

# **San Angelo Oil Limited**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

**Forward-Looking Statements**

Information and statements contained in the Management Discussion and Analysis ("MD&A") that are not historical facts are forward-looking information within the meaning of Canadian securities legislation and involve risk and uncertainty. This MD&A contains looking-forward information including estimations and statements which describe the Company's future activities.

In certain cases forward-looking statements can be identified by such words as "plans", "expects", "budgets", "estimates", "forecasts", "intends", "anticipates", "believes" including the negative thereof or variations of such words combined with statements that events "may", "might", "could" or "will be taken". These forward looking statements involve factors that may change resulting in actual results differing materially from those expressed. Examples include timing and outcome of litigations, receipt of regulatory approvals, and valuation models.

Forward-looking statements contain known and unknown risks and uncertainties which could cause actual performance to be materially different from any future results. These factors are discussed in the "Risks and Uncertainties" section in the MD&A.

While the Company has identified a number of risks that could affect the Company's actual events this may not be an all exhaustive listing and there could be other factors that could impact the actual results.

Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties. The statements contained in this MD&A speak only as of the date hereof, and the Company does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

**Introduction**

San Angelo Oil Limited (the "Company") was incorporated under the *British Columbia Business Corporations Act* on February 11, 2014. The Company is a junior resource company engaged in the identification, and the exploration and development, of both proven and unproven reserves via drilling and/or acquisition.

This management discussion and analysis ("MD&A") focuses on significant factors that affected San Angelo during the relevant reporting period and to the date of this report.

The Company's head office is located at Suite 650 – 669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4.

**Additional Information**

The MD&A provides an analysis of the financial results of San Angelo's operations and financial results for the year ended June 30, 2017 and should be read in conjunction with the audited consolidated financial statements (the "Annual Financial Statements") and notes thereto, for the year ended June 30, 2017, and the MD&A and audited annual consolidated financial statements for the year ended June 30, 2016 along with other public disclosure documents of the Company.

These financial statements have been prepared using accounting policies in compliance with IFRS, International Accounting Standards ("IAS"), and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") issued by the International Accounting Standards Board ("IASB").

The policies applied in these financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these financial statements for issue.

The financial statements were authorized for issue by the Board of Directors (the "Board") on October 27, 2017.

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

**Overview of Significant Events**

*Corporate Matters*

On May 11, 2017, the Company announced that it has entered into a business combination agreement dated May 10, 2017 (the "Agreement") to acquire Cabral Gold Ltd. (the "Transaction"). Cabral Gold Ltd. ("Cabral") has a 100% interest in the Cuiú Cuiú gold deposit which is located in the Tapajos Region of Brazil. Pursuant to the Agreement, the Transaction will be carried out by way of a three-cornered amalgamation (the "Amalgamation"), whereby Cabral will amalgamate with a newly-incorporated wholly-owned subsidiary of San Angelo to form Cabral Gold B.C. Inc. ("Amalco"). San Angelo proposes to complete a 1:5 consolidation of its common shares (the "Consolidation") concurrently with closing, and pursuant to the Amalgamation, shareholders of Cabral will receive 0.18 of one post-Consolidation common share of San Angelo for each one common share of Cabral held (the "Exchange Ratio"). Amalco will become a wholly-owned subsidiary of San Angelo, and San Angelo proposes to change its name to Cabral Gold Inc. on closing of the Transaction. San Angelo will issue approximately 22,822,548 post-Consolidation common shares to shareholders of Cabral. In addition, outstanding options and warrants of Cabral will be exchanged for similar instruments of San Angelo exercisable for or convertible into San Angelo post consolidation common shares on the basis of the Exchange Ratio.

The Company's previously wholly owned subsidiary, San Angelo Operating Corp. ("SAOC"), entered into the Purchase, Sale and Participation Agreement ("PSPA"), pursuant to which SAOC acquired a 55% working interest in Loln Energy Corporation's ("Loln") existing leasehold and farm out position in the Orb Prospect. At the time, the PSPA was executed in May 2014, the Orb Prospect consisted of approximately 2,348 leased net mineral acres located in Runnels County, State of Texas, United States of America. Subsequent leasing and acquisition efforts expanded the existing acreage to approximately 2,953 net mineral acres. A portion of the previously held position (258.3 acres) fell under the Farm-out Agreement whereby Loln had procured the rights to drill a vertical well into the target Gray Sand. As was customary in farm-out agreements, after drilling and completing the vertical well so that it is capable of producing in commercial quantities, Loln will have earned an assignment from 3D Oil and Gas ("3-D") for the entire 258.3 acre tract, 55% of which would be assigned to SAOC pursuant to the PSPA. The well had been drilled and as such the farm-out had been earned but the assignment from 3-D to the Orb owners had not been completed. On September 30, 2014, Loln resigned as operator of the Orb Prospect and named SAOC as the operator effective October 1, 2014. Pursuant to a joint operating agreement, SAOC and Loln et al were responsible for their proportionate share of the costs of developing and operating the Farm-out Lands.

