subsidiary as the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the respective functional currencies of the entity at exchange rates in effect at the transaction dates.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the respective functional currency using the period end exchange rate. Non-monetary assets and liabilities measured at fair value are translated using the exchange rates at the date when fair value was determined. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using exchange rates that were in effect at the transaction dates. Foreign currency gains and losses arising on period-end revaluations are recognized in the consolidated statement of operations and comprehensive loss.

Operations with functional currency other than the USD

For the purpose of the consolidated financial statements, assets and liabilities of entities that have functional currencies other than the US dollar are translated to US dollars at the reporting date using the exchange rate on that date. Revenue and expenses are translated at monthly average exchange rates that approximate those in effect at the transaction dates. Differences arising from these foreign currency translations are recognized in OCI and presented within equity in the foreign currency translation reserve. When a foreign operation is disposed, the relevant exchange differences accumulated in the foreign currency translation reserve are transferred to the consolidated statement of operations and comprehensive loss as part of the profit or loss on disposal.

(c) Business Combinations

A business combination is an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the Company and its shareholders in the form of improved earnings, lower costs or other economic benefits.

CERRADO GOLD INC.
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(Expressed in thousands of U.S. dollars, except where otherwise noted)

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at 100% of their acquisition date fair values. The acquisition date is the date the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. The Company considers all relevant facts and circumstances in determining the acquisition date.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, the liabilities, including contingent consideration, incurred and payable by the Company to former owners of the acquiree and the equity interests issued by the Company. The measurement date for equity interests issued by the Company is the acquisition date.

Acquisition-related costs are expensed as incurred. Assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill. A gain is recorded through the consolidated statements of (loss) earnings and comprehensive (loss) income if the cost of the acquisition is less than the fair values of the identifiable net assets acquired. If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

(d) Revenue

Revenue from the sale of goods to customers is measured at the fair value of the consideration received or receivable. Revenue from the sale of by-products is included in revenue.

Sales revenue is recognized when control of the goods sold has been transferred to the buyer. Control is deemed to have passed to the customer when significant risks and rewards of the product have passed to the buyer, and the Company has a present right to payment.

Sales of dore and certain other products are typically priced at the date of export. Under certain contracts, the sales prices may be subject to final adjustment up until the outturn at the refinery, based on quoted market prices during the period specified in the contract.

The Company only includes in the transaction price an amount which is not highly likely to be subject to significant subsequent revenue reversal. Within sales contracts with customers, separate performance obligations may arise pertaining to the shipping of goods sold. Where significant, costs and the transaction price are allocated on a relative stand-alone selling basis to any separate performance obligations and are recognized over the period of time the goods sold are shipped, on a gross basis.

(d) Deferred Revenue

Metal revenue subject to precious metal stream contracts

The Company entered into a streaming arrangement with a customer (the "Metals Streaming Agreement"), pursuant to which the Company received advanced consideration against the delivery of a portion of future gold metal production in reference to the Company's MDN mine. In addition to the advance consideration, the Company will also receive a cash payment as metal is delivered to the customer. Refer to Note 14 for details on the Metals Streaming Agreement.

The Company recognized the advanced consideration as deferred revenue and recognizes the amounts in revenue as it satisfies its performance obligation to deliver metal to the customer over the life of the contract. In contracts for the delivery of gold and silver, the performance obligation is typically at the point in time when the metal is credited to the metal account for the customer. Following the crediting of gold and silver to the customer's metal account, the customer has legal title to, physical possession of, and the risks and rewards of ownership of the metal, and therefore, the ability to direct the use of, and obtain substantially all of the remaining benefits, from the metal.

The Company determines the amortization of deferred revenue to the consolidated statements of operations on a per unit basis. In streaming arrangements, the estimated total quantity of metal expected to be delivered to the customer over the term of the contract is used. The consideration received from payments for deliveries made under streaming arrangements is considered variable, subject to changes in the total estimated gold and silver ounces to be delivered and gold and silver prices.

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

Changes to variable consideration are accounted for prospectively as a cumulative catch-up and are recorded in revenue in the consolidated statement of income (loss).

Where consideration is received in advance of the Company's performance of its obligation, there is an inherent financing component in the transaction. When the period between the receipt of consideration and revenue recognition is greater than one year, the Company determines whether the financing component is significant to the contract.

Where a contract is determined to have a significant financing component, the transaction price is adjusted to reflect the financing. The discount rate used in adjusting the promised amount of consideration is the rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. This rate is not subsequently adjusted for any other changes over the contract term.

The accretion of the interest expense is recognized in the finance expense line in the consolidated statements of operations, unless capitalized to assets under construction in accordance with the Company's policy on capitalized borrowing costs.

The Company estimates the current portion of deferred revenue based on quantities anticipated to be delivered under the contract over the next twelve months.

(e) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents have maturities of three months or less at the date of acquisition. Interest earned is included in other income on the consolidated statement of operations and comprehensive loss.

Amounts that are restricted from being used for at least twelve months after the reporting date are classified as non-current assets and presented in restricted cash on the consolidated balance sheets. Changes in restricted cash balances are classified as investing activities on the consolidated statements of cash flows.

(f) Inventories

Inventories consist of stockpiles, in-process inventory, and supplies and consumables. Dore and all other saleable products are valued at the lower of cost and estimated net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the net realizable value is less than cost, the difference is charged to the consolidated statement of operations and comprehensive loss as an impairment.

Cost of production of inventory is determined on a weighted average cost. The cost of production includes direct costs associated with conversion of production inventory: material, labour, contractor expenses, and an attributable portion of production overheads and depreciation of all property, plant and equipment involved with the mining and production process.

Materials and supplies include consumable stores and spare parts used in operations. Appropriate allowances for damage, obsolescence and slow-moving items are recorded based on an identification process. Spare parts include spares that are regularly replaced, usually as part of a replacement programme (circulating spares). However, major spare parts on hand to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure and stand-by equipment are accounted for as property, plant and equipment and depreciated over the same period as the component they are associated with.

Supplies and consumables are valued at the lower of average cost and net realizable value. A regular review is undertaken to determine the extent of any provision for obsolescence.

(g) Exploration and evaluation expenditures

Exploration and evaluation ("E&E") activity begins when the Company obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility, and the assessment of commercial viability of an identified resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties and the costs of the Company's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

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Exploration and evaluations costs are capitalized. These costs include acquisition of rights to explore, exploration drilling, carrying costs of unproved properties, and any other activities relating to the evaluation of technical feasibility and commercial viability of extracting mineral resources. Cash flows associated with exploration and evaluation assets are classified as investing activities in the consolidated statements of cash flows.

Administrative and other general overhead costs associated with finding specific mineral resources are capitalized. Administrative and overhead costs are expensed if they do not qualify for capitalization as an E&E asset. The following costs may qualify for inclusion as an E&E asset:

- Payroll-related costs attributable to personnel working directly on a specific project, including the costs of employee benefits and share-based compensation for such personnel;
- Certain management costs if the management roles are specific to a project;
- Fees paid to contractors involved in a particular project;
- Legal or other professional costs specific to the project – i.e. costs in respect of obtaining certain permits and certifications; and
- General office overheads for an office that is set up specifically to support E&E activities.

