Cabral Gold Ltd.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCORPORATION ON FEBRUARY 17, 2016 TO DECEMBER 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company were prepared by management in accordance with International Financial Reporting Standards, and within the framework of the significant accounting policies in the notes to these financial statements. Management is responsible for the preparation and presentation of the consolidated financial statements.

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

The Board of Directors reviews and approves the consolidated financial statements. The Board of Directors meets with the Company's chief financial officer and independent auditors to ensure that management is fulfilling its responsibility to maintain financial controls and systems. The Board of Directors also meets with the independent auditors to discuss the scope and the results of the audit and the audit report prior to approving the consolidated financial statements.

As at December 31, 2016, the Company's Board of Directors did not have an Audit Committee. The Company's Board of Directors expects to establish an Audit Committee (the majority of members of which will be independent members of the Company's Board of Directors) in 2017.

The consolidated financial statements for the period from incorporation on February 17, 2016 to December 31, 2016 have been audited on behalf of the shareholders by the Company's independent auditors, DeVisser Gray LLP, in accordance with Canadian generally accepted auditing standards. The auditor's report outlines the scope of their audit and their opinion on these consolidated financial statements.

"Alan Carter"	*"Paul Hansed"*
Alan Carter	Paul Hansed
President and Chief Executive Officer	Chief Financial Officer

March 8, 2017

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Cabral Gold Ltd.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Cabral Gold Ltd. which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cabral Gold Ltd. as at December 31, 2016, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
March 8, 2017

Cabral Gold Ltd.

Consolidated statement of financial position

(Canadian Dollars)

	Notes	As At December 31, 2016
		$
ASSETS		
Current assets		
Cash and cash equivalents		2,184,746
Accounts receivable		11,811
Prepaid expenses		15,770
Total Current assets		**2,212,327**
Non-current assets		
Fixed assets	6	853,890
Mineral properties	7	892,444
Total Assets		**3,958,661**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	9	442,215
Financing of land purchase	6	412,507
Total Current liabilities		**854,722**
Long-term liabilities	9	59,320
Total liabilities		**914,042**
Shareholders' equity		
Share capital	12(a)	3,050,383
Subscription receipts	12(a)	200,000
Reserves	12(b)	38,253
Accumulated other comprehensive income		26,131
Accumulated deficit		(270,148)
Total Shareholders' equity		**3,044,619**
Total Liabilities and Shareholders' equity		**3,958,661**
Subsequent events (Notes 6, 12(a) and 21)		
Commitments and contingent liabilities (Notes 7, 8 and 20)		

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

Approved by the Board of Directors

"Alan Carter"
Alan Carter, Director

"Dennis Moore"
Dennis Moore, Director

Cabral Gold Ltd.

Consolidated statement of loss

(Canadian Dollars)

	Notes	Period from February 17, 2016 (date of incorporation) to December 31, 2016
		$
Expenses		
Professional fees		10,961
Depreciation		3,956
Office and administrative		22,878
Exploration expenditures	13, 16(a)	156,346
Management and consulting	16(a)	59,417
Travel		22,198
		275,756
Other income and expenses		
Foreign exchange gain		(11,735)
Interest expense	10	6,127
Net loss for the period		**270,148**
Loss per share, Basic and diluted		$ 0.00
Weighted average shares outstanding, Basic and diluted		80,192,883

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

Cabral Gold Ltd.

Consolidated statement of comprehensive loss

(Canadian Dollars)

	Period from February 17, 2016 (date of incorporation) to December 31, 2016
	$
Net loss for the period	**270,148**
Other comprehensive income for the period:	
Unrealised foreign currency translation gain	(26,131)
Total comprehensive loss for the period	**244,017**

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

Cabral Gold Ltd.

Consolidated statement of changes in shareholders’ equity

(Canadian Dollars)

	Issued common shares	Share capital	Subscription receipts	Reserves	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance at February 17, 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(date of incorporation)							**-**
Shares issued for cash	99,919,519	2,693,517	-	-	-	-	**2,693,517**
Shares issued for Magellan Brazil	22,422,413	500,000	-	-	-	-	**500,000**
Share issuance costs	-	(143,134)	-	38,253	-	-	**(104,881)**
Subscription receipts	-	-	200,000	-	-	-	**200,000**
Comprehensive loss	-	-	-	-	26,131	(270,148)	**(244,017)**
Balance at December 31, 2016	**122,341,932**	**3,050,383**	**200,000**	**38,253**	**26,131**	**(270,148)**	**3,044,619**

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

Cabral Gold Ltd.

