Cabral Gold

Cabral Gold Inc.

(An Exploration Stage Company)

Management Discussion and Analysis

For the year ended December 31, 2018

Dated: April 25, 2019

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 April 25, 2019. It is intended to be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 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.

Dr. Adrian McArthur, B.Sc. Hons, PhD. FAusIMM., a consultant to the Company as well as a Qualified Person as defined by National Instrument 43-101 ("NI 43-101"), approved the technical information in this MD&A.

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").

Limited exploration activity was undertaken by CGL through closing of the CGL Transaction and a financing in late 2017; 2016 and 2017 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 and a diamond drill program was initiated in January 2019.

Highlights

The year ended December 31, 2018 and the period ended April 25, 2019 were highlighted by the following activities and initiatives:

Finance

- The balance of cash and cash equivalents as at December 31, 2018 was $1,684,630 and the net working capital balance as at this date was $1,592,582
- In late November 2018, the Company closed a private placement comprised of 7,450,000 common shares at a price of $0.25 per share for gross proceeds of $1,862,500. See 'Liquidity and going concern'
- Despite a significant increase in the scale of operations since late 2017, the Company's liabilities were significantly reduced in 2018 through various non-cash means:
  - In Q1 2018 and Q3 2018, Magellan Brazil finalised tax restructuring agreements pursuant to which various tax liabilities were eliminated (total liability of $327,425 as at December 31, 2017). See 'Liquidity and going concern'
  - In Q3 2018, Magellan Brazil disposed of its 35% interest in Poconé Gold Mineração Ltda. ("PGM"). While proceeds on disposal were nominal, the transaction resulted in the elimination of the Company's share of PGM's restructured claim maintenance liabilities ($19,105 as at December 31, 2017). The remaining balance of the Company's share of restructured claim maintenance liabilities (relating to the ECI Venture, $15,106 as at December 31, 2017) were repaid in full in Q4 2018. See 'Poconé'
  - Litigation initiated against the Company by three former employees in 2017 was resolved in 2018 with a total settlement of approximately $40,000 which compares to a provision of approximately $104,000 that the Company had established in respect of this issue as at December 31, 2017
- The value of the R$ has been extremely volatile during 2018 relative to the $. The R$ depreciated 7% relative to the $ during the year but in September 2018, had depreciated to a low for the year that was 18% less than the rate as at December 31, 2017. The Company has benefited from this volatility as the relative depreciation of the R$ serves to reduce R$ denominated expenditures and liabilities when measured in $.

Exploration and development

- 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 an aggressive surface exploration program in Q1 2018 which included trenching, channel sampling, auger sampling and soil sampling with a view to identifying drill targets. A total of 419 soil samples, 1,513 surface rock samples and 977 auger samples were taken through April 25, 2019
  - Initiation of a comprehensive review of all historic exploration data relating to the project
  - Reprocessing and reinterpretation of geophysical data including airborne and ground magnetic data and induced polarization survey data
  - Drone mapping of existing exploration targets
- In May 2018, the Company reported a revised NI 43-101 Mineral Resource Estimate which was completed by Micon International Limited ("Micon") and totaled 5.9 million tonnes grading 0.9 g/t gold (Indicated) and 19.5 million tonnes grading 1.2 g/t gold (Inferred), or 0.2MM ounces and 0.8MM ounces of gold, respectively. Top cuts were applied ranging from 2 to 20 g/t gold
- In September 2018, the Company announced that it had registered an application for a full mining licence for the Cuiú Cuiú project
- In January 2019, the Company announced the initiation of a 2,400 metre diamond drill program
- During 2018 and 2019 to date, Magellan Brazil increased its land holdings around the Cuiú Cuiú project by approximately 78,652 hectares. These applications were made partially in response to the

recent staking of over 1,500,000 hectares in the Tapajós region by Anglo American Níquel Brasil Ltda. and Votorantim Metais Zinco S.A. (Nexa) which brought their total holdings in the region to approximately 1,829,000 hectares. Anglo American acquired ground immediately north, northwest and southwest of Magellan Brazil's tenements at Cuiú Cuiú and Bom Jardim

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 (the "Agreement") 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 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. 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.

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.

Cuiú Cuiú

The Company's primary gold project is Cuiú Cuiú.