Exploration and evaluation assets are transferred to assets under construction within property, plant and equipment once the Company determines that probable future economic benefits will be generated as a result of the expenditures. The Company's determination of probable future economic benefit is based on management's evaluation of the technical feasibility and commercial viability of the geological properties of a given ore body based on information obtained through evaluation activities, including metallurgical testing, resource and reserve estimates and the economic assessment of whether the ore body can be mined economically. Tools that may be used to determine this include a preliminary feasibility study, confidence in converting resources into reserves and the probability that the property could be developed into a mine site. At that time, the property is considered to enter the development phase, and subsequent development costs are capitalized.

(h) Mining interest

Mining interests represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures arising from property acquisitions. Upon disposal or abandonment, the carrying amounts of mining interests are de-recognized and any associated gains or losses are recognized in profit or loss.

Mining properties

Purchased mining properties are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. Property acquisition costs, longer term development, and costs incurred to expand ore reserves are capitalized if the criteria for recognition as an asset are met.

The carrying amounts of mining properties are depleted using the unit-of-production ("UOP") method over the estimated recoverable ounces, when the mine is capable of operating at levels intended by management. Under this method, depletable costs are multiplied by the number of ounces produced, and divided by the estimated recoverable ounces contained in proven and probable reserves and a portion of resources where it is considered highly probable that those resources will be economically extracted.

Management reviews the estimated total recoverable ounces contained in depletable reserves and resources at each financial year end, and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces contained in depletable reserves and resources are accounted for prospectively.

Deferred Stripping Costs

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically, the process of which is referred to as stripping. Once an open pit mining operation (or pit) is determined to no longer be in the pre-production stage, costs are either capitalized to inventory or, if it qualifies as an open pit stripping activity that provides a future benefit, to deferred stripping costs within Mining Interests. Production phase stripping costs, which are those incurred during the production stage of a mine (or pit), are accounted for as costs of inventory produced during the period, unless these costs are expected to provide a future economic benefit to an identifiable component of the ore body. Production phase stripping costs generate a future economic benefit when the related stripping activity improves access to a component of the ore body to be mined in the future, increases the fair value of the mine (or pit) or increases its productive capacity. Production phase stripping costs that are expected to generate a future economic benefit are capitalized as deferred stripping costs within Mining Interest. Deferred stripping costs are depreciated on a UOP

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basis whereby the denominator is the estimated ore tonnes considered probable of economic extraction based on the current life of mine ("LOM") plan that benefit from the stripping activity.

(i) Property, plant and equipment

The Company measures items of property, plant and equipment at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an item of property, plant and equipment includes its purchase price or construction costs, including import duties and non-refundable purchase taxes, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The initial cost of property, plant and equipment also includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Capitalization of costs ceases once an asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. At this time, depreciation commences. For a new mine, this occurs upon commencement of commercial production.

Carrying amounts of property, plant and equipment, including assets under finance leases, are depreciated to their estimated residual value over the estimated useful lives of the assets or the estimated life of the related mine or plant, if shorter. Where components of an asset have different useful lives, depreciation is calculated on each separate component. Components may be physical or non-physical, including the cost of regular major inspections and overhauls required in order to continue operating an item of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Upon derecognition of an item of property, plant and equipment, the difference between its carrying value and net sales proceeds, if any, is presented as a gain or loss in other operating income or expense in the consolidated statement of operations and comprehensive loss.

Right-of-use assets

Contracts that convey the right to the Company to control the use of an identified asset for a period of time in exchange for consideration is accounted for as a lease, resulting in the recognition of a right-of-use ('ROU') asset at the commencement of the lease. The ROU asset is measured at cost and includes the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement dates, less any lease incentives received;
- any initial direct costs; and
- an estimate of costs to restore the underlying asset, and any site upon which it is located, to the condition required by the terms and conditions of the lease.

ROU assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. The accretion applied in establishing the net present value of provisions is charged to profit or loss in each accounting period and recorded as a financing cost.

(j) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of property, plant and equipment and exploration and evaluation assets to determine whether there is any indication of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset in order to determine the extent of the impairment loss, if any. The Company generally assesses impairment at the level of CGUs, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of cash inflows from other assets.

The Company allocates exploration and evaluation assets to CGUs based on their operating segment, geographic location and management's intended use for the property. Exploration and evaluation assets are allocated to CGUs separate from those containing producing or development-phase assets, except where exploration and evaluation assets have the potential to significantly affect the future production of producing or development-phase assets.

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Where an indicator of impairment exists, a formal estimate of the recoverable amount of the asset or CGU is made. The recoverable amount is the higher of the fair value less costs of disposal and value in use:

- i. Fair value less costs of disposal is the amount obtainable from the sale of the asset or CGU in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Fair value for mineral assets is often determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset to arrive at a net present value of the asset.
- ii. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset or CGU in its present form and its eventual disposal, discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use calculations apply assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value, and consequently the value in use calculation is likely to give a different result to a fair value calculation.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

(k) Provisions

Provisions are recognized when the Company or its subsidiaries has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to profit or loss.

Contingent liabilities are recognized in the consolidated financial statements, if estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote.

Decommissioning and restoration provisions

The Company has provisions for decommissioning and restoration costs which include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning and restoration costs are a normal consequence of mining and the majority of decommissioning and restoration expenditures are incurred at the end of the life of mine. Although the ultimate cost to be incurred is uncertain, the Company estimates the respective costs based on engineering studies using current restoration standards and techniques.

Estimated decommissioning and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs of the closure plan.

Provisions for decommissioning and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Each period the Company reviews cost estimates and other assumptions used in the valuation of the obligation to reflect events, changes in circumstances and new information available. The principal factors that can cause expected cash flow to change are: changes in laws and regulations governing the protection of the environment, construction of new facilities, changes in estimated lives of operations, changes in the life-of-mine plan, and changing ore characteristics that impact required environmental protection measures. Monetary foreign currency-denominated obligations are translated at the exchange rates at the end of the reporting period.

The initial closure provision together with other movements in the provisions for decommissioning and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and

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revisions to discount rates are capitalized within property and equipment. These costs are then depreciated over the lives of the assets to which they relate.

(I) Financial Instruments

Financial instruments are initially recognized at fair value plus, in the case of a financial asset or financial liability not measured at fair value through profit or loss, directly attributable transaction costs. Measurement in subsequent periods depends on the financial instrument's classification. The Company determines the classification of its financial instruments and non-financial derivatives at initial recognition.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheets when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The classification of financial assets is based on the results of the contractual characteristics test and the business model assessment which will result in the financial asset being classified as either: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI").

(i) Financial instruments

Amortized cost

Cash, short term investments, trade and other receivables and amounts due from related parties are classified as and measured at amortized cost and are carried at amortized cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities

Accounts payable and due to Monte Sinai are initially recognised at FVTPL and subsequently accounted for at amortized cost, using the effective interest rate method.

(ii) Fair values of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available.

For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models.

The Company applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques use significant observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), or valuations are based on quoted prices for similar instruments; and
- Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

An analysis of fair values of financial instruments is provided in note 23.

(iii) Derecognition of financial instruments

The Company derecognizes financial assets when the contractual rights to the cash flows from the assets expire, or when the Company transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

A financial liability is de-recognized when the associated obligation is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability

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and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net earnings as a gain or loss on debt extinguishment.

Expected credit loss impairment model

A loss allowance for expected credit losses is recognized in earnings for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due. The impairment model does not apply to investment in equity instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(m) Taxation

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

The Company is subject to income taxes in multiple jurisdictions. The Company recognizes liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Deferred Tax

Deferred tax is recognized using the balance sheet method in respect of temporary differences at the balance sheet date between the tax basis of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Judgement is required in determining whether deferred tax assets are recognized on the consolidated balance sheets. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood of taxable profit in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability to realize the net deferred tax assets recorded at the balance sheet date could be affected.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred taxes relating to items recognized outside profit or loss (whether in other comprehensive income or directly in equity) are recognized outside profit or loss and not in the consolidated income statements. Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax.

