Cabral Gold Inc.
(formerly San Angelo Oil Limited)

An exploration stage company

Management Discussion and Analysis
For the three months ended March 31, 2018

Dated: May 29, 2018

Management Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") of Cabral Gold Inc. ("Cabral" or the "Company") has been prepared as at May 29, 2018. It is intended to be read in conjunction with the condensed interim consolidated financial statements of the Company for the three months ended March 31, 2018.

All of the financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

All monetary amounts, including comparatives, are expressed in Canadian dollars unless otherwise noted.

Overview

The Company is a mineral exploration and development company with interests in gold projects in the state of Pará in northern Brazil. Cabral's primary project is Cuiú Cuiú.

The Company holds its interest in Cuiú Cuiú through Magellan Minerais Prospecção Geológica Ltda. ("Magellan Brazil"). Magellan Brazil is a wholly owned subsidiary of Cabral Gold Ltd. ("CGL") which in turn, is a wholly owned subsidiary of the Company.

The former name of the Company was San Angelo Oil Limited ("San Angelo"). San Angelo's previous principal business activity was the acquisition, exploration and development of conventional oil and natural gas properties in the United States. On October 30, 2017, the Company completed the acquisition of CGL, a private Vancouver-based company holding mineral rights to various gold projects in Brazil. In connection with the acquisition, the Company changed its name to Cabral Gold Inc. and changed the focus of its business to the exploration and development of mineral properties, with a primary focus on gold properties in Brazil. See 'CGL Transaction'.

CGL acquired its interest in Magellan Brazil in April 2016 through a transaction with Magellan Minerals Ltd. ("Magellan Minerals", the former owner of Magellan Brazil) and the Company's founding shareholders (the "Magellan Transaction").

In addition to Cuiú Cuiú, Magellan Brazil also holds interests in several secondary properties, including Bom Jardim and the Poconé properties held by Poconé Gold Mineração Ltda. ("PGM") in which Magellan Brazil holds a 35% interest.

Limited exploration activity was undertaken by the Company through the time of closing of the CGL Transaction and a financing in late 2017; 2016 and 2017 exploration expenditures were limited primarily to a third party study and logistical support in connection with the maintenance of the Cuiú Cuiú property. A comprehensive exploration program was initiated in early 2018.

Highlights

The three months ended March 31, 2018 and the period ended May 29, 2018 were highlighted by the following activities and initiatives:

Finance

- The balance of cash and cash equivalents as at March 31, 2018 was $2,924,755 and the net working capital balance as at this date was $2,742,270
- In November 2017, Magellan Brazil entered into a restructuring agreement relating to approximately $327,425 of unpaid taxes pursuant to which approximately $280,798 of tax liabilities were eliminated on February 26, 2018. The remaining tax liabilities of approximately $56,015 are expected to be eliminated in Q2 or Q3 2018. See ‘Liquidity’.

Exploration and development

- In December 2017, the Company engaged Micon International Ltd. (“Micon”) to prepare an updated mineral resource estimate for the Cuiú Cuiú project. The historic resource estimate issued in April 2011 outlined an Indicated Resource of 3.4 Mt @ 1.0 g/t gold and an Inferred Resource of 31 Mt @ 1.2 g/t gold. Issuance of the updated resource estimate is expected in Q2 2018
- During 2017 and 2018 to date, Magellan Brazil increased its land holdings around the Cuiú Cuiú project by approximately 95,800 hectares. These applications were made partially in response to the recent staking of approximately 1,180,000 hectares in the Tapajós region by industry players Anglo American Níquel Brasil Ltda. (“Anglo American”) and Votorantim Metais Zinco S. A. (“Votorantim”) which brought their total holdings in the region to approximately 1,520,000 hectares. Anglo American acquired ground immediately north and northwest of Magellan Brazil’s tenement package
- Virtually no exploration or development work was undertaken on the Cuiú Cuiú property from the time of CGL’s acquisition of Magellan Brazil in April 2016 through early 2018. The Company initiated an aggressive campaign of exploration and related activities focussing on the Cuiú Cuiú property in early February 2018 which included the following:
  - Retention of Dr. Adrian McArthur to manage the Company’s exploration program. Dr. McArthur has over 20 years’ experience in exploration, resource definition and project generation principally in Brazil and Australia
  - Commencement of a surface exploration program which included trenching, channel sampling, auger sampling and soil sampling with a view to identifying drill targets
  - Initiation of a comprehensive review of all historic exploration data relating to the project
  - Drone mapping of existing exploration targets.
- In March 2018, the Company announced the identification of several new high-grade gold targets following initial trenching, mapping, auger sampling, soil sampling and rock sampling work undertaken in areas of recent and abandoned artisanal workings on the Cuiú Cuiú property.