The initial vertical well, located on the farm-out lands was drilled in December 2014 and completion operations were initiated. The well was successfully drilled to the target Gray Sand formation and reached a total depth of 5,350 feet. A full suite of modern logs was obtained and are being utilized in the design of fracture stimulation operations. Additional leasing and mapping had been deferred while the Company evaluated the low commodity price environment.

By way of a mutual agreement the Company has agreed to transfer operations of the Orb Prospect to Loln Energy Corporation, or its designee, on July 22, 2015.

During the year ended June 30, 2017, the Company completed the sale of all of the issued and outstanding shares of its wholly owned and controlled U.S. subsidiary, San Angelo Operating Corp. for nominal consideration to a previous director of the company. No finder's fee was paid in connection with this sale.

The Company expects to continue its search for viable opportunities with regards to its capital needs and to manage the cash balances as circumstances dictate to remain in a financially flexible and responsible position.

The focus on managing administrative and operational costs is consistent with the plan to conserve cash reserves and to employ funds only when there is a significant level of certainty that their use will be of benefit to the Company and their stakeholders.

**San Angelo Oil Limited**  
**Management’s Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

*Financing Matters*

On May 26, 2016, The Company completed a non-brokered private placement of 3,000,000 units (the “Units”) at a market price (\$0.05 per Unit), post consolidation, for gross proceeds of up to \$150,000 (the “Offering”). Each Unit comprised of one post-consolidated common share and one transferrable share purchase warrant (a “Warrant”) of the Company. Each Warrant entitles the holder to acquire one additional post-consolidation common share of the Company at a price of \$0.05 for a period of 5 years. These warrants expire on May 26, 2021.

On December 29, 2015, the Company cancelled and returned to treasury 800,000 of the 850,000 seed shares that were issued at \$0.10 per common share prior to San Angelo’s initial public offering.

On December 29, 2015, the Company issued 2,200,000 common shares for the conversion of \$1,100,000 in total aggregate amount of convertible debentures outstanding at an amended price of \$0.50 per common share (previously convertible at \$2.00 per common share). The Company has also eliminated the warrants underlying these Debentures. Out of the 2,200,000 common shares issued to the debenture holders, 536,250 common shares underlying the Debentures will remain subject to an escrow agreement while the remaining 1,663,750 common shares underlying the Debentures will be free trading.

**Financial Update**

For the year ended June 30, 2017, the Company reported a net income of \$90,393 (June 30, 2016: net loss of 2,526,737).

The following table sets forth selected items of general and administrative expenses for the Company for the years ended June 30, 2017, 2016 and 2015. The information has been summarized from the Company’s audited consolidated financial statements for the years then ended:

**Summary of Financial Information**

	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015
	\$	\$	\$
Current assets	104,809	224,569	480,565
Total assets	104,809	230,976	1,919,048
Total non-current financial liabilities	-	-	194,907
Total liabilities	16,692	50,596	1,088,797
Basic and diluted loss per share	0.01	(0.82)	(0.80)

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

**Summary of Financial Information (continued)**

	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015
Expenses	\$	\$	\$
Accretion	-	75,383	150,394
Amortization	948	13,506	12,061
Consulting	4,600	50,084	311,112
Management fee	18,000	7,200	-
Salary and benefits	-	54,247	403,470
Insurance	-	29,374	44,596
Legal	31,039	53,700	99,253
Professional fees	16,050	19,082	80,193
Office and miscellaneous	1,157	23,856	116,118
Site investigation costs	-	-	50,422
Transfer agent and regulatory fees	17,787	33,663	55,002
General exploration	2,213	-	-
Travel	-	395	38,469
Share-based payments	-	-	8,972
Loss on modification of convertible debt	-	715,313	49,500

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

*For the Three Months ended June 30, 2017*

The Company had a net loss of \$24,746 (June 30, 2016 - net loss of \$729,211) for the three month period ended June 30, 2017.