(n) Earnings (Loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company follows the treasury stock method in the calculation of diluted earnings per share. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which currently consist of stock options, Restricted Share Units ("RSUs") and warrants.

When calculating earnings per share for periods where the Company has a loss, the Company's calculation of diluted earnings per share excludes any incremental shares from the assumed conversion of stock options, RSUs, and warrants as they would be anti-dilutive.

(o) Share Capital and Reserves

Transaction costs

Transaction costs directly attributable to equity transactions are recognized as a deduction from equity.

Share-based payment reserve

Share-based payment reserve is used for equity-settled share-based payments and includes amounts for stock options, DSU's and RSUs granted, vested and not exercised.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations with functional currencies different than the presentation currency of the reporting entity. Exchange differences arising from the translation of the financial statements of foreign operations form part of the net investment in the foreign operation. Translation gains and losses remain in the reserve until disposal of all or a portion of the foreign operation.

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(p) Share-based payments

The Company maintains an Omnibus Plan, which includes RSUs and stock options for employees, directors, and other qualified individuals. The Omnibus Plan also includes Deferred Share Unit (“DSU”) for non-executive directors of the Company.

Equity-settled transactions, which include RSUs, performance RSUs, DSUs and stock options, are measured by reference to their fair value at the grant date. The fair value for RSUs and DSUs is determined using the estimated fair value of the common shares at the grant date. The fair value for stock options is determined using a Black-Scholes option pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the expected average life of options. The Company believes this model adequately captures the substantive features of the option awards and are appropriate to calculate their fair values. The fair value determined for RSUs, DSUs and stock options at grant date is recognized over the vesting period in accordance with the vesting terms and conditions, with a corresponding increase to share-based payment reserve.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 19. The fair value determined at the grant date of the equity-settled share-based payments is expensed in profit or loss over the vesting period in accordance with vesting terms and conditions, with a corresponding increase to share-based payment reserve.

The fair value of the performance RSUs is determined by the performance requirements. When the performance requirements are linked to Market conditions, the length of the expected vesting period is estimated consistent with the same assumptions used in estimating the grant-date fair value of the equity instrument granted. Additionally a valuation technique is used to determine the fair value of the shares at the grant date.

The DSU Plan provides for the payment of directors’ compensation with DSUs. Each DSU is a right granted by the Company to an eligible director to receive an equivalent to the value of one common share on termination of service. The fair value of the DSUs awarded, representing the market price of the Company’s shares, is recognized as deferred share based compensation expense at grant date in the statement of operations and comprehensive loss. The Company may and intends to settle amounts due under the DSU Plan by issuing one common share for each DSU.

(q) Leases

Leases recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then an asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is assessed to contain a lease, a lease liability is recognized representing the present value of cash flows estimated to settle the contract, discounted using the discount rate implicit in the lease, or if that is not available, a discount rate which would be required if the underlying asset was acquired through a financing arrangement. The Company will also recognize a

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right-of-use asset ("ROU") that will generally be equal to the lease obligation at adoption. The ROU is subsequently amortized over the life of the contract.

The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors.

(s) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Company reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that the Company believes to be reasonable under the circumstances. Revisions to accounting estimates are recognized prospectively in the period in which the estimates are revised and in any future periods affected.

The following are the significant judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Significant Judgments in Applying Accounting Policies

Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of the Company's Argentine and Brazilian subsidiaries is, respectively, the USD and Brazilian Real. Determination of functional currency involves judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Deferred revenue

Significant judgment is required in determining the appropriate accounting for the Streaming Agreement that has been entered into. Management has determined that the Company assumes significant business risk associated with the timing and amount of ounces of gold ounces being delivered. As such, the deposits received have been recorded as deferred revenue liabilities in the consolidated balance sheet.

Impairment and impairment reversal of non-financial assets

Significant judgment is required in assessing indicators of impairment or impairment reversal of non-financial assets. For each asset or CGU, the Company completes an evaluation at each reporting period of potential indicators of impairment or impairment reversal. The Company considers both external and internal sources of information in assessing whether there are

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any indications that assets or CGUs may be impaired. When completing an impairment test, the Company calculates the estimated recoverable amount of CGUs, which requires management to make estimates and assumptions related to items such as future production levels, operating and capital costs, long-term commodity prices, foreign exchange rates, discount rates, proven and probable reserves and resources, and closure and environmental remediation costs. These estimates and assumptions are subject to risk and uncertainty, particularly in circumstances where there is limited operating history of the asset or CGU. Judgment is also required in determining the appropriate valuation method for mineralization and ascribing anticipated economics to mineralization in cases where only limited or no comprehensive economic study has been completed. Therefore, there is a possibility that changes in circumstances will have an impact on these projections, which may impact the recoverable amount of assets or CGUs. Changes in these estimates which decrease the estimated recoverable amount of a CGU could affect the carrying amounts of assets and result in an impairment charge or reversal. While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cashflows could materially affect the recoverable amount of a CGU.

Accounting Estimates and Assumptions

Determination of reserves and resources

The Company estimates mineral reserves and resources to determine future recoverable mine production based on assessment of geological, engineering and metallurgical analyses, estimates of future production costs, capital costs and reclamation costs, as well as long term commodity prices and foreign exchange rates. There are numerous uncertainties inherent in estimating mineral reserves and resources, including many factors beyond the Company's control. The estimates are based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body and interpreting this data requires complex geological judgements. Changes in mineral reserve or resource estimates may impact the allocation of purchase price allocations, the carrying value of exploration and evaluation assets and depreciation and depletion.

Stockpile valuation

The Company accounts for its ore stockpiles and in-process precious metals inventory using a process flow for applicable costs appropriate to the physical transformation of ore through the mining, crushing, leaching from heap leach operations, milling and gold recovery process. The Company estimates the expected ultimate recovery based on laboratory tests and ongoing analysis of leach pad kinetics in order to estimate the recoverable metals at the end of each accounting period. If the Company determines at any time that the ultimate recovery should be adjusted downward, then the Company will adjust the average carrying value of a unit of metal content in the in-process inventory and adjust upward on a prospective basis the unit cost of subsequent production. Should an upward adjustment in the average carrying value of a unit of metal result in the carrying value exceeding the realizable value of the metal, the Company would write down the carrying value to the realizable value.

Tax provisions

Management makes estimates in determining the measurement and recognition of deferred tax assets and liabilities recorded on the consolidated balance sheets. The measurement of deferred tax assets and deferred tax liabilities is based on tax rates that are expected to apply in the period that the asset is realized or liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood of taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability to realize the net deferred tax assets recorded at the balance sheet date could be affected. At the end of each reporting period, management reassesses the period that assets are expected to be realized or liabilities are settled and the likelihood of taxable income in future periods in order to support and adjust the deferred tax assets and deferred tax liabilities recognized on the consolidated balance sheets.

Business combinations and asset acquisitions

When the Company makes an acquisition, it first determines whether the assets acquired and liabilities assumed constitute a business, in which case the acquisition requires accounting as a business combination. Management applies judgement in determining whether the acquiree is capable of being conducted and managed for the purpose of providing a return, considering the inputs of the acquiree and processes applied to those inputs that have the ability to create outputs.