Other

- In May 2018, the Company announced the appointment of Mark Smith to Executive Chairman of the Board of Directors.

CGL Transaction

On May 11, 2017, the Company announced that it had entered into a business combination agreement dated May 10, 2017 to acquire CGL (the “CGL Transaction”).

On October 31, 2017, the Company and CGL announced that they had completed the CGL Transaction. The CGL Transaction was carried out by way of a three-cornered amalgamation, whereby CGL amalgamated with 1116669 B.C. Ltd., a wholly owned subsidiary of the Company.

Concurrently with closing of the CGL Transaction, the Company completed a five-for-one share consolidation pursuant to which the total number of pre-CGL Transaction securities of the Company was reduced as follows: 6,492,750 pre-consolidation common shares to 1,298,550 post-consolidation common shares, and 3,000,000 pre-consolidation share purchase warrants to 600,000 post-consolidation share purchase warrants.

Shareholders of CGL received 0.18 of a post-consolidation common share of the Company for each common share of CGL held by them immediately prior to the completion of the CGL Transaction. The Company issued 29,753,868 post-consolidation shares in exchange for the common shares of CGL (including 6,931,328 common shares issued on conversion of the Subscription Receipts; see 'October 2017 Financing', below). Following closing of the CGL Transaction, the Company had 31,052,418 common shares issued and outstanding.

Outstanding stock options, share purchase warrants and compensation warrants of CGL were exchanged for similar instruments of the Company exercisable for or convertible into post-consolidation securities of the Company on the basis of the 0.18 exchange ratio.

In October 2016, CGL entered into an advisory agreement with M Partners Inc. ("M Partners") pursuant to which M Partners would advise CGL in connection with a potential merger, reverse take-over, acquisition or similar business transaction. A fee of $180,000 was paid to M Partners upon closing of the CGL Transaction through the issuance of 360,000 post-consolidation shares.

Following closing of the CGL Transaction:

- The Company changed its name from "San Angelo Oil Limited" to "Cabral Gold Inc."
- The common shares of Cabral Gold Inc. commenced trading on the TSX Venture Exchange under the symbol "CBR" on November 2, 2017
- The management of CGL continued in identical capacities at the Company
- The five members of the board of directors of CGL constituted the new board of directors of the Company.

October 2017 Financing

Prior to closing of the CGL Transaction, CGL completed a private placement financing (the "Offering") which raised gross proceeds of $4,158,797 through the sale of 38,507,414 subscription receipts (the "Subscription Receipts") at a price of $0.108 per Subscription Receipt. CGL issued a total of 2,227,137 special warrants (the "Special Warrants") to various finders and paid cash finders' fees and commissions totaling approximately $240,531 to the finders in connection with the Offering.

The Offering was comprised of both brokered and non-brokered components ($1,799,902 and $2,358,899, respectively).