Significant costs were incurred in the following categories:

- Legal fees of \$9,154 were higher compared to \$5,858 in the same period last year. This represents the higher legal fees associated with the Transaction.
- Professional fees of \$6,210 (June 30, 2016 - \$11,932) were lower this period compared to the same period in 2016 due to lower level of corporate activities;
- The Company had no revenue and no dividends were paid during the period.

*For the Year ended June 30, 2017*

The Company had a net income of 90,393 for the year ended June 30, 2017.

Significant costs were incurred in the following categories:

- Legal fees of \$31,039 were lower compared to \$53,700 in the previous year. This represents the lower level of corporate activities;
- During the year ended June 30, 2017, the Company recorded \$Nil in impairment compared to an impairment of \$1,418,875 relating to the Runnels County exploration costs during the year June 30, 2016.
- The Company had no revenue and no dividends were paid during the period.
- As a result of sale of its subsidiary, the Company recognized a foreign exchange gain of \$182,656 during the year ended June 30, 2017 (June 30, 2016 - \$99,506).

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

**Summary of Quarterly Results**

The information presented below highlights the Company's quarterly results for the past eight quarters from the date of:

Three Months Ended	June 30, 2017 \$	March 31, 2017 \$	December 31, 2016 \$	September 30, 2016 \$	June 30, 2016 \$	March 31, 2016 \$	December 31, 2015 \$	September 30, 2015 \$
Expenses	23,718	12,876	35,990	19,210	749,268	63,783	109,785	152,970
Loss (Income) for the period	24,746	(168,974)	29,537	24,298	729,215	2,686	614,552	1,180,287
Basic income (loss) per share	(0.00)	0.02	(0.00)	(0.01)	(0.82)	(0.00)	(0.14)	(0.56)
Diluted income (loss) per share	(0.00)	0.03	(0.00)	(0.01)	(0.82)	(0.00)	(0.14)	(0.56)

During the past eight quarters, the Company had no revenues.

*Total Assets*

The Company's liquid assets are a result of the financing activities to date. The Company currently does not hold any long term assets.

*Working Capital*

The Company's working capital has been funded from proceeds received from equity, brokered private placements, the issuance of convertible debentures, and the closing of the Company's initial public offering ("IPO").

*Expenses*

Operating expenses discussed above are representative of the Company's current ongoing activities.

**Liquidity and Capital Resources**

The Company is an exploration stage enterprise. It does not earn any operating revenues and relies on its working capital to fund its administrative costs. The Company's cash position on June 30, 2017 is \$97,451.

As at the date of this MD&A, the Company's working capital is estimated to be \$58,000.

**Capital Management**

The Company manages its cash, share capital and share purchase warrants as capital. It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company's investment policy is to hold cash with institutions of high creditworthiness, in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

The Company currently has no sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its capital either materially increasing or decreasing at present or in the foreseeable future.

*Operating Activities*

Cash used in operating activities during the year ended June 30, 2017 was \$122,342 (June 30, 2016: \$364,923). The use of these funds was reflective of the corporate activity as discussed previously herein.

*Financing Activities*

During the year ended June 30, 2017, the Company used cash of \$Nil in financing activities. During the year ended June 30, 2016, the Company generated cash of \$119,897 from financing activities. The Company made its interest payment on account of the convertible loan interest obligation in the amount of \$27,726. The Company received \$147,623 from issuance of shares (net of share issuance cost \$2,377).

*Investing Activities*

During the year ended June 30, 2017, the Company generated \$Nil from investing activities.

During the year ended June 30, 2016, the Company spent \$20,084 on exploration and evaluation costs related to the Orb Project, located in Runnels County. The Company redeemed \$250,000 from its Guaranteed Income Certificate and \$34,600 in operator bond upon the transfer of its appointment of operator in the Runnels County property.