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Provision for Environmental Rehabilitation

Significant estimates and assumptions are made in determining the environmental rehabilitation costs as there are numerous factors that will affect the ultimate environmental rehabilitation provision. These factors include estimates of the timing and costs of rehabilitation activities, current changes in available technologies and regulations, and changes in discount rates. Those uncertainties may result in actual expenditures in the future being different from the amounts currently provided.

(t) Changes in accounting policy and disclosures

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. The extent of the impact of adoption of this standard has not yet been determined.

IAS 1, Presentation of Financial Statements

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning no earlier than January 1, 2024 and are to be applied retrospectively. The extent of the impact of adoption of this standard has not yet been determined.

IAS 8, Definition of Accountings Estimates

The IASB has issued an amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 37, Provisions, contingent liabilities and contingent assets

The IASB has issued an amendment to IAS 37, Provisions, contingent liabilities and contingent assets to IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous.

The IASB's amendments address this issue by clarifying that the 'costs of fulfilling a contract' comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of PPE used in fulfilling the contract.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The amendment will be adopted on January 1, 2022 and there is no anticipated impact to the Company.

IFRS 3 – Business Combinations

The IASB has issued an amendment to IFRS 3, Business Combinations adding an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. This exception specifies that for some assets and liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The amendment will be adopted on January 1, 2022 and there is no anticipated impact to the Company.

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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 consolidated financial statements.

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 of \$1.8 million consisting of a nominal cash payment and \$1.8 million (CAD\$2.3 million) on 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 arrangement 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:

Purchase Price	Note	
Cash Paid		\$ 50
Fair value of 1,666,667 shares issued		1,769
		\$ 1,819
Purchase Price Allocation		
Cash		60
Fiscal credit receivables		212
Prepays and other assets		27
Exploration and evaluation assets	10	1,654
Total identifiable assets acquired		1,953
Trade and other payables		(75)
Payroll obligations		(53)
Other payables		(6)
Total identifiable liabilities assumed		(134)
Total identifiable net assets		\$ 1,819

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5. REVERSE TAKEOVER TRANSACTION

On February 19, 2021, the Company completed a RTO transaction with BB1, whereby the shareholders of BB1 became shareholders 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.

In the accounting for the reverse acquisition, the consideration is determined by reference to the fair value of the number of shares of the legal subsidiary, being Cerrado, would have issued to the legal parent entity (BB1), to obtain the same ownership in the combined entity. As a result, the consideration is measured at the value of 1,937,416 shares on a post-consolidation basis that would have been issued by Cerrado.

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. Therefore, BB1’s share capital, equity reserve and deficit at the time of the RTO transaction were eliminated. 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. The Company considered the price of the shares post-closing of the transaction and the price per share of the Company’s recent private placement completed in February 2021 of CAD\$1.35 each.

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
	\$ 2,074

RTO transaction costs inclusive of the listing expense incurred by the Company during the year ended December 31, 2021 were \$1.6 million.

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 S.A. (“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 at the closing date. For the year ended December 31, 2021, the discount was accreted by \$2.8 million which is included in finance expense. As at December 31, 2021, the amount held in restricted cash of \$7.5 million relates to the sinking fund set up by the Company for future payment obligations to the Sellers.

In addition to the above, the Sellers are entitled to the following “Initial Bonus” amounts, 48 months from closing date, provided the terms of the 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

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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 at the acquisition date, and are not included in the purchase price calculation. These contingent payments have been valued at \$Nil as at December 31, 2021 and 2020.

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 loss in 2020.

In the third quarter of 2021, 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 with a further \$0.5 million to be paid by April 15, 2022, included under Other expense in the Consolidated Statements of Operations and Comprehensive Loss.

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

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

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7. TRADE AND OTHER RECEIVABLES

	December 31	December 31
	2021	2020
Current		
Trade receivables	\$ 1,217	\$ 519
Sales tax and other statutory receivables	7,949	7,278
Other assets	182	784
	9,348	8,581
Non-current		
Other assets	1,800	1,080
	\$ 11,148	\$ 9,661

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

8. INVENTORIES

	December 31	December 31
	2021	2020
Ore stockpiles	\$ 2,762	\$ 1,001
In-circuit	910	2,636
Finished metal	2,552	-
Metal Inventories	\$ 6,224	\$ 3,637

	December 31	December 31
	2021	2020
Supplies and consumables	\$ 5,463	\$ 5,996
Less: non-current portion of supplies and consumables	(2,961)	(3,638)
Current Supplies and Consumables	\$ 2,502	\$ 2,358

Long-term supplies and consumables represent critical spares not likely to be used in the next year.

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9. PROPERTY, PLANT AND EQUIPMENT

	Mining Property, Plant and Equipment	Assets Under Construction	Land and Buildings	Total
Cost				
December 31, 2019	-	-	105	105
Acquisition through business combination	20,331	3,782	23	24,136
Additions	2,659	2,612	-	5,271
Change in provision for environmental rehabilitation	280	-	-	280
December 31, 2020	23,270	6,394	128	29,792
Acquisition through business combination	-	-	-	-
Additions	4,725	1,054	482	6,260
Reclassifications	9,428	(6,652)	-	2,776
Change in provision for environmental rehabilitation	1,050	-	-	1,050
As at December 31, 2021	38,473	796	610	39,878
Accumulated depreciation and amortization				
December 31, 2019	-	-	34	34
Charge for the period	2,359	-	33	2,392
December 31, 2020	2,359	-	67	2,426
Charge for the period	5,722	-	45	5,767
As at December 31, 2021	8,081	-	112	8,193
Net book value				
Balance, December 31, 2020	20,911	6,394	61	27,366
Balance, December 31, 2021	\$ 30,392	\$ 796	\$ 498	\$ 31,685

Property, plant and equipment includes right-of-use assets of \$1.1 million (2020 - \$0.4 million) related to leased buildings of \$0.5 million (2020 - \$0.1 million) and mobile equipment of \$0.6 million (2020 - \$0.3 million). These right-of-use assets are included under Land and Building Mining Property, Plant and Equipment, respectively. During 2021, the Company leased land and buildings and recognized a right-of-use asset of \$0.5 million (2020 - \$0.1). The Company also leased mobile equipment and recognized a right-of-use asset of \$1.0 million (2020 - \$1.4 million acquired through business combination).

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10. EXPLORATION AND EVALUATION ASSETS

The following is a summary of the Company's exploration and evaluation capitalized costs for the year ended December 31, 2021:

	Note	Monte do Carmo Gold Project	Minera Don Nicolas Mine	Minera Mariana	Total
Balance at December 31, 2019		\$ 13,607	\$ -	\$ -	13,607
Expenditures		2,402	829	33	3,264
Effect of movements in exchange rates		(3,214)	-	-	(3,214)
Balance at December 31, 2020		\$ 12,885	\$ 829	\$ 33	13,747
Acquisition of Minera Mariana	4	-	-	1,654	1,654
Expenditures		10,191	5,165	35	15,391
Reclassifications		-	(2,776)	-	(2,776)
Effect of movements in exchange rates		(1,324)	-	-	(1,324)
Balance at December 31, 2021		\$ 21,752	\$ 3,218	\$ 1,722	26,692

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.

During the year ended December 31, 2021, the Company incurred \$10.2 million (December 31, 2020 - \$2.4 million) in expenditures related mainly to exploration costs.

The terms of the acquisition provide for a 2% net smelter royalty granted to the former owners of the project. 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, \$0.7 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 – 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"). Minera Mariana is the owner of the Las Calandrias and Los Cisnes gold-silver projects.