Minimal 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. An aggressive surface exploration program which included trenching, channel sampling, auger sampling and soil sampling was initiated in Q1 2018 and a diamond drill program was initiated in Q1 2019.

Background: surface access agreement, garimpiero condominium

On February 19, 2006, Magellan Brazil entered into a surface access agreement with the holders of the traditional surface rights over the Cuiú Cuiú property. The owners are organised into a 'condominium' (which is similar to a cooperative, but with fewer rights) comprising minority stakeholders and majority stakeholders.

The February 19, 2006 has since been amended and extended several times the most recent of which was on March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R$ 5,000 per year (equivalent of $1,758 as at December 31, 2018) to each of the 21 majority stakeholders and R$ 2,500 per year ($879) to each of the 60 minority stakeholders.

Payments totalling approximately $90,000 are due to the garimpieros in April and May 2018 in connection with the surface access fee in respect of the year ended March 2020.

The agreement specifies that in the event that an economically viable gold resource is identified and supported by a formal feasibility study, Magellan Brazil will make an additional payment to the holders of the traditional surface rights based on the amount of gold defined (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.

Upon delivery and approval of the final research reports on the areas under consideration to the Brazilian National Department of Mineral Production or at any time if the size of the gold reserve is found to be economically viable (pursuant to a formal feasibility study), Magellan Brazil is to provide written notice to the condominium following which the aforementioned payment is to be made within 90 days.

Net smelter royalties

There are two net smelter royalties ("NSR") on the Cuiú Cuiú property as follows:

- A 1.0% NSR held by Sandstorm Gold Ltd. ("Sandstorm"). The Company is required to pay an advance royalty of US$ 250,000 on the date that it obtains a feasibility study that recommends placing all or part of the Cuiú Cuiú project into production 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
- A 0.5% NSR held by Magellan (see 'Acquisition of Magellan Brazil'). The Magellan NSR is subordinate to the Sandstorm NSR.

Resource update

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

In June 2018, the Company issued the updated resource estimate which totals 5.9 million tonnes grading 0.9 g/t gold (Indicated) and 19.5 million tonnes grading 1.2 g/t gold (Inferred), or 0.2 million ounces and

0.8 million ounces of gold, respectively, with top cuts applied which ranged from 2.0 to 20 g/t gold for different individual zones within the Moreira Gomes and Central deposits. These were constrained by open pit (0.35 g/t Au cut-off) and underground (1.30 g/t Au cut-off) mining shapes.

The update followed 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 dated April 19, 2011.

The updated mineral resource estimate incorporates 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 Company filed an amended technical report in December 2018 that superceded the report issued in July 2018. The amended report was prepared by Micon in order to comply with NI 43-101 and does not contain any material changes to the mineral resource estimate from the previously filed report.

Permitting process

Following completion of six years of exploration on various parts of the Cuiú Cuiú property, Magellan Brazil submitted the requisite Final Exploration Report to the Brazilian Department of Mines ("DNPM") in October 2013. This report was in respect of the Central, Jerimum Baixo and Moreira Gomes tenements (claims 850.615/2004 and 850.047/2005). The report was approved by the DNPM and published in November 2015.

Following the approval of this report, Magellan Brazil initiated the process of acquiring a mining license which will ultimately involve the preparation of various studies and their submission to, and acceptance by applicable authorities in Brazil. Specifically, activities undertaken in recent years to date relating to the acquisition of a mining license for the Cuiú Cuiú property have included the following:

- October 2016: A request for a mining license (in the form of an economic feasibility study, or *PAE*) was submitted by Magellan Brazil to the DNPM. This study is not NI 43-101 compliant
- November 2017: Magellan Brazil submitted a request for terms of reference for an environmental study (or *EIA-RIMA*) on the aforementioned two tenements from the State Environmental Agency ("SEMAS")
- January 2018: Magellan Brazil contracted Terra Ambiente Ltda–ME to undertake the EIA-RIMA study at Cuiú Cuiú
- April 2018: The terms of reference for the EIA RIMA study were officially approved and published. The mobilization of field teams and field work relating to this study commenced in mid-April
- April 2018: As part of the terms of reference for the EIA RIMA study, Magellan Brazil contracted Senior Geologia e Mineracao Ltda to prepare a detailed study associated with the proposed tailings dams
- April 2018: As part of the terms of reference for the EIA RIMA study, Magellan Brazil contracted Hidrovia Hidrogeologia e Meio Ambiente Ltda to prepare the hydrogeological study
- April-June 2018: A request for a pre-analysis of the PAE was requested by Magellan Brazil. Magellan Brazil received a formal response from the DNPM in May 2018 with a list of changes and other instructions to be finalised and submitted within 60 days of publication. With publication in June 2018, Senior Geologia e Mineracao e Mineracao Ltda was contracted to make all necessary changes and modifications to the proposed final layout of the plant, open pits, tailings dam locations and infrastructure taking into account the multiple new target zones which have been defined within the tenement area since submission of the original PAE in 2016
- August 2018: Magellan Brazil registered the revised PAE
- Submission of the final EIA-RIMA report is planned for the first quarter of 2020 with current field work outstanding relating to the archeological studies (planned for June 2019) and final malaria study (December 2019)