**Share Capital**

As of the date of this MD&A, there was:

i) Authorized Share Capital

- The Company has an unlimited number of common shares without par value.

ii) Issued and fully paid

- 6,492,750 common shares.

iii) Share Purchase Warrants outstanding

- 3,000,000 Share Purchase Warrants, with an exercise price of \$0.05 per share and an expiry date of May 26, 2021.

iv) Stock Options outstanding

- There were no stock options outstanding.

v) Stock Option Plan

-The Company has implemented a Stock Option Plan (the "2014 Plan"). The Plan will provide, subject to the requirements of the TSX Venture Exchange, for the aggregate number of securities reserved for issuance under the Plan not to exceed 10% of the issued and outstanding shares of the Company at the time of granting of share options (including all share options granted by the Company to date). The exercise price of each share option will be based on the market price of the Company's common share at the date of the grant.

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

**Transactions with Related Parties**

Transactions with related parties were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

Key management personnel compensation, including senior officers and directors of the Company:

	<b>June 30, 2017</b>	June 30, 2016
	\$	\$
Salary paid to key management and included in salary and benefits	-	48,364
Consulting fee	<b>18,000</b>	40,000
<b>Total remuneration</b>	<b>18,000</b>	88,364

**Financial Instruments and Risk Management**

As at June 30, 2017, the Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities. Fair value estimates are made at the reporting date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision.

The Company's financial instruments have been classified as follows under IFRS:

- Cash and cash equivalents: fair value through profits and loss
- Other receivables: loans and receivable
- Account payable and accrued liabilities: other financial liabilities

The types of financial risk exposure and the way in which such exposure is managed by the Company is as follows:

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated to cash, short-term investments, and other receivables. The carrying amounts of assets included on the consolidated statements of financial position represent the maximum credit exposure. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short-term investments with institutions of high creditworthiness.

*Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short-term business requirements, after taking into account cash flows from operations, expected capital expenditures and its holdings of cash. In the long term, the Company may have to issue additional shares to ensure there is cash available on demand for its programs. All short-term financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash on hand.

At June 30, 2017, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$16,692. The Company's cash totals \$97,451 as at June 30, 2017. These funds are considered to be insufficient to pay these current liabilities and to meet projected financial requirements for a period of twelve months subsequent to the reporting date. These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

*Market Risks*

The only significant market risk to which the Company is exposed is that of interest rate risk.

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

*Interest Rate Risk*

The Company is exposed to interest rate risk on its outstanding cash reserves. The Company's policy is to invest cash at fixed and floating interest rates in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company monitors this exposure and does not enter into any derivative contracts to manage this risk. The Company's interest rate risk mainly arises from the interest rate impact on its cash. Based on cash balance as at June 30, 2017, with other variables unchanged, a 1% change in the interest rate would have a nominal impact to net loss. The Company's financial liabilities are not exposed to interest rate risk.

*Foreign Currency Risk*

The Company previously operated in the United States and was exposed to foreign currency risk relating to United States dollars, from purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's subsidiary. The Company's subsidiary had a United States dollar functional currency, with net assets that are exposed to foreign currency translation risk. The Company's subsidiary was sold during the year ended June 30, 2017 and the Company's foreign exchange risk is now minimal.

**Fair value**

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 - *Financial Instruments: Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company's financial instruments include cash, other receivables, and accounts payable and accrued liabilities. There have been no changes in levels during the period.

The significance of the inputs used in determining fair value measurements of the Company's financial instruments is provided below:

		<b>June 30, 2017</b>			
<b>Category</b>		<b>Carrying value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		\$	\$	\$	\$
Cash	FVTPL	97,451	97,451	-	-
		<b>June 30, 2016</b>			
<b>Category</b>		<b>Carrying value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
		\$	\$	\$	\$
Cash	FVTPL	219,793	219,793	-	-

The fair value of cash approximates its carrying value. There have been no changes in Levels throughout the period.

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

**Critical Accounting Estimates and Judgments**

The preparation of financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Estimation Uncertainty*

Certain key assumptions concerning the future and other key sources of estimation uncertainty could have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Annual Financial Statements. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

**Recent Accounting Pronouncements**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after July 1, 2016, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of this MD&A are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant is provided below.

The Company continues to evaluate the impact the implementation of these standards will have on the financial statements.

Accounting standards anticipated to be effective in future periods:

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.
- IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.
- IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Disclosure Controls and Procedures**

Management has established disclosure controls and procedures for the Company in order to provide reasonable assurance the information is made known to it in a timely manner, particularly during the period in which the annual and quarterly filings were being prepared. However, the Company is not required to certify the design and evaluation of its disclosure controls and procedures, and has not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement disclosure controls and procedures on a cost effective basis may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Legal Matters**

The Company is not currently, and has not at any time during our most recently completed financial year, been a party to, nor has any of its property been the subject of, any material legal proceedings or regulatory actions.