During the year ended December 31, 2021, the Company incurred \$1.8 million (December 31, 2020 - \$0.1 million) in costs related to the acquisition of Minera Mariana (see note 4).

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11. TRADE AND OTHER PAYABLES

	December 31 2021	December 31 2020
Current		
Trade payables	\$ 8,255	\$ 7,013
Accrued liabilities	9,076	5,560
Payroll and government remittances	4,192	1,891
Other liabilities	377	62
	\$ 21,900	\$ 14,526
Non-current		
Other liabilities	\$ 95	\$ 182
	\$ 21,995	\$ 14,708

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

12. LEASE OBLIGATIONS

	December 31 2021	December 31 2020
Total minimum lease payments	\$ 2,781	\$ 799
Effect of discounting	(795)	(163)
Present value of minimum lease payments	1,986	636
Less: current portion	(691)	(408)
	\$ 1,295	\$ 228
Minimum payments under leases		
Due no later than 1 year	1,070	496
Due later than 1 year less than 5 years	1,711	303
	\$ 2,781	\$ 799

The Company's lease obligations are related primarily to plant and equipment used in mining operations in Argentina and office premises in Canada and Argentina, with payments made on a monthly basis. The Company sub-leases an office space from a company with directors and officers in common (see Note 25).

The table below summarizes amounts recognized in earnings during the years ended December 31:

	2021	2020
Depreciation expense for ROU assets	\$ 712	\$ 479
Interest expense included in finance costs	338	87
Total recognized in earnings	\$ 1,050	\$ 566

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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.

A summary of changes to the provision for decommissioning is as follows:

	Year ended December 31,	
	2021	2020
Opening balance	\$ 1,760	\$ 1,078
Change in estimate	1,455	601
Accretion	133	81
As at period end	\$ 3,348	\$ 1,760

The following table summarizes the assumptions used to determine the decommissioning provision related to its mine:

	Undiscounted liability for closure	Expected date of expenditure	Pre-tax risk-free rate
Minera Don Nicolas Mine	\$ 5,310	2029-2032	6.02%

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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. Features such as step-down options, could affect that substance of the streaming as a whole and affect the contract recognition. Additionally, they could result in the recognition of embedded derivatives under IFRS 9, depending on how they affect the host contract.

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 loss.

The following table summarizes deferred revenue:

Opening balance December 31, 2020	\$	16,160
Amortization of derred revenue:		
Deferred revenue recognized		(2,272)
Finance costs on deferred revenue		2,608
Balance, December 31, 2021	\$	16,496

	December 31, 2021	December 31, 2020
Current portion	\$ 2,476	\$ 1,836
Non-current portion	14,020	14,324
Total	\$ 16,496	\$ 16,160

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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 prior to 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 year ended December 31, 2021, the Company had drawn down a total \$15.0 million and repaid a total \$15.4 million under the revolving prepayment facility. As at December 31, 2021 the \$6.0 million balance bears interest at the rate of 3 Month LIBOR + 5.85% until repaid.

16. OFFTAKE ARRANGEMENT

On September 28, 2021, the Company entered into an offtake agreement pursuant to which, effective October 1, 2021, the Company's Minera Don Nicolas mine will deliver a minimum of 25,000 ounces of contained gold in Dore. The Company is not obligated to a monthly ounce minimum and must sell 100% of its production until the minimum deliveries have been met.

The offtake receivable balance of \$18.2 million at December 31, 2021 consists entirely of the proceeds from export sales receivable by Minera Don Nicolas and delivered to the offtaker under the agreement. Conversely, offtake payable balance of \$18.2 million at December 31, 2021 represents export sales delivered by Minera Don Nicolas under the offtake agreement, which will be repaid to Minera Don Nicolas within six months of the delivery.

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17. 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	Shares to be issued
Balance, December 31, 2019		40,151,371	\$ 13,938	\$ 104
Private placement	(i)	2,000,000	1,000	-
Settlement of shares to be issued	(i)	370,000	104	(104)
Special Warrant Financing	(iv)	-	-	7,077
Special Warrant financing - issuance costs, cash	(iv)	-	-	(513)
Special Warrant financing - issuance costs, Agent Options & Finder's Warrants	(iv)	-	-	(314)
Shares issued for deferred management compensation	(ii)	400,000	200	-
Share-based payments - compensation	(iii)	154,325	123	-
RSUS redeemed	19	3,908,325	1,945	-
Balance, December 31, 2020		46,984,021	\$ 17,310	\$ 6,250
Minera Mariana acquisition	(v)	1,666,667	1,769	-
Private placement	(vi)	11,111,200	10,753	-
Broker warrants issued	(vi)	-	(219)	-
BB1 RTO Transaction	(vii)	1,937,416	2,074	-
Share issuance on exercise on Special Warrants	(iv)	8,845,750	6,257	(6,250)
Options vested		-	-	-
Warrants exercised	18	2,000,000	500	-
Agent warrants exercised	18	234,605	267	-
Broker warrants exercised	18	8,850	13	-
Options exercised	19	65,000	111	-
RSUs redeemed	19	3,627,230	1,532	-
Balance, December 31, 2021		76,480,739	\$ 40,367	\$ -

- (i) In January 2020, the Company completed a non-brokered private placement financing, pursuant to which the Company issued 2,000,000 common shares at \$0.50 per share gross proceeds of \$1.0 million and share issue costs of \$0.1 million. Also a total of 370,000 share were issued in respect of \$0.10 previously received in cash and recorded as shares to be issued.
- (ii) In March 2020, the Company issued 400,000 common shares in lieu of management compensation accrued and unpaid since December 2018 to officers and directors of the Company for a value of \$0.2 million. This amount is included as Management compensation in Note 25.
- (iii) In November 2020 and December 2020, the Company issued 154,325 common shares in lieu of compensation in relation to consulting, Finders' and termination fees.
- (iv) In connection with the expected RTO, on September 11, 2020 the Company completed a private placement of 8,845,750 special warrants at a price of \$0.80 per special warrant, for aggregate gross proceeds of \$7.1 million. In connection with the financing, the Company incurred cash issuance costs of \$0.5 million. Haywood Securities (the "Agent") was engaged to act as lead Agent in connection with the financing. The Company granted 505,115 Agent Options and 123,625 Finder's Warrants exercisable in whole or in part by the Agent at \$0.80 for a total value of \$0.3 million (See Note 18).
- On February 19, 2021, upon completion of the RTO (see Note 5) the Company issued shares in connection with the previously completed private placement of 8,845,750 special warrants.
- (v) 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.
- (vi) 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 (\$11 million). The Company granted 666,672 Broker warrants exercisable at CAD\$1.35 until February 17, 2022, valued at \$0.2 million (See Note 18).
- (vii) On February 19, 2021, the Company and BB1 completed the RTO transaction (See Note 5). Pursuant to the RTO, all securities of the Company were exchanged for securities of BB1 on a 8:31 basis for a total issuance of 1,937,416 Cerrado common shares.

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18. WARRANTS

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

Expiry Date	Note	December 31, 2021			December 31, 2020		
		Exercise Price (USD\$)	Number of Warrants	Exercisable	Exercise Price (USD\$)	Number of Warrants	Exercisable
October 3, 2021	(i)	\$0.20	-	-	\$0.20	2,000,000	2,000,000
September 11, 2022	(ii)	\$0.80	394,135	394,135	\$0.80	628,740	628,740
February 17, 2022	(iii)	\$1.07	657,821	657,821	-	-	-
		\$0.97	1,051,956	1,051,956	\$0.34	2,628,740	2,628,740

At December 31, 2021, the weighted average remaining contractual life of the warrants was 0.34 years (December 31, 2020 – 0.98 years).