- In light of the current legal uncertainty regarding tailings dam licensing following the recent disaster at Vale S.A.'s Brumadinho project, discussions are currently underway with the Environmental Agency regarding the delivery of the tailings dam studies in 2020 following submission of the final EIA-RIMA report. This deferral will reduce the Company's near term capital expenditure requirements relative to what had been previously planned and allow time for the new licensing laws to be approved.

Upon analysis and final approval of the PAE and publication in the official Diary of the Union, submission of the EIA-RIMA study will be required within six months. An application for extensions to the six-month limit can be made if required under special circumstances.

Work programs

The Company pursued a two-phase program of exploration of the Cuiú Cuiú property following the closing of the CGL Transaction in late 2017:

- Phase 1 consisted of an update to the current mineral resource estimate as described above which was completed in July 2018 (amended in December 2018). In addition, an aggressive program of soil sampling, surface channel and rock chip sampling, surface trenching and auger drilling was undertaken over a number of high priority targets (including Pau de Merenda, Central, Central SE, Machiche, Jerimum de Cima, Vila Rica, Mira Boa and Guarim) which are considered to have significant potential for additional discoveries
- Phase 2 consisted of a program of infill auger drilling to refine the drill targets and continued through March 2019 in parallel with the diamond drill program which commenced in January 2019.

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. A total of 419 soil samples, 1,513 surface rock samples and 977 auger samples were taken through April 25, 2019
- Initiation of a comprehensive review of all historic exploration data relating to the project
- Reprocessing and reinterpretation of geophysical data including airborne and ground magnetic data and induced polarization survey data
- Drone mapping of existing exploration targets.

The initial estimated cost of Phase 1 of the work program was approximately $960,000.

Phase 1 of the work program was completed effective June 30, 2018. Actual program costs incurred through this date totalled approximately $1,390,000. The increase was attributable to the following:

- The initiation of various studies that were not included in the original program cost budgets (see discussion above regarding the permitting process)
- Actual work program costs incurred were in excess of forecast work program costs previously reported for most cost categories due, in part, to the identification of a greater number of new exploration targets than originally anticipated which resulted in more staff being hired in order to advance the project.

In January 2019, the Company announced the initiation of an initial diamond drill program at Cuiú Cuiú with the objective of testing several priority targets which had returned high grade gold values on surface identified during 2018 exploration activity. The program was directed to nine separate targets and a minimum of 2,400 metres and twenty holes were planned. A summary of significant drill results returned through April 25, 2019 is as follows (see Company news releases for full details):

Machichie target:

- Drill hole **CC182-19** (552555E, 9343364N, Dip/Az: -50/315, end of hole ("EOH"): 65.5m) targeted a NE-trending structure, coincident with a NE trending magnetic low and returned 3.4m @ 36.9 g/t gold from 32.2m including 0.7m @ 162.7 g/t gold from 33.9m. The structure remains open along strike and at depth
- Drill hole **CC178-19** (553007E, 9343478N, Dip/Az: -62/000, EOH: 121.3m) returned 2.1m @ 15.3 g/t gold from 91.7m within the main E-W trending Machichie magnetic low target. The intersection formed part of a broader mineralized envelope that returned 62.8m @ 0.9 g/t gold from 31.6m
- Drill hole **CC177-19** (553007E, 9343478N, Dip/Az: -50/000, EOH: 87.3m) was drilled as a shallower hole along the same section as CC178-19 and returned 3.1m @ 7.3 g/t gold from 61.4m including 0.6m @ 24.7 g/t gold from 63.6m. These results confirm vertical continuity of high-grade mineralization from surface to 80m depth. The zone remains open at depth and along strike. The intersection formed part of a broader mineralized envelope that returned 45m @ 1.0 g/t gold from 37.5m
- Drill hole **CC179-19** (552835E, 9343504N, Dip/Az: -50/000, EOH: 94.64m) tested the main E-W target and returned 0.5m @ 20.2 g/t gold from 39.1m and was drilled 175m west of CC177-19 and CC178-19. The intersection formed part of a broader mineralized envelope that returned 16.3m @ 1.3 g/t gold from 33.9m
- Drill hole **CC181-19** (552733E, 9343584N, Dip/Az: -60/180, EOH: 149.6m) tested the main E-W target, 275m west of CC177-19 and returned 0.6m @ 10.0 g/t gold from 38.4m. The intersection formed part of a within a narrower lower grade interval of 6.6m @ 1.6 g/t gold from 38.4m.

Machichie East target:

- Drill hole **CC183-19** (553330E, 9343700N, Dip/Az: -55/180, EOH: 250.5) targeted a coincident magnetic low, chargeability high and Au-Mo-Cu auger anomaly and returned 15.9m @ 1.73 g/t gold from 79m, including 0.5m @ 21.3 g/t gold from 86.5m and 1.0m @ 10.3 g/t gold from 91.4m. The mineralization is located in a previously unknown structure which is open along strike and at depth. An interval of 6.9m @ 1.1g/t gold from 22.6m was encountered in transported cover at the top of the drill hole. Scheelite ($CaWO4$) and coarse molybdenite ($MoS2$) were observed in veins and alteration zones within the drill hole, suggesting the proximity to a concealed intrusive source.

Assay results relating to a number of holes had yet to be received by the Company as at April 25, 2019.

As at April 25, 2019, management was in the process of assessing drill results and planning exploration activity for the remainder of 2019. Subject to the availability of financing, such activity will include the following:

- Ongoing soil sampling and auger drilling focussed on the Cilmar (Mineiro) area, a region of approximately 4,700 hectares approximately seven kilometres NNE of Moreira Gomes. The area contains extensive alluvial workings that were developed more recently in the history of the field and lacking prior systematic exploration campaigns by historical operators
- Reconnaissance soil sampling and auger drilling within the Tocantinzinho structural corridor, a prominent regional structure hosting the Tocantinzinho gold resource along strike to the southeast
- Continuation of third party studies relating to the permitting process
- Initiation of a new diamond drill program focussed on infill and extensional drilling of the Machichie and Machichie East targets, infill drilling to better define high-grade trends within the Central and MG resources areas and extensional drilling along newly confirmed structural trends emerging from the current program.

Camp construction

During 2018 through Q1 2019, the Company re-established and updated its camp at Cuiú Cuiú including the following:

- Construction of a new core shed with laboratory, sample storage and core cutting
- Partial construction of living quarters for 26 employees including kitchen, office space and bathroom and laundry facilities
- Purchase of three trucks and four ATVs and delivery to Cuiú Cuiú for use by the Company's exploration staff and consultants.

Acquisition of additional ground

During 2018 and 2019 to date, Magellan Brazil increased its land holdings around the Cuiú Cuiú project and in two other areas as follows:

- Cuiú Cuiú and surrounding area: increase of 10,884 hectares
- Bom Jardim and surrounding area: increase of 56,531 hectares
- Tocantinzinho and surrounding area: increase of 11,236 hectares (Eldorado Gold Corp.'s Tocantinzinho gold deposit is located 25 kilometres southeast of the Cuiú Cuiú project and currently has Proven and Probable reserves of 39.6 million tonnes @ 1.43 g/t gold for 1.82 million ounces).

Industry players Anglo American Níquel Brasil Ltda. and Votorantim Metais Zinco S.A. (Nexa) have recently staked landholdings totalling over 1,500,000 hectares in the Tapajos area to the immediate north and northwest of Magellan Brazil's tenement package.

A new online auction process for acquiring available tenement lots will be initiated by the authorities in June 2019.

Poconé properties

The Company was 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, PGM. Magellan Brazil held a 35% interest in PGM through September 26, 2018.