Consolidated statement of cash flows

(Canadian Dollars)

	Period from February 17, 2016 (date of incorporation) to December 31, 2017
OPERATING ACTIVITIES	
Net loss for the period	(270,148)
Adjustments for items not involving cash:	
Depreciation	3,956
Unrealised foreign exchange gain	(20,179)
	(286,371)
Net changes in non-cash working capital:	
Increase in accounts receivable	(11,387)
Increase in prepaid expenses	(15,770)
Increase in accounts payable	36,053
Cash used in operating activities	**(277,475)**
INVESTING ACTIVITIES	
Additions to mineral properties	(34,786)
Cash advanced to acquire Magellan Brazil	(360,816)
Cash acquired in Magellan Brazil transaction (Note 5)	68,102
Cash used in investing activities	**(327,500)**
FINANCING ACTIVITIES	
Issuance of share capital	2,693,517
Share issuance costs	(104,881)
Subscription receipts	200,000
Cash provided by financing activities	**2,788,636**
Effect of change in exchange rate on cash	**1,085**
Net increase in cash and cash equivalents	**2,184,746**
Cash and cash equivalents, beginning of period	**-**
Cash and cash equivalents, end of period	**2,184,746**

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

1. NATURE OF OPERATIONS

Cabral Gold Ltd. was incorporated in Canada on February 17, 2016 under the British Columbia Business Corporations Act. Cabral Gold Ltd. (which, together with its subsidiaries, is collectively referred to as "Cabral" or the "Company") is in the business of the exploration and development of mineral properties, with a primary focus on gold properties in Brazil.

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

The nature of the Company's operations results in significant expenditures for the acquisition and exploration of mineral properties. The recoverability of the carrying value of mineral properties and deferred expenditures is dependent upon a number of factors including the existence of recoverable reserves, the ability of the Company to obtain financing to maintain properties and continue exploration and development and the discovery of economically recoverable reserves. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage.

Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate development, administrative and property obligations for the coming year. The Company will periodically need to obtain additional financing, and while it has been successful in the past, there can be no assurance that it will be able to do so in the future.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 8, 2017, the effective date the Board of Directors approved these financial statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements as at and for the period ended December 31, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of measurement

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

(b) Basis of consolidation

These financial statements include the accounts of Cabral Gold Ltd. and its subsidiary and associate as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

	Location	Ownership	Functional currency
Magellan Minerais Prospecção Geológica Ltda.	Brazil	100%	R$
Poconé Gold Mineração Ltda.	Brazil	35%	R$

The Company's interest in Poconé Gold Mineração Ltda. ("PGM") is held through Magellan Minerais Prospecção Geológica Ltda. ("Magellan Brazil").

All intercompany transactions and balances are eliminated on consolidation.

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

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

(c) Significant estimates and critical judgement

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

Functional currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of mineral properties

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

Title to the mineral properties

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

(d) Investment in associate

Associates are entities over which the Company exercises significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results using the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the statement of loss and its share of other comprehensive income (loss) of associates is included in the other comprehensive loss.

Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of loss.

The Company assesses at each year-end whether there is any objective evidence that its investment in associates is impaired. If so, the carrying value of the Company's share of the underlying net assets of its associate is written down to its net recoverable amount (being the higher of fair value less cost to sell and value in use) and the loss is charged to the statement of loss.

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

(e) Foreign currency translation

Functional currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation (continued)

Transactions and balances

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

Subsidiary

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

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

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

(f) Cash and cash equivalents

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

(g) Fixed assets

Fixed assets are recorded at cost. Depreciation of depreciable fixed assets (vehicles and office equipment) is provided on a straight-line basis over four years.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Fixed assets (continued)

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

(h) Mineral properties and exploration and development expenditures

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Decommissioning provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2016 the Company does not have any decommissioning obligations.

(j) Income taxes

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

Current Tax

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

Deferred Tax

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income taxes (continued)

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

(k) Share capital

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

(l) Stock-based compensation

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

Upon exercise of a stock option, consideration paid together with the stock-based compensation amount previously recognized in reserves is recorded as an increase to share capital.