**Proposed Transactions**

As is typical of the resource exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. At present, there are no transactions pending that would affect our financial condition, results of operations and cash flows of any asset.

**Subsequent Event**

On May 11, 2017, the Company announced that it has entered into a business combination agreement dated May 10, 2017 (the "Agreement") to acquire Cabral Gold Ltd. (the "Transaction"). Cabral Gold Ltd. ("Cabral") has a 100% interest in the Cuiú Cuiú gold deposit which is located in the Tapajos Region of Brazil. Pursuant to the Agreement, the Transaction will be carried out by way of a three-cornered amalgamation (the "Amalgamation"), whereby Cabral will amalgamate with a newly-incorporated wholly-owned subsidiary of San Angelo to form Cabral Gold B.C. Inc. ("Amalco"). San Angelo proposes to complete a 1:5 consolidation of its common shares (the "Consolidation") concurrently with closing, and pursuant to the Amalgamation, shareholders of Cabral will receive 0.18 of one post-Consolidation common share of San Angelo for each one common share of Cabral held (the "Exchange Ratio"). Amalco will become a wholly-owned subsidiary of San Angelo, and San Angelo proposes to change its name to Cabral Gold Inc. on closing of the Transaction. San Angelo will issue approximately 22,822,548 post-Consolidation common shares to shareholders of Cabral. In addition, outstanding options and warrants of Cabral will be exchanged for similar instruments of San Angelo exercisable for or convertible into San Angelo post consolidation common shares on the basis of the Exchange Ratio. As of the date of this MD&A, the agreement had not closed.

**Risk and Uncertainties**

The Company's principal activity involves the exploration and development of resources interests. Companies in this industry are subject to many risks, including but not limited to, environmental, fluctuating commodity prices, social, political, financial and economic. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen.

The risk and uncertainties described in this section are considered by management to be the most important in the context of the Company's business.

*Regulations and Exploration Law*

Exploration activities are subject to extensive laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and the closing of such facilities. It is possible that

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation.

*Environmental Factors*

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or result in substantial costs and liabilities in the future.

*Governmental Regulation*

Exploration and development will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) restrictions on production; price controls; and tax increases; (iii) maintenance of interests; (iv) tenure; and (v) expropriation. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

*Financing Ability*

The Company's ability to continue exploration, development, and acquisition efforts will be largely reliant on its continued attractiveness to equity investors. The Company will incur operating losses as it continues to expend funds to explore and develop its properties and possibly other properties. There is no guarantee that the Company will be able to develop any of its properties to commercial production. Furthermore, should the Company require additional capital, failure to raise such capital could result in delay or indefinite postponement of exploration and development activities.

*Exploration and Development*

Exploration is highly speculative in nature, involving many risks and frequently is unsuccessful. No assurance can be given that exploration programs will result in the definition of reserves or that reserves may be economically developed.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, which are beyond the control of the Company.

*Operating Hazards and Risks*

The work that the Company proposes to undertake will be subject to all the hazards and risks normally incidental to such activities, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. The Company could incur significant costs that could have a material adverse effect upon its financial condition.

*Commodity Prices*

The price of commodities has fluctuated particularly in recent years and is affected by numerous factors beyond the Company's control. The effect of the volatility and therefore the economic viability of the Company's interests cannot be accurately predicted at this time. This could adversely affect the Company's operations.

*Resource Nationalism*

Company's exploration activities conducted in foreign jurisdictions could be exposed to a risk that governmental expropriation could result in a partial/total loss of the Company's property interests without compensation.

*Dependence on Key Employees*

The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company is highly dependent on the principal members of its senior management group and the loss of their services might impede the Company's business strategy and growth.

**San Angelo Oil Limited**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

---

*Conflicts Of Interest*

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or may have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

*Competition*

The industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of concessions, claims, leases and other interests as well as for the recruitment and retention of qualified employees.

*No Dividends*

The Company has not paid any dividends on its Common Shares during the past. Any decision to pay dividends on its shares in the future will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate in the circumstances.

October 27, 2017

On behalf of the Board of Directors Vancouver, British Columbia