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

None of the purchase price consideration relating to the Magellan Transaction was attributed to the Poconé properties, however, Magellan Brazil's share of various liabilities relating to the ECI Venture and PGM were recognised.

Virtually no exploration activity was undertaken on any of the Poconé properties since 2012, however, claim maintenance charges continued to be incurred and certain of these charges were restructured. In addition, the Company historically incurred various other charges and realised proceeds on the liquidation of certain assets relating to both the ECI Venture and PGM.

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 April 25, 2019, no claim had been filed against the Company (however, the Company is responsible for 50% of costs pursuant to the ECI Venture agreement). 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.

On September 26, 2018, an agreement was entered into pursuant to which the shares of PGM held by both Magellan Brazil and the Brazilian subsidiary of ECI were transferred to Brasil Central in exchange for Brasil Central taking over the debts of PGM and making nominal cash payments. A gain of $49,963 was recognised by the Company in connection with the transaction which included termination of Magellan Brazil's share of restructured claim maintenance liabilities of PGM that had been previously recognised in Magellan Brazil's books of account ($19,105 as at December 31, 2017).

In addition, the proceeds from both this transaction and the disposal of certain fixed assets and mineral claims held by the ECI Venture were applied to paying off restructured claim maintenance liabilities of the ECI Venture that had also been previously recognised in Magellan Brazil's books of account ($15,106 as at December 31, 2017).

The disposal of PGM does not reduce the Company's exposure relating to the aforementioned legal claim against ECI and PGM.

Proposed transactions

As at December 31, 2018 and April 25, 2019, there were no proposed asset or business acquisitions or dispositions being contemplated other than the sale of two secondary properties.

Selected annual information

A summary of annual results in respect of the years ended December 31, 2018 and December 31, 2017 is as follows. This summary information has been derived from the audited consolidated financial statements of the Company.

Statement of loss

	Year ended 31-Dec-18	Year ended 31-Dec-17
Consolidated statement of loss:		
Revenue	-	-
Exploration and development	2,457,946	383,183
Listing expense (CGL Transaction)	-	791,616
Administration:		
Management	339,032	259,232
Office and administration	312,176	92,777
Professional fees	274,038	616,677
Travel	93,676	53,307
Depreciation	66,465	8,267
Stock-based compensation	52,380	222,903
Listing expense (other)	21,238	48,598
Adjustment to provisions	(37,529)	111,878
Foreign exchange loss	4,486	17,872
Interest and financing charges (net)	(22,041)	41,837
Gain on disposal of PGM	(49,963)	-
Gain on tax restructuring	(308,244)	-
Other income	-	(25,434)
Net loss	3,203,660	2,622,713
Weighted average shares outstanding	*32,085,980*	*24,187,385*
Net loss per share	$ 0.10	$ 0.11

- In general, the level of activity in the Company prior to the closing of the CGL Transaction in Q4 2017 was low
- Exploration and development: An aggressive exploration program commenced in early 2018 and a diamond drill program commenced in early 2019 (see ‘Cuiú Cuiú – Work programs’). Exploration activity was limited since the closing of the Magellan Transaction in Q2 2016 through the end of 2017 with costs incurred during this period relating primarily to a third party study and logistical support in connection with the maintenance of the Cuiú Cuiú property
- Listing expense (CGL Transaction) is a non-recurring, non-cash item relating 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
- Management costs relate to compensation of the Company’s officers (Executive Chairman, President and CEO and CFO). The increase in 2018 relates to the retention of the Executive Chairman in Q2 2018
- Office and administration relates to the costs of operating the Company’s Vancouver office. The increase in 2018 relates to various marketing initiatives including attendance at conferences and the retention of a manager of corporate communications
- Professional fees relate to audit fees, legal fees relating to the CGL Transaction and general corporate matters, other professional fees relating to the CGL Transaction and advisory fees relating to the provision of marketing services. The decrease in 2018 relates to non-recurring costs associated with the CGL Transaction incurred in 2017
- Travel costs increased in 2018 as a result of travel to Brazil in connection with the initiation of exploration activity at Cuiú Cuiú and attendance at conferences
- Stock-based compensation relates to the issuance of a total of 450,000 stock options having an exercise price of $0.23 and vesting over two years (2017: 1,233,000 stock options all of which vested immediately)

- Interest and financing charges (net) relate to interest income on cash balances held in Canada less financing charges on overdue taxes (both restructured and non-restructured) of Magellan Brazil and, to a lesser extent, restructured claim maintenance charges relating to the Poconé properties. Financing charges were reduced significantly in 2018 due to the completion of the tax restructuring exercise (see 'Liquidity and going concern – Brazil taxation restructuring').