(m) Loss per share

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

4. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

New standard IFRS 9, "Financial Instruments"
Amendments to IAS 1, "Presentation of Financial Statements"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

5. ACQUISITION OF MAGELLAN BRAZIL

On April 13, 2016, the Company entered into an agreement with Magellan Minerals Ltd. ("Magellan") and two of the Company's founding shareholders pursuant to which:

- Debts of $500,000 owing by Magellan to the two founding shareholders of the Company were settled in exchange for Magellan's 99.99% equity interest in Magellan Brazil in full satisfaction of the debt; and
- The interest in Magellan Brazil was contributed by Magellan to the Company which, at the time, was wholly-owned by the two founding shareholders, in exchange for 22,422,413 common shares.

Magellan Brazil is a private company incorporated in the state of Para in Brazil. It holds 100% of the Cuiú Cuiú property and several secondary properties, including properties held by PGM in which Magellan Brazil holds a 35% interest.

The agreement was subject to the approval of the TSX Venture Exchange which was received in April 2016.

As part of the debt settlement, Magellan Brazil and the Company agreed to grant Magellan a 0.5% royalty on the Cuiú Cuiú property (see Note 7(a)).

The consolidated financial statements for the period ended December 31, 2016 reflect the assets, liabilities and results of operations of the Company and Magellan Brazil since April 28, 2016 being the date on which the Company formally became the sole shareholder of Magellan Brazil.

The transaction has been accounted for as an asset acquisition and the allocation of the purchase price to the assets acquired and liabilities assumed is based on estimated fair values at the time of acquisition.

(Canadian Dollars)

5. ACQUISITION OF MAGELLAN BRAZIL (continued)

The allocation of the purchase price to the estimated fair value of the assets and liabilities of Magellan Brazil is as follows:

	$
Purchase price:	
Company common shares issued	500,000
Cash advanced to acquire Magellan Brazil	360,816
Cash acquired	(68,102)
	792,714
Estimated fair values of assets and liabilities acquired:	
Receivables	424
Machinery and equipment	21,786
Land	733,452
Mineral properties, Cuiú Cuiú	788,089
Mineral properties, other	25,417
Total assets acquired	1,569,168
Accounts payable and accrued liabilities	776,454
Total liabilities acquired	776,454
	792,714

6. FIXED ASSETS

	Land	Vehicles	Office equipment	Total
	$	$	$	$
Cost:				
February 17, 2016	-	-	-	-
Magellan Brazil transaction	733,452	14,524	7,262	755,238
Foreign exchange differences	99,648	1,973	987	102,608
December 31, 2016	833,100	16,497	8,249	857,846
Accumulated depreciation:				
February 17, 2016	-	-	-	-
Depreciation expense	-	(2,637)	(1,319)	(3,956)
December 31, 2016	-	(2,637)	(1,319)	(3,956)
Net book value:				
February 17, 2016	-	-	-	-
December 31, 2016	**833,100**	**13,860**	**6,930**	**853,890**

(Canadian Dollars)

6. FIXED ASSETS (continued)

Land

Pursuant to an informal agreement entered into in April 2016, the Company acquired a parcel of land at Cuiú Cuiú with a total area of approximately 30 hectares for a total of R$ 2,000,000. The land parcel covers the Moreira Gomes deposit which is one of the two gold deposits currently known on the Cuiú Cuiú project. The agreement was formalised in January 2017.

R$ 1,000,000 of the R$ 2,000,000 purchase price was paid in April 2016 prior to the closing of the Magellan Brazil transaction; the remaining R$ 1,000,000 ($412,507) was a liability as at the date of closing. Pursuant to the agreement, the outstanding liability is to be paid in two tranches of R$ 500,000 on each of February 2, 2017 (subsequently paid) and June 30, 2017. The liability is non-interest bearing and is unsecured. The February payment was made by the Company in accordance with the terms of the agreement.

7. MINERAL PROPERTIES

Period ended December 31, 2016	Feb. 17, 2016	Magellan Brazil transaction	Additions	Foreign exchange	Dec. 31, 2016
	$	$	$	$	$
Cuiú Cuiú	-	788,089	17,012	39,933	845,034
Bom Jardim	-	25,417	15,334	4,115	44,866
Other	-	-	2,440	104	2,544
	-	**813,506**	**34,786**	**44,152**	**892,444**

The Company's primary mineral property is Cuiú Cuiú.

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

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

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

The Company had estimated liabilities totalling $292,364 in respect of Cuiú Cuiú surface access payments as at December 31, 2016 some of which has been overdue since May 2014. If the Company is unable to make such payments or renegotiate payment terms with the applicable property owners, then the recoverability of the capitalised balances relating to the applicable claims may be adversely impacted.