Immediately prior to the closing of the CGL Transaction:

- Each Subscription Receipt was converted, without additional consideration, into one unit of CGL which, in conjunction with the closing of the CGL Transaction, was exchanged for 0.18 of one unit of the Company. Each whole unit of the Company (a "Unit") was comprised of one post-consolidation common share, one-half of one class A warrant and one-half of one class B warrant. Each whole class A warrant entitles the holder to purchase one post-consolidation common share of the Company at a price of $0.75 until October 30, 2018, and each whole class B warrant entitles the holder to purchase one post-consolidation common share of the Company at a price of $0.90 until October 30, 2019

- Each Special Warrant was automatically exercised into a compensation warrant of CGL, which, in conjunction with closing of the CGL Transaction, was exchanged for 0.18 of a compensation warrant of the Company. Each compensation warrant entitles the holder to acquire one Unit at an exercise price of $0.60 until October 30, 2019.

On a post-consolidation basis, a total of 6,931,335 units (the "Units") were issued at an effective price of $0.60 per Unit, for gross proceeds of $4,158,797. Each Unit was comprised of one common share of the Company, one-half of one class A warrant and one-half of one class B warrant.

Total finders fees paid to third parties in connection with the financing amounted to $256,130. In addition, 400,878 compensation warrants were issued to the finders. Each compensation warrant entitles the holder to acquire one Unit at an exercise price of $0.60 until October 30, 2019.

The net proceeds of the Offering are being used to finance the work program on the Cuiú Cuiú project and for general working capital.

Cuiú Cuiú

The Company's primary gold project is Cuiú Cuiú.

Virtually no exploration or development work was undertaken on the Cuiú Cuiú property since the closing of the Magellan Transaction in April 2016 through the end of 2017. Costs incurred in Brazil in 2016 and 2017 have related primarily to a third party study and local administrative and logistical support.

Surface access agreement, garimpiero condominium

Magellan Brazil is a party to a surface access agreement with the holders of the traditional surface rights over the Cuiú Cuiú property. The owners are organised into a 'condominium' comprising minority stakeholders and majority stakeholders. The current terms of the agreement require Magellan Brazil to pay R$ 5,000 per year (equivalent of $1,946 as at March 31, 2018) to each of the 18 majority stakeholders and R$ 2,500 per year ($973) to each of the 61 minority stakeholders.

R$ 242,500 (approximately $94,400) is due to be paid to the garimpieros in connection with the surface access fee in respect of the year ended March 2019. This amount is expected to be paid in the second quarter of 2018.

Acquisition of additional ground

During 2017 and 2018 to date, Magellan Brazil made claim applications around the Cuiú Cuiú project of approximately 95,800 hectares as follows:

- Cuiú Cuiú and surrounding area: increase of 16,331 hectares
- Bom Jardim and surrounding area: increase of 61,460 hectares
- Tocantinzinho and surrounding area: increase of 17,969 hectares (Eldorado Gold Corp.'s Tocantinzinho gold deposit is located 25 kilometres southeast of the Cuiú Cuiú project[1]).

[1] Tocantinzinho currently has Proven Reserves of 16.699 Mt @ 1.53 g/t gold for 0.821 Moz Au, and Probable Reserves of 22.914 Mt @ 1.36 g/t gold for 1.003 Moz for a Total Proven and Probable Reserves of 39.613 Mt @ 1.43 g/t gold for 1.824 Moz

The applications were made partially in response to the recent staking of approximately 1,180,000 hectares in the Tapajós region by industry players Anglo American and Votorantim which brought their total holdings in the region to approximately 1,520,000 hectares. Anglo American acquired ground immediately north and northwest of Magellan Brazil's tenement package.

Offsetting the aforementioned increases in land holdings, the Porquinho property – a secondary property for which the carrying value was nil – comprising 6,715 hectares was dropped in 2017.

Resource update

In December 2017, the Company engaged Micon to prepare an updated mineral resource estimate for the Cuiú Cuiú project.

The update will follow from the previous mineral resource estimate completed by Pincock Allen and Holt that was included in the NI 43-101 technical report issued to Magellan Minerals Ltd. (the previous owner of the project) dated April 19, 2011 based on a portion of 104 diamond drill holes totalling 25,957 metres. This historic estimate outlined an Indicated Resource of 3.4 Mt @ 1.0 g/t gold and an Inferred Resource of 31 Mt @ 1.2 g/t gold (0.4 g/t gold cut-off in the saprolite and a 0.3 g/t gold cut-off in the hard rock).