Statement of financial position

	31-Dec-18	31-Dec-17
Consolidated statement of financial position:		
Cash and cash equivalents	1,684,630	3,680,427
Other current assets	109,191	226,824
Fixed assets	968,382	781,418
Mineral properties	1,373,387	1,298,113
Total assets	*4,135,590*	*5,986,782*
Accounts payable and accrued liabilities	197,186	424,179
Other liabilities and provisions	4,053	104,114
Long-term liabilities	-	25,432
Total liabilities	*201,239*	*553,725*
Equity:		
Share capital	8,690,737	7,007,824
Reserves	1,543,930	1,425,670
Other comprehensive income	(186,563)	(90,344)
Accumulated deficit	(6,113,753)	(2,910,093)
Total equity	*3,934,351*	*5,433,057*

- Fixed assets relate primarily to a 30 hectare plot of land in Cuiú Cuiú that was purchased by Magellan Brazil prior to the closing of the Magellan Transaction. Increases in 2018 relate primarily to camp construction, purchase of vehicles and miscellaneous other capital purchases relating to the establishment of the exploration camp at Cuiú Cuiú
- The balance of mineral properties relates to capitalised acquisition and claim maintenance costs. With the exception of $50,702, the balance related entirely to Cuiú Cuiú as at December 31, 2018
- The balance of accounts payable and accrued liabilities declined in 2018 due to the elimination of both Brazilian tax liabilities through restructuring ($327,425 as at December 31, 2017) and restructured claim maintenance liabilities ($34,211 including long-term component). These reductions were offset by general increases in liabilities relating to recurring operating expenditures attributable to the general increase in the level of activity during the year
- Other liabilities and provisions relate to management's best estimate of expenditures required to settle present contingent obligations relating to various legal, tax and regulatory matters that the Company is subject to. The decline in 2018 was attributable to litigation initiated by three former employees of Magellan Brazil initiated in 2017 that were successfully resolved in 2018. The total settlement amount of approximately $40,000 compared to a provision of approximately $104,000 that the Company had established for this issue as at December 31, 2017
- The increase in share capital in 2018 relates to the $1,862,500 private placement that closed in November 2018.

Summary of quarterly results

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

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Revenues	-	-	-	-
Exploration and development	470,578	655,115	727,053	605,200
Listing expense (CGL Transaction) (a)	-	-	-	-
Professional fees	128,352	59,266	63,192	23,228
Non-cash items (b)	(272,074)	45,793	(47,064)	33,983
Administration (c)	192,455	183,282	147,517	242,868
Net loss	509,817	960,259	871,359	862,225
Net loss per share (d)	0.02	0.03	0.03	0.03
Total comprehensive loss	482,832	1,156,727	935,597	724,723
Cash and cash equivalents	2,924,755	1,785,582	880,893	1,684,630
Net working capital (deficit)	2,742,270	1,605,189	714,003	1,592,582
Total assets	5,316,448	4,177,511	3,235,462	4,135,590

	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Revenues	-	-	-	-
Exploration and development	125,729	71,976	90,222	95,256
Listing expense (CGL Transaction) (a)	-	-	-	791,616
Professional fees	50,652	98,119	81,543	386,363
Non-cash items (b)	165,379	2,292	2,207	61,292
Administration (c)	96,189	116,761	92,203	148,761
Net loss	460,232	488,639	270,028	1,403,814
Net loss per share (d)	0.02	0.02	0.01	0.05
Total comprehensive loss	458,800	563,319	255,041	1,461,291
Cash and cash equivalents	1,752,070	1,007,268	524,864	3,680,427
Net working capital (deficit)	756,664	409,827	184,936	3,378,958
Total assets	3,873,288	3,160,427	2,689,449	5,986,782

(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) Non-cash items (net) comprise stock-based compensation, depreciation expense and gains on both tax restructuring and the disposal of PGM

(c) 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 CGL Transaction) and general and administrative items

(d) 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 was 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 during this period were attributable to the following specific issues:
  - 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)
  - Introduction of a consultant (a director of the Company) to oversee Brazil activity effective October 1, 2016 through September 30, 2017 ($15,625 in each of Q1 2017, Q2 2017 and Q3 2017)

- Introduction of a Brazil country manager effective February 1, 2017 ($15,000 in Q1 2017 and $22,500 in each of Q2 2017, Q3 2017 and Q4 2017).