7. MINERAL PROPERTIES (continued)

The Company is required to make certain option payments in order to maintain its property agreements in good standing. These future payments totalled US$ 40,000 as at December 31, 2016 all of which is conditional on the registration of an optioned secondary property (see Note 7(b)). The Company is also required to make statutory claim maintenance expenditures to the Brazilian authorities each year to maintain its properties in good standing.

(a) Cuiú Cuiú

Surface access agreement, garimpiero condominium

On February 19, 2006, Magellan Brazil entered into an agreement with the owners of the traditional surface rights over the Cuiú Cuiú property. Additional minority stakeholders were included in the agreement in 2008. The owners are organized into a 'condominium' (which is similar to a cooperative, but with fewer rights) comprising 60 minority stakeholders and 10 majority stakeholders. Magellan Brazil agreed to pay each of the majority stakeholders R$ 4,000 per year and each of the minority stakeholders R$ 2,000 per year for a period of up to five years in May of each year; the first payment was made on May 16, 2006, and subsequent payments were made in May of each year through 2010.

The February 2006 agreement was extended through February 16, 2016 pursuant to a renewal agreement dated December 7, 2010. The terms remained the same as the original agreement with the exception of the annual payments which increased from R$ 2,000 to R$ 2,500 for minority stakeholders (equivalent of $1,031 as at December 31, 2016) and from R$ 4,000 to R$ 5,000 for majority stakeholders ($2,062).

An amendment to the agreement dated August 21, 2011 increased the number of stakeholders to 60 minority stakeholders and 15 majority stakeholders.

The 2014 and 2015 payments of R$ 225,000 each (equivalent to $92,814 as at December 31, 2016) were due on or before May 16, 2014 and May 16, 2015, respectively. As at March 8, 2017, neither amount had been paid by the Company. The Company has initiated discussions with the stakeholders with the objective of both addressing the amount owing in respect of 2014 and 2015 and extending the agreement for a five year period through 2021 (including in respect of the year ended May 2016). Management estimates that the annual charge will increase by approximately 15% relative to that incurred through May 2015.

As at March 8, 2017, no formal agreement relating to the restructuring of the payment terms in respect of the 2014 and 2015 payments or the terms in respect of subsequent years had been entered into. The ability of the Company to reach an agreement with respect to the outstanding balance due and the extension of the agreement may have an impact on the recoverability of the capitalised balances relating to these claims.

7. MINERAL PROPERTIES (continued)

(a) Cuiú Cuiú (continued)

The February 19, 2006 and December 7, 2010 agreements with the owners of the traditional surface rights over the Cuiú Cuiú property specify that in the event that an economically viable gold resource is identified, Magellan Brazil will make an additional payment to the owners of the traditional surface rights based on the amount of gold defined in the ground (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

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

Management expects that any extension of the agreement will include this provision.

Sandstorm NSR

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

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

Magellan NSR

In conjunction with the April 2016 agreement between the Company, Magellan and two of the Company's founding shareholders relating to the transfer of Magellan Brazil from Magellan to the Company (see Note 5), Magellan Brazil and the Company agreed to grant Magellan a 0.5% royalty on the Cuiú Cuiú property. The Magellan NSR is subordinate to the Sandstorm NSR.

7. MINERAL PROPERTIES (continued)

(b) Bom Jardim

Magellan Brazil holds rights to mineral properties in the Bom Jardim region pursuant to two separate option agreements as follows:

- Option agreement dated 1 June 2011 requiring total payments of R$ 100,000 (paid in full as at the date of closing of the Magellan Brazil transaction)
- Option agreement dated May 4, 2009 requiring total payments of R$ 35,000 and US$ 40,000. As at the date of closing of the Magellan Brazil transaction, R$ 35,000 had been paid and US$ 40,000 was unpaid pending the formal transfer of mineral rights to the Company; the final US$ 40,000 option payment remained unpaid as at December 31, 2016 due to the absence of formal transfer.

The second option agreement specifies that in the event that a gold deposit is identified, Magellan Brazil will make an additional payment to the optionors based on the amount of gold defined (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Up to 15 tons: US$ 2,000,000
- Between 15 and 30 tons: US$ 3,000,000
- Between 30 and 45 tons: US$ 4,000,000
- Between 45 and 60 tons: US$ 5,000,000
- Between 60 and 90 tons: US$ 6,000,000
- More than 90 tons: US$ 8,000,000.