- (i) On October 3, 2017, the Company issued a total of 2,000,000 warrants to officers and directors of the Company. Each warrant entitled 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 dividend 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%. During the quarter-ended September 30, 2021, these 2,000,000 warrants were exercised for gross proceeds of \$0.4 million.

- (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 (\$1.07) in relation to the Private Placement and RTO transaction. The estimated fair value of the warrants was \$0.2 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 1 year.

Warrants transactions are summarized as follows:

	Note	December 31, 2021		
		Exercise Price (USD\$)	Number of Warrants	Warrants
Balance, December 31, 2019		\$0.20	2,000,000	\$ 60
Agent and finder's warrants granted	(ii)	\$0.80	628,740	214
Warrants extended		-	-	40
Balance, December 31, 2020		\$0.34	2,628,740	\$ 314
Broker warrants granted	(iii)	\$1.07	666,671	219
Agent warrants exercised	(ii)	\$0.80	(234,605)	(81)
Broker warrants exercised	(iii)	\$1.07	(8,850)	(3)
Warrants exercised	(i)	\$0.20	(2,000,000)	(100)
Balance, December 31, 2021		\$0.97	1,051,956	\$ 349

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19. SHARE-BASED PAYMENT RESERVE

	Stock Options	Restricted share units	Deferred share units	Share-based payment reserve
Balance, December 31, 2019	\$ 1,000	\$ 422	\$ -	\$ 1,422
RSU vesting expense	-	2,200	-	2,200
RSUs redeemed	-	(1,945)	-	(1,945)
RSUs cancelled	-	(19)	-	(19)
Balance, December 31, 2020	\$ 1,000	\$ 658	\$ -	\$ 1,658
Options vested	833	-	-	833
Options exercised	(21)	-	-	(21)
RSU vesting expense	-	1,544	-	1,544
RSUs redeemed	-	(1,532)	-	(1,532)
DSU vesting expense	-	-	961	961
Balance, December 31, 2021	\$ 1,812	\$ 670	\$ 961	\$ 3,443

On October 28, 2021, the Company's shareholders approved the Amended and Restated Omnibus Incentive Plan ("the Omnibus Plan"), which amends and restates the previous Plan approved on November 23, 2020 whereby the Company can grant to directors, officers, employees and consultants options to purchase common shares of the Company. The Omnibus Plan provides for the issuance of stock options and RSUs to acquire up to 10% of the Company's issued and outstanding capital. The Omnibus Plan also provides for the issuance of DSUs to eligible directors of the Company.

The Omnibus Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options and RSUs will increase as the Company's issued and outstanding share capital increases.

Options

As at December 31, 2021, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Expiry Date		December 31, 2021			December 31, 2020		
		Exercise Price (USD\$)	Number of Stock Options	Exercisable	Exercise Price (USD\$)	Number of Stock Options	Exercisable
October 3, 2024	(i)	\$0.45	4,000,000	4,000,000	\$0.45	4,000,000	4,000,000
August 9, 2026	(ii)	\$1.12	2,370,000	790,000	-	-	-
September 1, 2022	(iii)	\$1.38	-	-	-	-	-
September 1, 2026	(iv)	\$1.38	30,000	10,000	-	-	-
October 28, 2026	(v)	\$1.24	150,000	50,000	-	-	-
		\$0.71	6,550,000	4,850,000	\$0.45	4,000,000	4,000,000

As at December 31, 2021, the weighted average remaining contractual life of the stock options was 3.09 years (December 31, 2020 – 3.76 years).

(i) On February 27, 2019 the Company granted a total 4,000,000 stock options to certain eligible participants under the Company's previous Plan, including certain officers, directors, and employees. The 4,000,000 options vested immediately and are each exercisable at \$0.45 for a period of five years from the grant date. The value of these options was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 67%, a risk-free rate of 1.79% and an expected life of 5 years.

(ii) On August 9, 2021, the Company granted a total of 2,370,000 stock options to certain eligible participants under the Company's previous Plan, including certain officers, directors, and employees. The 2,370,000 options are each exercisable at CAD\$1.41 (\$1.12) for a period of five years from the grant date, and will vest in accordance with the following schedule: (i) 1/3 immediately; (ii) 1/3 one year from the date of the grant; and (iii) 1/3 two years from the date of the grant. The value of these options was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 70%, a risk-free rate of 0.80% and an expected life of 5 years.

(iii) On September 1, 2021, the Company granted a total of 65,000 stock options to certain consultants eligible under the Company's previous Plan. The 65,000 options vested immediately and are each exercisable at CAD\$1.74 (\$1.38) for a period of 1 year from the grant date. The value of these options was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 70%, a risk-free rate of 0.37% and an expected life of 1 year. On September 30, 2021 the 65,000 options were exercised in full.

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(iv) On September 1, 2021, the Company granted 30,000 stock options to certain employees eligible under the Company's previous Plan. The 30,000 options are exercisable at CAD\$1.74 (\$1.38) for a period of 5 years from the grant date, and will vest in accordance with the following schedule: (i) 1/3 immediately; (ii) 1/3 one year from the date of the grant; and (iii) 1/3 two years from the date of the grant. The value of these options was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 70%, a risk-free rate of 0.41% and an expected life of 5 years.

(v) On October 28, 2021 the Company granted 150,000 stock options to certain employees eligible under the Company's previous Plan. The 150,000 options are exercisable at CAD\$1.53 (\$1.24) for a period of 5 years from the grant date, and will vest in accordance with the following schedule: (i) 1/3 immediately; (ii) 1/3 one year from the date of the grant; and (iii) 1/3 two years from the date of the grant. The value of these options was determined using the Black-Scholes option pricing model with the following assumptions: an expected yield of 0%, expected volatility of 70%, a risk-free rate of 1.32% and an expected life of 5 years.

Stock option transactions are summarized as follows:

	Number of Stock Options	Exercise Price/Option (USD\$)	Share-based payment reserve Options
Balance, December 31, 2019 and 2020	4,000,000	\$0.45	\$ 1,000
Options granted (ii)-(iv)	2,615,000	\$1.14	833
Options exercised	(65,000)	\$1.38	(21)
Balance, December 31, 2021	6,550,000	\$0.71	\$ 1,812

For the years ended December, 2021 and 2020, the Company recognized share-based payment expense relating to the vesting of stock options of \$0.8 million and \$Nil, respectively.

Restricted Share Units ("RSUs")

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

Grant Date	Note	December 31, 2021			December 31, 2020		
		Number of RSUs Granted	Grant date fair value/RSU (USD\$)	Number of RSUs Vested & Outstanding	Number of RSUs Granted	Grant date fair value/RSU (USD\$)	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	\$0.36	2,658,338	9,000,000	\$0.36	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	203,750	315,000	\$0.80	210,000
February 18, 2021	(v)	150,000	\$1.06	150,000	-	-	-
June 1, 2021	(vi)	500,000	\$1.45	333,333	-	-	-
October 20, 2021	(vi)	150,000	\$1.26	150,000	-	-	-
		12,725,000	\$0.55	3,728,755	11,925,000	\$0.39	6,780,007

(i) On February 27, 2019, the Company granted 2,260,000 RSUs to certain eligible participants under the Company's previous Plan, including certain officers, directors, and employees. The 2,260,000 RSUs granted vested 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 previous Plan, including certain officers, directors, employees and a related party (See Note 25). 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 (performance condition met); 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

1. 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 Omnibus 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 Omnibus 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 February 18, 2021, the Company granted 150,000 RSUs to certain eligible participants under the Company's Omnibus Plan. The 150,000 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.