These mineral resources are historical in nature as described in NI 43-101 and Cabral is not treating them as current. They were prepared prior to Cabral's agreement to acquire the property and a Qualified Person has not yet verified them as current. At this time, the reliability of the estimates is not known.

The updated mineral resource estimate will also incorporate a portion of an additional 22,068 meters of diamond drilling comprising 72 drill holes that took place on the project during 2011 and 2012 subsequent to the issuance of the 2011 technical report.

The results of the mineral resource update are expected to be announced in the second quarter of 2018.

2018 exploration activity to date and future outlook

The Company is pursuing a two-phase program of exploration of the Cuiú Cuiú property as follows:

- Phase 1 consists of an update to the current mineral resource estimate as described above. In addition, an aggressive program of soil sampling, channel sampling, surface trenching and auger drilling is planned over a number of high priority targets (including Pau de Merenda, Central, Machiche, Jerimum de Cima, Vila Rica and Guarim). These targets are considered to have significant potential for additional discoveries. This program will extend into the third quarter of 2018 and will generate a significant amount of information that will be key in the selection of drill targets during Phase 2
- Phase 2 consists of a program of infill auger drilling and ground geophysics to refine the drill targets followed by a diamond/percussion drill program of up to 8,000 metres. Additional surveys are being considered to extend historical ground geophysical surveys. Additional soil sampling, channel sampling and auger drilling is expected to continue during Phase 2.

Planning for the Phase 1 activities commenced in late December 2017 following closing of the CGL Transaction. An aggressive campaign of exploration and related activities focussing on the Cuiú Cuiú property was initiated in early February 2018 which included the following:

- Retention of Dr. Adrian McArthur to manage the Company's exploration program. Dr. McArthur has over 20 years' experience in exploration, resource definition and project generation principally in Brazil and Australia
- Commencement of a surface exploration program which included trenching, channel sampling, auger sampling and soil sampling with a view to identifying drill targets

- Initiation of a comprehensive review of all historic exploration data relating to the project
- Drone mapping of existing exploration targets.

Several items have been added to the original work program previously reported including an environmental study (so-called *EIA RIMA*) having an estimated total cost of $780,000 which will commence during Phase 1 and extend beyond the end of Phase 2. Other required studies and miscellaneous cost items have also been added to the original work program.

Management is currently reassessing the duration of Phase 1 of the work program and the scope of Phase 2 procedures relative to the work program previously reported

The estimated costs of the two program phases (original and revised) and a summary of costs incurred through March 31, 2018 are as follows:

Activity	Phase 1 Plan $	Phase 1 *Actual through 31 March 2018* *$*	Phase 2 $
Exploration expense:			
Re-estimate mineral resource	100,000	*90,490*	-
Trenching	80,000		-
Mapping/geology	150,000		-
Field workers/soil sampling	90,000		-
	320,000	*137,279*	-
Drilling	-	-	1,840,000
Geophysical survey(ies)	-	-	600,000
Data logging/geology	-	-	300,000
Field workers	-	-	250,000
Food/supplies	43,200	*24,769*	100,000
Geochemical analysis	175,000	*2,418*	420,000
Flights to Cuiú Cuiú	41,250	*17,640*	99,000
Fuel for vehicles	9,250	*5,965*	27,750
Transport of personnel	18,000	*19,115*	48,000
Fixed assets:			
Vehicles and ATVs	95,000	*65,038*	105,000
Computers, etc.	12,000	*4,286*	-
Logistical support	60,000	*37,621*	60,000
Contingency	87,370	-	277,175
Original work program	**961,070**	***404,621***	**4,126,925**
Additions to original work program:			
Environmental study (EIA RIMA) (1)	435,000	*93,993*	345,000
Hydrological study	23,000	-	45,000
Hydrological study, drill testing	-	-	117,000
Tailings dam study	44,800	-	19,200
Camp construction	53,000	*10,300*	-
GPS survey equipment	51,000	-	-
Machinery and equipment	30,000	*23,966*	20,000
Additional field IT	20,000	-	-
Additional logistical support (local)	102,000	-	156,000
VP exploration and head office support	198,000	*37,777*	264,000
	1,917,870	**570,657**	**5,093,125**