(c) Uniao

Magellan Brazil holds the rights to the Uniao property.

Pursuant to an agreement entered into with a third party in 2014, Magellan agreed to transfer the Uniao property out of Magellan Brazil for nominal consideration. As at March 8, 2017, the transfer of the Uniao property had not been completed. None of the purchase price consideration relating to the Magellan Brazil transaction was attributed to the Uniao property.

8. POCONÉ

The Company is a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso were to be identified, explored and developed. The first agreement was entered into between Magellan and ECI Exploration & Mining Inc. (“ECI”) on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the “ECI Venture”). The second set of agreements was between Magellan, ECI and Brasil Central Engenharia Ltda. (“Brasil Central”) pursuant to which Magellan, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through a newly incorporated entity, Poconé Gold Mineração Ltda. (“PGM”), an entity in which Magellan Brazil holds a 35% interest (at both the date of closing of the Magellan Brazil transaction and at December 31, 2016).

(Canadian Dollars)

8. POCONÉ (continued)

Magellan's rights and responsibilities associated with both the ECI Venture and PGM were transferred to Cabral prior to the date of closing of the Magellan Brazil transaction pursuant to an agreement dated April 15, 2016 between the Company, Magellan and ECI.

Virtually no exploration activity was undertaken on any of the Poconé properties since 2012.

None of the purchase price consideration relating to the Magellan Brazil transaction was attributed to the Poconé properties, however, various liabilities amounting to $55,097 relating to the ECI Venture and PGM were recognised.

In August 2015, ECI received notification that a former optionor of one of the property interests acquired by ECI on behalf of the ECI Venture had filed a claim against ECI and PGM in connection with an option agreement that had been entered into with the ECI Venture in December 2009. As of March 8, 2017, no claim had been filed against the Company. The plaintiff is claiming an amount of US$ 780,000 plus damages. Management has assessed the likelihood of a potential loss to be less than 50%. No accrual has been made in the accounts for any amount associated with the claim.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016
	$
Cuiú Cuiú condominium liability (see Note 7)	292,364
Deferred Brazil taxes and claim maintenance (see Note 10)	85,423
Other	123,748
	501,535
Less long-term portion (Brazil taxation; see Note 10)	(59,320)
	442,215

10. RESTRUCTURING OF BRAZILIAN TAX AND CLAIM MAINTENANCE LIABILITIES

During the fourth quarter of 2014 and the first quarter of 2016, Magellan Brazil restructured certain of its overdue liabilities due to various federal and state taxation and administrative bodies in Brazil. The restructuring was undertaken pursuant to a general program offered by these bodies. The restructured liabilities are being repaid over 60 months. Monthly repayments are increased to reflect inflation pursuant to indices published each month.

In addition, certain claim maintenance expenditures incurred in connection with the ECI Venture properties were also subject to restructuring in a similar manner.

Total interest expense incurred in the period ended December 31, 2016 was $6,127.

(Canadian Dollars)

10. RESTRUCTURING OF BRAZILIAN TAX AND CLAIM MAINTENANCE LIABILITIES (continued)

The balance of Magellan Brazil's restructured tax and claim maintenance liabilities as at the time of closing of the Magellan Brazil transaction was $76,276. Of the total balance of $85,423 outstanding as at December 31, 2016, $26,104 is due in the year ended December 31, 2017 and $59,319 is due subsequent to December 31, 2017 through December 2020.

11. INCOME TAXES

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

	Period ended December 31, 2016
	$
Net loss before income taxes	(270,148)
Statutory tax rate	29.90%
Expected income tax recovery	(80,773)
Effect of deductible/non-deductible items for income tax purposes	(28,971)
Unrecognized benefit of non-capital losses	109,744
Deferred income tax expense	-

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

	Period ended December 31, 2016
	$
Non-capital losses	16,729,059
Mineral properties	(892,444)
Fixed assets	(853,890)
Share issue costs	83,905
	15,066,630

The Company has non-capital losses of approximately $171,141 in its Canadian operations and $16,557,881 in its Brazilian operations for income tax purposes which are available to reduce future taxable income.

12. SHAREHOLDERS' EQUITY

(a) Share capital

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

Acquisition of Magellan Brazil

On April 13, 2016, the Company issued 22,422,413 common shares to acquire Magellan Brazil (see Note 5).