(vi) On June 1, 2021, the Company granted 500,000 RSUs to certain eligible participants under the Company's Omnibus 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.

(vii) On October 20, 2021, the Company granted 150,000 RSUs to certain eligible participants under the Company's Omnibus Plan, including certain officers, directors, and employees. The 150,000 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 transactions are summarized as follows:

	Note	Number of RSUs Outstanding	Grant date fair value/RSU (USD\$)	Share-based payment reserve
Balance, December 31, 2019		1,506,665	\$0.45	\$ 422
RSUs granted	(ii)-(iv)	9,665,000	\$0.42	-
RSUs vesting expense		-	\$0.51	2,200
RSUs redeemed		(3,908,325)	\$0.50	(1,945)
RSUs forfeited/cancelled		(483,333)	\$0.40	(19)
Balance, December 31, 2020		6,780,007	\$0.39	\$ 658
RSUs granted	(v)-(vi)	800,000	\$1.34	-
RSUs vesting expense		-	\$0.73	1,544
RSUs redeemed		(3,627,230)	\$0.42	(1,532)
RSUs forfeited/cancelled		(224,022)	\$0.48	-
Balance, December 31, 2021		3,728,755	\$0.55	\$ 670

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As of December 31, 2021, there were 3,728,755 RSUs outstanding (December 31, 2020 – 6,780,007 RSUs outstanding). For the year ended December 31, 2021 and 2020, the Company recognized share-based payment expense relating to the vesting of RSUs of \$1.5 million and \$2.2 million, respectively.

Deferred Share Units (“DSUs”)

As at December 31, 2021 the Company had deferred share units enabling the holders to redeem common shares as follows:

December 31, 2021				
	Note	Number of DSUs Granted	Grant date fair value/DSU (USD\$)	Number of DSUs Outstanding
October 28, 2021	(i)	775,000	\$1.24	775,000
		775,000	\$1.24	775,000

(j) On October 28, 2021, the Company granted 775,000 DSUs to certain eligible participants under the Company’s Omnibus Plan. The 775,000 DSUs granted vested immediately upon issuance in accordance with the Omnibus Plan.

Deferred share unit transactions are summarized as follows:

	Note	Number of DSUs Outstanding	Grant date fair value/DSU (USD\$)	Share-based payment reserve DSUs
Balance, December 31, 2020		-	\$0	\$ -
DSUs granted	(i)	775,000	\$1.24	-
DSUs vesting expense		-	\$1.24	961
Balance, December 31, 2021		775,000	1.24	\$ 961

As of December 31, 2021 there were 775,000 DSUs outstanding (December 31, 2020 – nil).

For the year ended December 31, 2021 and 2020, the Company recognized share-based payments expense relating to the vesting of DSUs of \$1.0 million and \$nil, respectively.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2021	Year ended December 31, 2020
Salaries and benefits	\$ 2,534	\$ 2,936
Corporate administration	568	174
Professional fees	1,066	1,146
Consulting fees	874	573
Office and other	1,069	491
Share-based compensation	3,338	2,345
Depreciation	43	34
	\$ 9,492	\$ 7,699

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21. FINANCE EXPENSE

	Note	Year ended	
		December 31, 2021	December 31, 2020
Finance income			
Investment income		\$ (148)	\$ (188)
		(148)	(188)
Finance costs			
Accretion of future consideration payable	6	\$ 2,826	\$ 2,122
Accretion of deferred revenue	14	2,608	2,048
Interest on revolving prepayment facility	15	348	211
Finance fees and bank charges		492	314
Interest on finance lease		3	10
		6,277	4,705
Net finance expense		\$ 6,129	\$ 4,517

22. CAPITAL MANAGEMENT

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

The Company defines capital as total equity plus debt. Total equity is comprised of issued capital stock, warrants, share-based payments reserve and accumulated deficit. Total debt is comprised of credit and revolving prepayment facilities. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and pay for administrative costs. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its 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 years ended December 31, 2021 and 2020.

	December 31	December 31
	2021	2020
Equity	\$ 15,122	\$ 4,161
Debt	6,015	6,393
	\$ 21,137	\$ 10,554

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23. FINANCIAL INSTRUMENTS

Fair value and carrying value of financial instruments:

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

Recurring measurements	December 31, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Amortised cost				
Cash	(i) \$ 1,726	\$ 1,726	\$ 6,638	\$ 6,638
Short-term investments	(i) 29	29	25	25
Trade and other receivables	(i)(ii) 9,348	9,348	8,581	8,581
Due from related parties	525	525	186	186
Offtake receivable	(i) 18,166	18,166	-	-
Fair value through profit or loss				
Investment in marketable securities	(iii) 658	658	354	354
Total financial assets	30,452	30,452	15,784	15,784
Financial liabilities				
Amortised cost				
Trade and other payables	(i)(ii) \$ 21,900	\$ 21,900	\$ 14,526	\$ 14,526
Revolving prepayment facility	6,015	6,015	6,393	6,393
Offtake payable	(i) 18,166	18,166	-	-
Total financial liabilities	46,081	46,081	20,919	20,919
Net financial asset (liability)	\$ (15,629)	\$ (15,629)	\$ (5,135)	\$ (5,135)

(i) Cash, short-term investments, trade and other receivables, offtake receivable, trade and other payables and offtake payable are recorded at carrying value, which approximates fair value due to their short-term nature and generally negligible credit losses.

(ii) Excludes tax and other statutory amounts.

(iii) 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, short term investments, trade and other receivables, due from related parties, investment in marketable securities, revolving prepayment facility and trade and other payables approximate carrying values due to the immediate or short-term maturities of these financial instruments and are classified as Level 1 in accordance with their fair value hierarchy.

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

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24. FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its risk management objectives. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below. There have been no changes in the risks, objectives, policies and procedures during the year ended December 31, 2021 and year ended December 31, 2020.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

At December 31, 2021, the Company had a cash balance of \$1.7 million (December 31, 2020 - \$6.6 million) to settle current liabilities of \$30.7 million (December 31, 2020 - \$23.4 million). The Company has working capital deficit of \$13.5 million at December 31, 2021 (December 31, 2020 – working capital deficit of \$2.0 million) See Note 1 Nature of Operations and Going Concern and Note 29 Subsequent Events.

The contractual cash flow obligations of the Company as at December 31, 2021 are as follows:

	Payments due by period			Total
	<1 years	1-5 years	5> years	
Trade and other payables	\$ 21,900	-	-	21,900
Operating commitments (i)	\$ 75	-	-	75
Lease obligations (i)	\$ 1,070	1,711	-	2,781
MDN acquisition payments (i)	\$ 10,000	22,000	-	32,000
Revolving prepayment facility (i)	\$ 6,015	-	-	6,015
Environmental rehabilitation provision (i)	\$ 175	-	5,135	5,310
	\$ 39,235	23,711	5,135	68,081

(i) Reported on an undiscounted basis

Foreign Currency Risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received, and balances maintained by the Company are denominated in currencies other than the functional currency of U.S. dollar, being the Argentine Peso, Brazilian Real or Canadian dollar.