(1) Environmental study costs include a 20% contingency

Summary of quarterly results

A summary of quarterly results in respect of the two years ended March 31, 2018 is as follows:

	Quarter ended 30-Jun-17	Quarter ended 30-Sep-17	Quarter ended 31-Dec-17	Quarter ended 31-Mar-18
Revenues	-	-	-	-
Exploration expenditures	71,976	90,222	95,256	470,578
Listing expense (CGL Transaction) (a)	-	-	791,616	-
Professional fees	98,119	81,543	386,363	128,352
Non-cash items	2,292	2,207	61,292	(272,074)
Administration (b)	116,761	92,203	148,761	192,455
Net loss	488,639	270,028	1,403,814	509,817
Net loss per share (c)	0.02	0.01	0.05	0.02
Total comprehensive loss	563,319	255,041	1,461,291	482,832
Cash and cash equivalents	1,007,268	524,864	3,680,427	2,924,755
Net working capital (deficit)	409,827	184,936	3,378,958	2,742,270
Total assets	3,160,427	2,689,449	5,986,782	5,316,448

	Quarter ended 30-Jun-16	Quarter ended 30-Sep-16	Quarter ended 31-Dec-16	Quarter ended 31-Mar-17
Revenues	-	-	-	-
Exploration and development	53,384	50,052	58,200	125,729
Professional fees	711	2,073	8,177	50,652
Non-cash items	928	1,508	1,520	165,379
Administration (b)	6,035	25,805	71,022	96,189
Net loss	56,960	76,635	152,126	460,232
Net loss per share (c)	-	-	0.01	0.02
Total comprehensive loss	34,729	78,571	147,027	458,800
Cash and cash equivalents	81,964	10,184	2,184,746	1,752,070
Net working capital (deficit)	(691,782)	(695,544)	1,070,349	756,664
Total assets	2,336,865	2,393,662	4,227,948	3,873,288

(a) Listing expense (CGL Transaction) relates to the excess of the estimated value of consideration issued to former San Angelo security holders over the net assets of San Angelo as at the time of closing of the CGL Transaction

(b) Administration comprises all operating expenses other than exploration and development expenditures, listing expense (CGL Transaction), professional fees and non-cash items. It includes costs of management, travel, listing fees (other than 'Listing expense, CGL Transaction') and general and administrative items

(c) Net loss per share is presented on a basic and diluted basis

Fluctuations in the Company's quarterly results were attributable to the following factors:

- Exploration and development (pre 2018): Exploration and development activity has been limited since the closing of the Magellan Transaction with costs incurred through Q4 2017 relating primarily to a third party study and logistical support in connection with the maintenance of the Cuiú Cuiú property. Fluctuations were attributable to the following specific issues:
  - Third party study relating to the preparation of an integrated economic development plan of the Cuiú Cuiú property ($23,188 in Q2 2016, $24,209 in Q3 2016 and $9,749 in Q4 2016). The