December 20, 2016 private placement

On December 20, 2016, the Company closed a private placement financing pursuant to which 31,841,932 common shares of Cabral were issued at a price of $0.06 per common share, for gross proceeds of $1,910,516.

The total success fees paid to an external adviser (the "Adviser") in connection with the financing amounted to $88,876. In addition, 1,471,261 compensation options were issued to the Advisor (see Notes 12(b) and 20).

If the Company does not complete a go-public transaction (which would include the listing of the Company's common shares on a recognized stock exchange in Canada or certain types of M&A transactions involving the Company's shares) within one year of closing the private placement, then the Company is required to issue to each subscriber participating in the private placement that number of common shares of the Company equivalent to 10% of the number of common shares of the Company that the subscriber purchased in the private placement.

All securities issued in connection with the private placement are subject to a four month hold period following issuance.

Private placements prior to December 20, 2016

Prior to December 20, 2016, the Company raised $782,275 through the issuance for cash of 27,702,190 common shares at an average price of $0.028 per common share. These proceeds include $198,450 contributed by the two founding shareholders in March 2016 for 8,620,690 common shares at an average price of $0.023 per share.

No success fees or similar fees were paid or compensation options issued in connection with these share issuances.

(Canadian Dollars)

12. SHAREHOLDERS' EQUITY (continued)

(b) Compensation options

1,471,261 compensation options were issued to the Advisor in connection with the December 20, 2016 private placement. Each compensation option provides the Advisor with the right to acquire one common share of the Company at an exercise price of $0.06 for a period commencing on the date of closing of the private placement and ending on the date that is two years following the date of a go-public transaction.

		Period ended Decebmer 31, 2016
	Number of options	Weighted average exercise price
		$
Incorporation	-	-
Options granted	1,471,261	0.06
Balance, end of period	**1,471,261**	**0.06**

The weighted average remaining contractual life of the above options as at December 31, 2016 was 2.50 years.

13. EXPLORATION AND DEVELOPMENT EXPENDITURES

Period ended December 31, 2016	Cuiú Cuiú	Pocone	Local administration	Total
Incurred in period ended December 31, 2016:				
Office and logistics	-	-	48,955	48,955
Field costs	26,384	-	-	26,384
Consulting, internal	13,275	-	-	13,275
Consulting, third parties	57,016	-	-	57,016
Other	-	1,719	-	1,719
Travel	1,259	-	7,738	8,997
	97,934	**1,719**	**56,693**	**156,346**

14. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the period ended December 31, 2016 amounted to $91,664.

(Canadian Dollars)

15. SEGMENTED INFORMATION

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

	Canada	Brazil	Total
Non-current assets:			
December 31, 2016	-	1,746,334	1,746,334
Net loss:			
Period ended December 31, 2016	125,967	144,181	270,148

16. RELATED PARTY TRANSACTIONS

(a) Management compensation

	Period ended December 31, 2016
Employment and consulting remuneration	62,500
Payroll related costs	11,917
	74,417

Management comprises the President and Chief Executive Officer, Chief Financial Officer and Vice President – Exploration.

(b) Balances due to related parties

As at December 31, 2016, the Company owed a total of $17,034 to the President and Chief Executive Officer in connection with unpaid remuneration and was owed $785. Both amounts were settled in full in January 2017.

See Note 5 regarding the acquisition by the Company of Magellan Brazil through the restructuring of balances due by Magellan to the founding shareholders of Cabral.

17. CAPITAL MANAGEMENT

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

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

17. CAPITAL MANAGEMENT (continued)

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

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

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

18. FINANCIAL INSTRUMENTS

(a) Carrying value and fair value

The Company's financial instruments comprise cash and cash equivalents, receivables, accounts payable and accrued liabilities and financing of land purchase.

Financial instruments recognized at fair value on the consolidated balance sheets are classified in fair value hierarchy levels as follows:

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

Cash and cash equivalents and receivables are classified as loans and receivables and are recorded in the financial statements at amortized cost. Amortized cost approximates fair market value due to the short-term nature of the balances.

Accounts payable and accrued liabilities and financing of land purchase are classified as other financial liabilities and are recorded in the financial statements at amortized cost. The fair value of accounts payable and accrued liabilities may be less than the carrying value as a result of the Company's credit and liquidity risk.