- Exploration and development (post-2017): 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') including the following:
  - The hiring of local staff early in Q1 2018. Magellan Brazil had 26 staff as at December 31, 2018 comprised of 23 field staff, two administrative employees and the country manager
  - The re-establishment significant updating of the field camp at Cuiú Cuiú and ongoing operations at Cuiú Cuiú which has resulted in increases in both capital costs on equipment, vehicles and buildings (being constructed internally) and exploration expenses
  - The appointment of Dr. McArthur in February 2018 to manage the exploration program
  - Ongoing third-party studies including the resource update (completed), environmental study and extension of the local feasibility study
  - Rental, fuel and ongoing maintenance expenditures incurred on camp vehicles and heavy equipment
  - Extensive charges for travel and freight to Cuiú Cuiú from Itaituba where Magellan Brazil's office is located
- 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 extended into Q2 2018
- Non-cash items: Non-cash items comprise depreciation expense, stock-based compensation, a gain on tax restructuring in Brazil (see 'Liquidity and going concern') and a gain on disposal of the Company's interest in PGM (see 'Poconé')
- Administration: Fluctuations in administration costs were attributable to the following issues:
  - Initiation of various marketing programs and attendance at conferences following closing of the CGL Transaction
  - The appointment of Mark Smith as Executive Chairman of the Board of Directors in May 2018
  - One-off payment to a company controlled by Mr. Smith in respect of advisory services provided during the period February through April 2018, inclusive; $18,667 was recognised in Q1 2018 and $9,333 in Q2 2018
  - Significant increases in travel costs relating to travel to Brazil, pursuit of financing and transaction opportunities and marketing
  - Various non-recurring listing fees incurred in Q3 2017 and Q4 2017 relating to the CGL Transaction
  - Conference and related travel costs increased significantly in Q4 2018 relative to the preceding two quarters.

Liquidity and going concern

As at December 31, 2018, the Company had a cash balance of $1,684,360, and a net working capital balance of $1,592,582.

Going concern

The nature of the Company's operations results in significant expenditures for the acquisition and exploration of mineral properties. 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 ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings provided by the Company's existing shareholders and/or new shareholders or through other arrangements. There is no assurance that the Company will be successful in this regard.

Management has estimated that the Company will not have sufficient funds from existing working capital to meet its planned objectives and property obligations beyond May 31, 2019.

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 in good standing and continue exploration and development and the discovery of economically recoverable reserves.

In the event the Company is unable to arrange appropriate financing, the carrying value of its assets and liabilities could be subject to material adjustment and the Company may not be able to meet its obligations as they become due in the normal course of business. Furthermore, these conditions indicate the existence of a material uncertainty that raises substantial doubt as to the Company's ability to continue as a going concern.

November 28, 2018 private placement

On November 28, 2018, the Company closed a private placement financing pursuant to which a total of 7,450,000 common shares were issued at a price of $0.25 per share, for gross proceeds of $1,862,500.

Total finder's fees paid to third parties in connection with the financing amounted to $91,500, equivalent to 6% of the applicable proceeds raised. In addition, 366,000 share purchase warrants were issued to finders, equivalent to up to 6% of the number of applicable common shares. Each such warrant entitles the holder to purchase one common share of the Company at a purchase price of $0.25 for a period of 24 months following closing of the private placement.

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 related 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 initial 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.

The new arrangements were finalised with respect to $280,798 of tax liabilities on February 26, 2018. Arrangements in respect of the remaining tax liabilities were finalised in the Q3 2018 resulting in the realisation of a gain in this quarter of $41,327. The total gain resulting from tax restructuring realised in

2018 amounted to $308,244. As at December 31, 2018, Magellan Brazil had no restructured or overdue tax liabilities outstanding.

Operating activities

Cash used in operating activities in 2018 amounted to $3,309,144 as follows:

- The net loss for the period of $3,203,660
- Significant non-cash items totalling $225,424 including the gain on Brail tax restructuring ($308,244) and gain on disposal of PGM offset by depreciation and stock-based compensation
- Net reduction in non-cash working capital items of $119,940.