	CAD	BRL	ARS
Closing US dollar exchange rate at December 31, 2021	1.2678	5.5799	102.7500
Average US dollar exchange rate during the year ended December 31, 2021	1.2535	5.3944	95.1610
Closing US dollar exchange rate at December 31, 2020	1.2732	5.1961	84.1450
Average US dollar exchange rate during the year ended December 31, 2020	1.3415	5.1552	70.5941

As at December 31, 2021 and 2020, the Company had net monetary assets (liabilities) denominated in currencies other than USD as follows:

	CAD	BRL	ARS
Net monetary assets (liabilities) at December 31, 2021	\$ 539	\$ (4,811)	\$(360,934)
Net monetary assets (liabilities) at December 31, 2020	\$ (275)	\$ (298)	\$(23,431)

There is no impact on net loss from the Brazilian Real exchange rate. The Company's sensitivity analysis suggests that for the year ended a change in the absolute rate of exchange in the Canadian dollar and Argentine Peso by 10% would increase or decrease net loss as follows:

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		CAD		ARS
Increase/decrease in net loss at December 31, 2021	\$	39	\$	319
Increase/decrease in net loss at December 31, 2020	\$	20	\$	1,222

The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by obtaining most of its estimated annual U.S. cash requirements and holding the remaining currency in U.S. dollars. The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Interest Rate Risk

The Company has interest-bearing debt (See Note 15). The Company has minimal short-term investments as at December 31, 2021 and December 31, 2020 and is not subject to any significant impact on the cash balance as a result of changes in interest rates.

Credit Risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentrating with respect to cash and amounts receivable is remote.

25. 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 year ended December 31, 2021 and 2020 compensation of key management personnel is summarized as follows:

	December 31 2021	December 31 2020
Management and director compensation	\$ 2,279	\$ 2,550
Share-based payments	2,606	1,916
Termination benefits	-	226
	\$ 4,885	\$ 4,692

(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 company related 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, 2021, amounts owed from Ascendant in relation to shared services are \$0.5 million (December 31, 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. During the period-ended December 31, 2021, the Company approved the accelerated vesting of the final tranche of the 200,000 RSUs granted to Ascendant, where Ascendant received the remaining 133,333 common shares of Cerrado.

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\$0.3 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. The Company fully exercised these warrants at CAD\$0.15 each for a total cost

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of CAD\$0.2 million and received 1,325,000 common shares of Ascendant, for a total of 3,975,000 common shares of Ascendant, valued at \$0.7 million (2020 - \$0.4 million).

26. 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 December 31, 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.

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27. INCOME TAXES

(a) Tax rate reconciliation

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of 26.5% (December 31, 2020 – 26.5%) were as follows:

	December 31, 2021	December 31, 2020
Income (loss) before income taxes	\$ (4,697)	\$ (11,879)
Tax expense/recovery at statutory rates	(1,245)	(3,148)
Foreign tax rate differential	(234)	(26)
Share-based compensation	885	622
Other non-deductible expenses/(non-taxable) income	4,547	4,336
Unrecognized/(recognized) temporary differences	(3,953)	(1,784)
Provincial royalty	1,602	690
Current income tax expense	\$ 1,602	\$ 690

The significant components of the Company's deferred tax assets (liabilities) are as follows:

	December 31, 2021	December 31, 2020
<i>Deferred tax liabilities:</i>		
Property, plant and equipment	109	-
Exploration and evaluation assets	3,525	-
Other	1,703	1,713
	5,337	1,713
<i>Deferred tax assets:</i>		
Non-capital loss	(5,337)	(1,713)
	(5,337)	(1,713)
Deferred income tax assets (liabilities)	-	-

(b) Deferred income tax balances

The Company has tax losses in the following countries:

	December 31, 2021	December 31, 2020
Canada expiring in 2037-2041	\$ 11,121	\$ 3,874
Argentina expiring in 2022-2025	14,351	26,949
Brazil (no expiry)	834	2,173
Other deductible temporary differences as follows:		
Canada	5,610	720
Argentina	11,308	18,011
Brazil	6,435	4,980

Deferred tax losses have not been recognized in these financial statements, as management does not consider their utilization in the foreseeable future to be profitable.

28. 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.

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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 data

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

Year ended December 31, 2020	Argentina	Brazil	Other	Total
	Don Nicolas Mine	Monte do Carmo Project	Corporate	
Revenue from gold and silver sales	32,194	-	-	32,194
Production costs applicable to sales	(24,853)	-	-	(24,853)
Sales expenses and royalties	(4,094)	-	-	(4,094)
Depreciation and depletion	(2,504)	-	-	(2,504)
Income (loss) from mining operations	743	-	-	743
General and administrative expenses	(412)	(14)	(7,273)	(7,699)
Other expenses	451	(56)	(5,318)	(4,923)
Income (loss) before income taxes	782	(70)	(12,591)	(11,879)
Income taxes	(690)	-	-	(690)
Net income (loss)	92	(70)	(12,591)	(12,569)

As at December 31, 2020	Argentina	Brazil	Other	Total
	Don Nicolas Mine	Monte do Carmo Project	Corporate	
Total assets	(i) 50,958	13,075	3,577	67,610
Total liabilities	13,808	1,693	47,948	63,449

Year ended December 31, 2021	Argentina	Brazil	Other	Total
	Don Nicolas Mine	Monte do Carmo Project	Corporate	
Revenue from gold and silver sales	\$ 70,051	\$ -	\$ -	\$ 70,051
Production costs applicable to sales	(43,234)	-	-	(43,234)
Sales expenses and royalties	(7,392)	-	-	(7,392)
Depreciation and depletion	(5,724)	-	-	(5,724)
Income (loss) from mining operations	13,701	-	-	13,701
General and administrative expenses	(790)	(75)	(8,627)	(9,492)
Other expenses	(171)	(11)	(8,724)	(8,906)
Income (loss) before income taxes	12,740	(86)	(17,351)	(4,697)
Income taxes	(1,602)	-	-	(1,602)
Net income (loss)	\$ 11,138	\$ (86)	\$ (17,351)	\$ (6,299)

As at December 31, 2021	Argentina	Brazil	Other	Total
	Don Nicolas Mine	Monte do Carmo Project	Corporate	
Total assets	(i) \$ 75,062	\$ 21,302	\$ 13,449	\$ 109,813
Total liabilities	\$ 24,121	\$ 912	\$ 69,658	\$ 94,691

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

* Argentina segment includes Minera Mariana.

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29. SUBSEQUENT EVENTS

On March 14, 2022, the Company entered into a \$20 million gold and silver agreement (the "Stream Agreement") with Sprott for its MDC project located in the State of Tocantins, Brazil.

The Stream Agreement provides for the sale and delivery to Sprott of 2.25% of all gold and silver produced from the MDC project of which Cerrado has the ability to buy back 50% of the stream based upon the buyback schedule below. Proceeds will be used to complete the ongoing works to deliver a NI 43-101 compliant Feasibility Study for the MDC project and for general corporate and working capital purposes.

To facilitate funding in advance of commercial production, Sprott has issued a US\$20 million secured note (the "Note") that bears interest at a rate of 10% per annum, calculated and payable quarterly and will mature on the earlier of the achievement of commercial production together with certain other conditions, or March 14, 2031.

Subject to the approval of the TSX Venture Exchange, the Company may elect to satisfy the payment of any accrued and unpaid interest on the Note by the issuance of common shares of the Company at a price per common share equal to 95% of the volume weighted average price of the common shares for the 5 trading days immediately prior to the date payment is due or any combination of cash and common shares in the Company's sole discretion. The Note is secured against the MDC project assets. The Note is intended to subordinate to future project financing for the MDC project.