(b) Financial risks

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

18. FINANCIAL INSTRUMENTS (continued)

(b) Financial risks (continued)

Foreign exchange risk

The Company operates primarily in Brazil and is therefore exposed to foreign exchange risk arising from transactions denominated in Brazilian reais ("R$"). Other than Canadian dollar balances, the Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities are denominated in R$ and US$. Accordingly, the Company is subject to foreign exchange risk relating to such balances in connection with fluctuations against the Canadian dollar. The Company has no program in place for hedging foreign currency risk. The Company held the following foreign currency denominated balances as at December 31, 2016:

	December 31, 2016	
	R$	US$
Cash and cash equivalents	47,498	150,764
Receivables and prepaid expenses	2,350	-
Accounts payable and accrued liabilities	(2,106,264)	-
	(2,056,416)	150,764
Equivalent in Canadian dollars	(848,286)	202,422

Based on the balances held as at December 31, 2016, a 10% increase (decrease) in the $ per R$ and $ per US$ exchange rates on this date would have resulted in a decrease in the net loss for the period then ended of approximately $71,763.

Liquidity risk

Liquidity risk encompasses the risk that an entity cannot meet its financial obligations in full as they become due. The Company manages liquidity by taking the appropriate steps to maintain adequate cash and cash equivalent balances. The Company monitors actual and forecast cash flows, and matches the maturity profile of financial assets and liabilities. See Note 1.

Credit risk

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

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at December 31, 2016.

18. FINANCIAL INSTRUMENTS (continued)

(b) Financial risks (continued)

Interest rate risk

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

The Company's restructured tax liabilities in Brazil are subject to interest which is calculated, in part, on the domestic rate of inflation in Brazil and related indices published by the Brazilian authorities.

Other than the Company's restructured tax liabilities in Brazil, it did not have any interest bearing liabilities outstanding as at December 31, 2016.

19. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Period ended December 31, 2016
Share issuance costs paid in compensation options	38,253
Acquisition of the net assets of Magellan Brazil: see Note 5	

20. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Advisory agreement

In October 2016, the Company entered into an advisory agreement with an external adviser (the "Advisor") pursuant to which the Advisor will advise the Company in connection with both a potential merger, reverse take-over, acquisition or similar business transactions and the securing of equity financing. The agreement provides for fees and expenses as follows:

- A success fee in connection with a completed transaction equivalent to the greater of $180,000 or 3.0% of the transaction value
- A cash commission of 5.0% on gross financing proceeds
- Compensation options enabling the Adviser to acquire that number of common shares of the Company equivalent to 5% of the number of common shares issued in the equity financing (excluding common shares issued to investors on the so-called 'President's List'). The exercise price is equivalent to the financing price. The compensation options will be exercisable for a period commencing on the date of closing of the private placement and ending on the date that is two years following the date of a go-public transaction
- Reimbursement of expenses including legal expenses.

(b) Cuiú Cuiú rental of premises

Magellan Brazil previously rented premises at Cuiú Cuiú from a third party pursuant to a series of agreements commencing in April 2006. Magellan Brazil ceased renting the premises in June 2013 at which time it vacated the premises

The landlord initiated a lawsuit against Magellan Brazil in June 2013 claiming R$ 115,000 (approximately $47,500) in respect of one year of rental income alleging that Magellan Brazil had not terminated the rental agreement in a correct manner.

The Company disputes this claim and has retained counsel to defend against it. The case is expected to be heard by the court in Belém (in northern Brazil) in July 2017. Management has assessed the likelihood of a potential loss to be less than 50%. No accrual has been made in the accounts in respect of this case.

21. SUBSEQUENT EVENTS

(a) Private placement

On January 12, 2017, the Company closed a private placement financing pursuant to which 4,450,000 common shares of Cabral were issued at a price of $0.06 per common share, for gross proceeds of $267,000 (including $200,000 received prior to 2017 and classified as Subscription receipts as at December 31, 2016).

No success fees or similar fees were paid or compensation options issued in connection with the financing.

21. SUBSEQUENT EVENTS (continued)

The Company is committed to complete a go-public transaction pursuant to the same terms as described in connection with the private placement that closed on December 20, 2016 (see Note 12(a)).

All securities issued in connection with the private placement are subject to a four month hold period following issuance.

(b) Issuance of stock options

In February 2017, the Company issued a total of 5,200,000 stock options to certain directors and employees of the Company. Each stock option is exercisable into one common share at an exercise price of $0.06 for a period of 36 months following issuance.