Investing activities

Cash used in investing activities in 2018 amounted to $437,223 as follows:

- Additions to mineral properties of $124,510 relating to capitalised mineral claim maintenance costs
- Additions to fixed assets of $312,713 relating to the re-establishment and updating of the camp at Cuiú Cuiú including purchase of vehicles (trucks and ATVs) and miscellaneous equipment and construction of camp buildings.

Financing activities

Net cash provided by financing activities in 2018 amounted to $1,748,793 and related to the November 2018 non-brokered private placement issuance of 7,450,000 common shares.

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 December 31, 2018 or April 25, 2019 beyond its stated liabilities and the following:

- Magellan Brazil entered into an agreement in January 2018 with Terra Ambiente Ltda–ME relating to the provision of the EIA-RIMA environmental study for an estimated fee of R$ 1,576,684 ($554,195 applying the Bank of Canada exchange rate as at December 31, 2018). As at December 31, 2018, approximately R$ 560,000 ($196,000) of the contract was outstanding
- Magellan Brazil entered into an agreement in April 2018 with Senior Geologia e Mineracao Ltda relating to the tailings dam study for an estimated fee of R$ 156,658 ($55,064). As at December 31, 2018, approximately R$ 62,000 ($22,000) of the contract was outstanding
- Magellan Brazil entered into an agreement in April 2018 with Hidrovia Hidrogeologia e Meio Ambiente Ltda relating to the hydrogeological study for an estimated fee of R$ 144,800 ($46,626). As at December 31, 2018, approximately R$ 96,000 ($34,000)of the contract was outstanding
- The surface access agreement with the Cuiú Cuiú garimpieros pursuant to which R$ 255,000 (approximately $90,000) is to be paid to the garimpieros in Q2 2019 in connection with the surface access fee in respect of the year ended March 2020
- The Company is committed to sharing in net costs and commitments associated with its Poconé venture including its share of any losses relating to current litigation against PGM and a venture partner.

Capital resources

The Company had no capital expenditure commitments as at either December 31, 2018 or April 25, 2019.

Transactions with related parties

The Company incurred the following costs of management remuneration:

		Year ended Dec. 31, 2018		Year ended Dec. 31, 2017
Management:				
Employment and consulting remuneration	$	292,500	$	239,584
Payroll related costs		18,532		19,648
Stock-based compensation		52,380		-
Consulting fees (1)		28,000		-
		391,412		259,232
Directors (excluding management):				
Stock-based compensation		-		189,828
Advisory fees		-		46,875
		-		236,703
	$	**391,412**	**$**	**495,935**

(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

Management comprises the Company's Executive Chairman, President and Chief Executive Officer and Chief Financial Officer.

Advisory fees were previously 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 December 31, 2018, the Company owed a total of $8,870 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in Q1 2019.

Officers and directors of the Company subscribed for a total of 1,310,000 of the 7,450,000 common shares issued in connection with the November 2018 non-brokered private placement (17.6% of total) (see 'Liquidity and going concern').

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, unit and share purchase warrants and stock options outstanding as at December 31, 2018 and April 25, 2019:

	Dec. 31, 2018	April 25, 2019
Issued and outstanding common shares	38,862,418	38,862,418
Fully diluted	46,043,664	47,537,897
Unit purchase warrants:		
October 30, 2019 ($0.60)	400,878	400,878
Share purchase warrants:		
October 30, 2019 ($0.333)	264,826	264,826
October 30, 2019 ($0.90)	3,465,664	3,465,664
November 28, 2020 ($0.25)	366,000	366,000
May 26, 2021 ($0.25)	600,000	600,000
	4,696,490	4,696,490
Stock options	1,683,000	3,377,672

Recent accounting pronouncements

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 consolidated financial statements. Such standards that may have an impact on the Company's consolidated financial statements once adopted is limited to IFRS 16, 'Leases'.

The Company has not early adopted this revised standard and is currently assessing the impact, if any, that this revised standard 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.

Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, prepaid expenses, 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 December 31, 2018, the Company had a cash balance of $1,684,630, and a net working capital balance of $1,592,582.

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 December 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 did not have any interest bearing debt as at December 31, 2018 or April 25, 2019.

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 April 25, 2019.

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.