report was prepared to fulfill Brazilian requirements and does not adhere to the standards required by Canadian National Instrument 43-101 (“NI 43-101”)
  - Preparation of NI 43-101 technical report regarding the Cuiú Cuiú property to support a public listing ($32,946 in Q1 2017, $5,383 in Q2 2017 and $13,595 in Q3 2017)
  - Initiation of a NI 43-101 resource update regarding the Cuiú Cuiú property ($21,458 in Q4 2017 and $69,032 in Q1 2018)
  - Introduction of a consultant (a director of the Company) to oversee Brazil activity effective October 1, 2016 through September 30, 2017 ($12,500 in Q4 2016 and $15,625 in each of Q1 2017, Q2 2017 and Q3 2017)
  - Introduction of Brazil country manager effective February 1, 2017 ($15,000 in Q1 2017 and $22,500 in each of Q2 2017, Q3 2017, Q4 2017 and Q1 2018).
- Exploration and development (Q1 2018): The significant increase in exploration expenditures was attributable to the initiation of the exploration program at the Cuiú Cuiú property in February 2018 (see ‘Cuiú Cuiú’)
- Professional fees: Professional fees increased significantly in 2017 with CGL’s pursuit of a public listing. Such costs included legal fees, audit fees and various other fees including a transaction success fee of $180,000 incurred in Q4 2017 relating to the closing of the CGL Transaction (which was paid through the issuance of common shares). In addition, agreements were entered into with various third parties in Q4 2017 relating to the provision of marketing services which will extend into Q2 2018
- Non-cash items: Non-cash items comprise depreciation expense, stock-based compensation (Q1 2017 and Q4 2017) and a gain on tax restructuring in Brazil in Q1 2018 (see ‘Liquidity’)
- Administration: Fluctuations in administration costs were attributable to the following issues:
  - Initiation of marketing programs and attendance at conferences following closing of the CGL Transaction
  - One-off payment to a company controlled by an individual who joined the Company’s Board of Directors as Executive Chairman in May 2018 in respect of advisory services provided during the period February through April 2018, inclusive; $18,667 was recognised in Q1 2018
  - Significant increases in travel costs in each of Q3 2016, Q2 2017 and Q1 2018 relating to travel to Brazil, pursuit of financing and transaction opportunities and marketing
  - Various listing fees incurred in Q3 2017 and Q4 2017 relating to the CGL Transaction
  - The introduction of remuneration of management (President and CEO and CFO) effective October 1, 2016
  - The commencement of office rent and related charges in June 2016.

Results of operations

The Company's net loss increased by $49,585 from $460,232 in Q1 2017 to $509,817 in Q1 2018.

	3 months ended 31-Mar-18	3 months ended 31-Mar-17	Variance
Expenses			
Exploration expenditures	470,578	125,729	344,849
Professional fees	128,352	50,652	77,700
Management and consulting	85,977	59,922	26,055
Office and administrative	78,919	19,864	59,055
Other	27,559	16,403	11,156
	791,385	272,570	518,815
Expenses (non-cash items)			
Depreciation	8,724	1,579	7,145
Stock based compensation	-	163,800	(163,800)
Gain on tax restructuring	(280,798)	-	(280,798)
Other income and expenses			
Penalties and financing charges	837	17,498	(16,661)
Foreign exchange loss	408	5,903	(5,495)
Interest income	(10,739)	(1,118)	(9,621)
Net loss for the period	**509,817**	**460,232**	**49,585**

General quarterly variances are discussed above (see 'Summary of quarterly results'). Additional commentary regarding the Q1 2017 to Q1 2018 variances is as follows:

- Exploration expenditures are discussed above (see 'Cuiú Cuiú')
- Professional fees: The increase is attributable to marketing advisory services partially offset by a reduction in legal fees (considerable fees were incurred in Q1 2017 relating to a proposed transaction)
- Management and consulting: The increase is attributable to a one-off payment to a company controlled by an individual who joined the Company's Board of Directors as Executive Chairman in May 2018 in respect of advisory services provided during the period February through April 2018, inclusive; $18,667 was recognised in Q1 2018
- Office and administration costs: The increase is attributable to marketing spend including attendance at various conferences
- The gain on tax restructuring is discussed below (see 'Liquidity')
- Penalties and finance charges relate to amounts incurred in connection with unpaid taxes and claim maintenance expenditures in Brazil (including restructured amounts).

Liquidity

As at March 31, 2018, the Company had a cash balance of $2,924,755, and a net working capital balance of $2,742,270.

Brazil taxation restructuring

During the fourth quarter of 2014 and the first quarter of 2016, Magellan Brazil restructured certain unpaid taxes due to various federal and state taxation and administrative bodies in Brazil; these amounts relate to unpaid social taxes and withholding taxes in respect of fiscal years prior to the closing of the Magellan Brazil transaction in 2016. The payment plan, including application of discounts, was entered into pursuant to a general program offered by these bodies. The restructured liabilities were typically being repaid over 60 months. Monthly repayments were increased to reflect inflation pursuant to indices published each month.

In November 2017, Magellan Brazil entered into further restructuring programs with applicable federal and state taxation and administrative bodies in Brazil pursuant to which further discounts were granted to existing liabilities in return for payments being made sooner than as agreed in the aforementioned restructuring arrangements; the programs were also applied to certain unpaid tax balances of the Company that had not been previously restructured. The new arrangements resulted in the termination of the previous restructuring agreements, the application of further discounts, the offsetting of historical tax losses of Magellan Brazil against tax liabilities otherwise due and the payment of deposits. As a result of the termination of the previous agreements, restructured amounts that were previously classified as long-term liabilities, were recognised as current liabilities as at December 31, 2017 and March 31, 2018.

The new arrangements were finalised with respect to $280,798 of tax liabilities on February 26, 2018. Arrangements in respect of the remaining $56,015 of tax liabilities are expected to be finalised in the second or third quarter of 2018.

Magellan Brazil made payments totalling $29,846 in 2017 in connection with these new arrangements. No further amounts are due to be paid to the tax authorities subsequent to 2017, however, estimated professional fees associated with completing the program will amount to approximately $39,000.

Going concern

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 ability of the Company to obtain financing to maintain properties in good standing and continue exploration and development and the discovery of economically recoverable reserves. To date, the Company has not generated any revenue from mining or other operations as it is considered to be in the exploration stage.

The Company's condensed interim consolidated financial statements as at and for the three months ended March 31, 2018 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

Management has estimated that the Company will not have sufficient funds from existing working capital to meet its corporate development and administrative objectives and property obligations for the year ended March 31, 2019.

Operating activities

Cash used in operating activities in Q1 2018 amounted to $638,356 as follows:

- The net loss for the period of $509,817
- The significant non-cash gain on tax restructuring of $280,798
- The net increase in non-cash working capital items of $155,806 relating to the drawdown in prepaid marketing expenditures and an increase in current liabilities in both Canada and Brazil.

Investing activities

Cash used in investing activities in Q1 2018 amounted to $118,044 and related primarily to the purchase of vehicles, ATVs and miscellaneous equipment required in connection with the initiation of the exploration program at Cuiú Cuiú.

Financing activities

There was no cash provided by or applied to financing activities in Q1 2018.

Dividends

The Company has neither declared nor paid any dividends on its common shares to date. The Company does not anticipate paying any dividends on its common shares in the foreseeable future.

Contractual commitments

The Company had no significant medium- or long-term contractual commitments in place as at March 31, 2018 or May 29, 2018 beyond its stated liabilities and the following:

- Magellan Brazil entered into an agreement in January 2018 with Terra Ltda. - ME relating to the provision of the EIA-RIMA environmental study for an estimated fee of R$ 1,670,144 (approximately $650,013)
- The surface access agreement with the Cuiú Cuiú garimpieros pursuant to which R$ 242,500 (approximately $94,400) is due to be paid to the garimpieros in Q2 2018 in connection with the surface access fee in respect of the year ended March 2019
- The Company is committed to sharing in net costs and commitments associated with both of the Poconé ventures including its share of any losses relating to current litigation against PGM and a venture partner.

Proposed transactions

As at March 31, 2018 and May 29, 2018, there were no proposed asset or business acquisitions or dispositions.

Capital resources

The Company had no capital expenditure commitments as at either March 31, 2018 or May 29, 2018.

The Company is required to make certain option payments in order to maintain its properties and agreements in good standing. These payments are not considered to be commitments as the applicable agreements may be terminated by the Company at short notice without penalty. These future payments totalled USD 40,000 as at March 31, 2018 all of which is conditional on the registration of an optioned secondary property (Bom Jardim).

Transactions with related parties

The Company incurred the following costs of management remuneration:

		3 months ended March 31, 2018		3 months ended March 31, 2017
Management:				
Employment and consulting remuneration	$	62,500	$	52,083
Payroll related costs		4,810		7,839
Consulting fees (1)		18,667		-
		85,977		59,922
Directors:				
Stock-based compensation		-		130,725
Advisory fees		-		15,625
		-		146,350
	$	**85,977**	**$**	**206,272**

(1) Consulting fees relate to $28,000 paid to a company controlled by an individual who joined the Company's Board of Directors as Executive Chairman in May 2018 in respect of advisory services provided during the period February through April 2018, inclusive; $18,667 relates to services provided in respect of the three months ended March 31, 2018

Other than the aforementioned individual, management comprises the President and Chief Executive Officer and the Chief Financial Officer.

Advisory fees were paid to a director who was based in and actively involved in activities in Brazil; the fees were not paid in connection with services provided to the Company by this individual in his capacity as a director. These fees were terminated effective October 1, 2017.

As at March 31, 2018, the Company owed a total of $2,062 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in May 2018.

As at March 31, 2018, a further $18,667 was due to the company controlled by an individual who joined the Company's Board of Directors as Executive Chairman in May 2018, as referred to above.

Outstanding share data

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

The Company had the following common shares, share purchase warrants and stock options outstanding as at both March 31, 2018 and May 29, 2018:

Issued and outstanding common shares	31,412,418
Fully diluted	41,243,328
Share purchase warrants (shares)	7,796,154
Share purchase warrants (Units)	400,878
Stock options	1,233,000

Changes in accounting policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these condensed interim consolidated financial statements. Such standards that may have an impact on the Company's consolidated financial statements once adopted include the following:

- Amendments to IFRS 11, "Joint Arrangements"
- Amendments to IAS 12, "Income Taxes"
- Amendments to IAS 28, "Investments in Associates and Joint Ventures".

The Company has not early adopted these revised standards and is currently assessing the impact, if any, that these revised standards will have on its 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.

Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, receivables, accounts payable and accrued liabilities and other liabilities and provisions.

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

Foreign exchange risk

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

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.

As at March 31, 2018, the Company had a cash balance of $2,924,755, and a net working capital balance of $2,742,270.

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 accounts receivable. 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 current and no valuation allowance or provision was applied or required as at March 31, 2018.

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 claim maintenance 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. Otherwise, the Company did not have any interest bearing debt as at March 31, 2018 or May 29, 2018.

Cautionary Statement on Forward-Looking Information

This MD&A document contains 'forward-looking information' and 'forward-looking statements' (together, the "forward-looking statements") within the meaning of applicable securities laws. Such forward-looking statements concern the Company's anticipated operations in future periods, planned exploration and development of its properties, and plans related to its business and other matters that may occur in the future. This information relates to analyses and other information that is based on expectations of future performance and planned work programs. These forward-looking statements are made as of May 29, 2018.

Users of forward-looking statements are cautioned that actual results may vary from the forward-looking statements contained herein. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to:

- Risks related to the exploration and development of natural resource properties
- Risks related to the uncertainty of mineral resource calculations and the inclusion of inferred mineral resources in economic estimations
- Risks related to fluctuations in future metal prices (particularly gold prices)
- Risks related to market events and conditions
- Risks related to governmental regulations, including without limitation, environmental laws and regulations
- Risks related to delays in obtaining governmental or regulatory approvals, licenses or permits
- Risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title
- Risks related to uncertainty associated with the Company's ability to obtain funding in the future
- Risks related to the Company's inability to meet its financial obligations under agreements to which it is a party (see 'Liquidity')
- Risks related to competition from larger companies with greater financial and technical resources, and
- Risks related to the Company's directors and officers becoming associated with other natural resource companies which may give rise to conflicts of interest.

Although the forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this document, and the Company assumes no obligation to update or revise them to reflect new events or circumstances except as may be required under applicable securities laws. There can be no assurance that forward-looking statements, or the material factors or assumptions used to develop such forward-looking statements, will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements.