Cabral Gold Inc.
(formerly San Angelo Oil Limited)

An exploration stage company

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

The Board of Directors, based on recommendations from its Audit Committee, reviews and approves the consolidated financial statements and MD&A. The Audit Committee meets with management and the Company's independent auditors to ensure that management is fulfilling its responsibility to maintain financial controls and systems and to make recommendations to the Board of Directors for approval of all financial information released to the public. The Audit Committee also meets with the independent auditors to discuss the scope and the results of the audit and the audit report prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements for the years ended December 31, 2017 and 2016 have been audited on behalf of the shareholders by the Company's independent auditors, de Visser Gray LLP, in accordance with Canadian generally accepted auditing standards. The auditor's report outlines the scope of their audit and their opinion on these consolidated financial statements.

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

April 26, 2018

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cabral Gold Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Cabral Gold Inc. which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cabral Gold Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC April 26, 2018

Cabral Gold Inc. (formerly San Angelo Oil Limited)

Consolidated statement of financial position

(Expressed in Canadian Dollars)

	Notes	Dec. 31, 2017	Dec. 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 3,680,427	$ 2,184,746
Accounts receivable		66,264	11,811
Prepaid expenses		160,560	15,770
Total Current assets		**3,907,251**	**2,212,327**
Non-current assets			
Fixed assets	7	781,418	853,890
Mineral properties	8	1,298,113	1,161,731
Total Assets		**$ 5,986,782**	**$ 4,227,948**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	$ 424,179	$ 729,471
Other liabilities and provisions	7, 11	104,114	412,507
Total Current liabilities		**528,293**	**1,141,978**
Long-term liabilities	10	25,432	59,320
Total liabilities		**553,725**	**1,201,298**
Shareholders' equity			
Share capital	13(a)	7,007,824	3,050,383
Subscription receipts	13(a)	-	200,000
Reserves	13(b), 13(c)	1,425,670	38,253
Accumulated other comprehensive income		(90,344)	25,394
Accumulated deficit		(2,910,093)	(287,380)
Total Shareholders' equity		**5,433,057**	**3,026,650**
Total Liabilities and Shareholders' equity		**$ 5,986,782**	**$ 4,227,948**

Nature of operations and going concern (Note 1)
Subsequent events (Notes 8, 10 and 17(b))
Commitments and contingent liabilities (Notes 8, 11 and 21)

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

Approved by the Board of Directors

"Derrick Weyrauch"
Derrick Weyrauch, Director

"Charles Oliver"
Charles Oliver, Director

Cabral Gold Inc. (formerly San Angelo Oil Limited)

Consolidated statements of loss and comprehensive loss

(Expressed in Canadian Dollars except number of shares)

	Notes	Year ended Dec. 31, 2017	Period from Feb. 17, 2016 (date of incorporation) to Dec. 31, 2016
Expenses			
Listing expense (CGL Transaction)	5	$ 791,616	$ -
Professional fees	5(a)	616,677	10,961
Exploration expenditures	14, 17(a)	383,183	162,846
Management and consulting	17(a)	259,232	59,417
Stock-based compensation		222,903	-
Office and administrative		92,777	22,878
Travel		53,307	22,198
Listing expense (other)		48,598	-
Depreciation		8,267	3,956
		2,476,560	282,256
Other income and expenses			
Adjustment to provisions	21	111,878	-
Penalties and financing charges	10	53,966	16,859
Foreign exchange expense (gain)		17,872	(11,735)
Interest income		(12,129)	-
Other income		(25,434)	-
Net loss for the period		**$ 2,622,713**	**$ 287,380**
Other comprehensive income and loss			
Unrealised foreign currency translation items		115,738	(25,394)
Total comprehensive loss for the period		**$ 2,738,451**	**$ 261,986**
Loss per share, Basic and diluted		$ 0.11	$ 0.02
Weighted average shares outstanding, Basic and diluted		24,187,385	14,434,707

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

Cabral Gold Inc. (formerly San Angelo Oil Limited)

Consolidated statement of changes in shareholders' equity

(Expressed in Canadian Dollars)

	Issued common shares	Share capital	Subscription receipts	Reserves, Warrants	Reserves, Stock options	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance at February 17, 2016 (date of incorporation)	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Shares issued for cash	17,985,499	2,693,517	-	-	-	-	-	**2,693,517**
Shares issued for Magellan Brazil (Note 4)	4,036,034	500,000	-	-	-	-	-	**500,000**
Share issuance costs	-	(143,134)	-	38,253	-	-	-	**(104,881)**
Subscription receipts	-	-	200,000	-	-	-	-	**200,000**
Comprehensive loss	-	-	-	-	-	25,394	(287,380)	**(261,986)**
Balance at December 31, 2016	**22,021,533**	**$ 3,050,383**	**$ 200,000**	**$ 38,253**	**$ -**	**$ 25,394**	**($ 287,380)**	**$ 3,026,650**
Shares issued for cash	801,000	$ 267,000	($ 200,000)	$ -	$ -	$ -	$ -	**$ 67,000**
Units issued for cash	6,931,335	3,308,323	-	850,474	-	-	-	**4,158,797**
Shares and warrants issued to acquire Cabral Gold Inc. (Note 5)	1,298,550	619,798	-	204,600	-	-	-	**824,398**
Share issuance costs	-	(417,680)	-	109,440	-	-	-	**(308,240)**
Shares issued for services	360,000	180,000	-	-	-	-	-	**180,000**
Stock options issued	-	-	-	-	222,903	-	-	**222,903**
Comprehensive loss	-	-	-	-	-	(115,738)	(2,622,713)	**(2,738,451)**
Balance at December 31, 2017	**31,412,418**	**$ 7,007,824**	**$ -**	**$ 1,202,767**	**$ 222,903**	**($ 90,344)**	**($ 2,910,093)**	**$ 5,433,057**

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

Cabral Gold Inc. (formerly San Angelo Oil Limited)

Consolidated statement of cash flows

(Expressed in Canadian Dollars)

	Year ended Dec. 31, 2017	Period from Feb. 17, 2016 (date of incorporation) to Dec. 31, 2016
OPERATING ACTIVITIES		
Net loss for the period	($ 2,622,713)	($ 287,380)
Adjustments for items not involving cash:		
Listing expense (CGL Transaction)	791,616	-
Stock-based compensation	222,903	-
Services paid in issuance of shares	180,000	-
Depreciation	8,267	3,956
Unrealised foreign exchange gain	(1,868)	(12,379)
	(1,421,795)	**(295,803)**
Net changes in non-cash working capital:		
Increase in accounts receivable	(49,802)	(11,387)
Increase in prepaid expenses	(144,790)	(15,770)
Increase (decrease) in accounts payable	(234,881)	45,485
Decrease in other liabilities and provisions (Note 11)	(301,679)	-
Cash used in operating activities	**(2,152,947)**	**(277,475)**
INVESTING ACTIVITIES		
Additions to mineral properties	(281,042)	(34,786)
Additions to fixed assets	(5,349)	-
Cash acquired in reverse asset acquisition (Note 5)	28,131	-
Cash acquired in Magellan Brazil transaction (Note 6)	-	68,102
Pre-closing cash advanced to acquire Magellan Brazil	-	(360,816)
Cash used in investing activities	**(258,260)**	**(327,500)**
FINANCING ACTIVITIES		
Issuance of shares and units for cash	4,225,797	2,693,517
Share issuance costs	(308,240)	(104,881)
Subscription receipts	-	200,000
Cash provided by financing activities	**3,917,557**	**2,788,636**
Effect of change in exchange rate on cash	**(10,669)**	**1,085**
Net increase in cash and cash equivalents	**1,495,681**	**2,184,746**
Cash and cash equivalents, beginning of period	**2,184,746**	**-**
Cash and cash equivalents, end of period	**$ 3,680,427**	**$ 2,184,746**

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

1. NATURE OF OPERATIONS

Cabral Gold Inc. ("Cabral Gold" or the "Company"; formerly San Angelo Oil Limited ("San Angelo")) was incorporated on February 11, 2014 under the British Columbia Business Corporations Act. Its 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 Cabral Gold Ltd. ("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. For accounting purposes, the acquisition of CGL was treated as a reverse asset acquisition as the shareholders of CGL acquired control of the consolidated entity. CGL is considered the acquiring and continuing entity, and Cabral Gold Inc. was the acquired entity (see Note 5).

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

Going concern

The nature of the Company's operations results in significant expenditures for the acquisition and exploration of mineral properties. The recoverability of the carrying value of mineral properties and deferred expenditures is dependent upon a number of factors including the 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. To date, the Company has not generated any revenue from mining or other operations as it is considered to be in the exploration stage.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes the Company will be able to realise its assets and settle its liabilities in the normal course of business. For the year ended December 31, 2017, the Company reported a net loss of $2,622,713 (period ended December 31, 2016: net loss of $287,380) and cash applied to operating activities of $2,152,947 (period ended December 31, 2016: $277,475), and as at that date had a net working capital balance of $3,378,958 (December 31, 2016: $1,070,349) and an accumulated deficit of $2,910,093 (December 31, 2016: $287,380).

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.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. BASIS OF PREPARATION

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

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of April 26, 2018, the effective date the Board of Directors approved these financial statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements as at and for the period ended December 31, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of measurement

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

(b) Basis of consolidation

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

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

The Company's interest in Magellan Minerais Prospecção Geológica Ltda. ("Magellan Brazil") is held through its wholly-owned subsidiary, Cabral Gold Ltd.

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

All intercompany transactions and balances have been eliminated upon consolidation.

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

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

(c) Significant estimates and critical judgement

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

Functional currency

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

Impairment of mineral properties

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

Title to the mineral properties

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

(d) Investment in associate

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

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

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

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

(e) Foreign currency translation

Functional currency

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

Transactions and balances

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

Subsidiaries

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

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

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

(f) Cash and cash equivalents

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

(g) Fixed assets

Fixed assets are recorded at cost. Depreciation of all depreciable fixed assets is provided on a straight-line basis over four years.

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

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

(h) Mineral properties and exploration and development expenditures

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

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

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

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

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

(i) Decommissioning provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2017, the Company did not have any decommissioning obligations.

(j) Income taxes

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

Current tax

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

Deferred tax

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

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

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

(k) Share capital

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

(l) Stock-based compensation

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

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

(m) Loss per share

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

4. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, 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 include the following:

- Amendments to IFRS 9, "Financial Instruments"
- Amendments to IFRS 11, "Joint Arrangements"

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

(Expressed in Canadian Dollars)

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

5. REVERSE ASSET ACQUISITION

On October 30, 2017, the Company completed the acquisition of CGL (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 share consolidation, such that every five existing common shares were consolidated into one new common share of the Company. Shareholders of CGL received 0.18 of a post-consolidation common share of the Company for each common share of CGL held by them immediately prior to the completion of the CGL Transaction.

In connection with the closing, the Company issued 29,753,868 common shares to the shareholders of CGL including 6,931,335 common shares relating to the private placement that closed concurrently with the closing of the CGL Transaction (see Note 13(a)). As a result of the exchange, the transaction resulted in a reverse asset acquisition. Accordingly, CGL is considered the continuing entity for accounting and financial reporting purposes and the Company, the continuing public company, being the corporation acquired. As the Company was a public 'shell' company, there was no basis to reliably measure the consideration paid for it by CGL, other than to use the current carrying values of its assets acquired and liabilities assumed.

Accordingly, the purchase price allocation of the acquisition is based on the estimated fair value of the net assets acquired, which was charged to operations as a listing expense as follows.

Cash	$	28,131
Accounts receivables		4,651
Net assets acquired		32,782
Listing expense		791,616
		824,398
Consideration paid to former San Angelo security holders:		
1,298,550 common shares at estimated value of $0.4773 per common share		619,798
600,000 warrants at estimated value of $0.341 per warrant		204,600
	$	824,398

The agreement was subject to the approval of the TSX Venture Exchange which was received on October 31, 2017.

For comparative purposes, the financial statement continuity presented herein is that of CGL, however, the continuity of issued share capital, prior and subsequent to the date of the acquisition, is that of the Company.

The 126,791,932 issued and outstanding pre-consolidation, pre-CGL Transaction common shares of CGL were adjusted to 22,822,533 post-consolidation common shares reflecting the 0.18 exchange ratio (see Note 13(a)).

M Partners Inc. ("M Partners") acted as financial advisor to CGL in connection with the CGL Transaction. As a result of the completion of the CGL Transaction, the Company paid M Partners a transaction success fee of $180,000 which was paid through the issuance of 360,000 common shares at a deemed price of $0.50 each (see Note 13(a)).

6. ACQUISITION OF MAGELLAN BRAZIL

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

- Debts of $500,000 owing by Magellan to the two founding shareholders were settled in exchange for Magellan's 99.99% equity interest in Magellan Brazil in full satisfaction of the debt. The exchange was part of a comprehensive debt settlement between Magellan and its senior management group. The settlement also included debt forgiveness, by management, of $252,669; and
- The interest in Magellan Brazil was then contributed by the two founders to CGL in exchange for 4,036,034 common shares.

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

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

As part of the debt settlement, Magellan Brazil and CGL agreed to grant Magellan a 0.5% royalty on the Cuiú Cuiú property (see Note 8(a)).

The consolidated financial statements for the period ended December 31, 2017 reflect the assets, liabilities and results of operations of CGL and Magellan Brazil since April 28, 2016 being the date on which CGL formally became the sole shareholder of Magellan Brazil.

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

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

(Expressed in Canadian Dollars)

Purchase price:		
CGL common shares issued	$	500,000
Pre-closing cash advanced to acquire Magellan Brazil		360,816
		860,816
Estimated fair values of assets and liabilities acquired:		
Cash acquired		68,102
Receivables		424
Machinery and equipment		21,786
Land		733,452
Mineral properties, Cuiú Cuiú		948,380
Mineral properties, other		25,417
Total assets acquired		1,797,561
Accounts payable and accrued liabilities		936,745
Total liabilities acquired		936,745
	$	860,816

7. FIXED ASSETS

		Land		Vehicles		Office equipment		Total
Cost:								
December 31, 2016	$	833,100	$	16,497	$	8,249	$	857,846
Additions		-		-		5,349		5,349
Foreign exchange differences		(67,861)		(1,935)		(968)		(70,764)
December 31, 2017		765,239		14,562		12,630		792,431
Accumulated depreciation:								
December 31, 2016		-		(2,637)		(1,319)		(3,956)
Depreciation expense		-		(4,069)		(4,198)		(8,267)
Foreign exchange differences		-		807		403		1,210
December 31, 2017		-		(5,899)		(5,114)		(11,013)
Net book value:								
December 31, 2016		833,100		13,860		6,930		853,890
December 31, 2017	**$**	**765,239**	**$**	**8,663**	**$**	**7,516**	**$**	**781,418**

(Expressed in Canadian Dollars)

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

Land

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

R$ 1,000,000 of the R$ 2,000,000 purchase price was paid in April 2016 prior to the closing of the Magellan Brazil transaction; the remaining R$ 1,000,000 was a liability as at the date of closing. Pursuant to the agreement, the outstanding liability was to be paid in two tranches of R$ 500,000 on each of February 2, 2017 and July 31, 2017. The February and July payments were made by the Company in accordance with the terms of the agreement (as amended).

(Expressed in Canadian Dollars)

8. MINERAL PROPERTIES

Year ended December 31, 2017	Jan. 1, 2017	Additions	Foreign exchange	Dec. 31, 2017
Cuiú Cuiú	$ 1,114,321	$ 204,825	($ 64,557)	$ 1,254,589
Bom Jardim	44,866	-	(3,677)	41,189
Other	2,544	-	(209)	2,335
	$ 1,161,731	**$ 204,825**	**($ 68,443)**	**$ 1,298,113**

Period ended December 31, 2016	Feb. 17, 2016	Magellan Brazil transaction	Additions	Foreign exchange	Dec. 31, 2016
Cuiú Cuiú	$ -	$ 948,380	$ 101,069	$ 64,872	$ 1,114,321
Bom Jardim	-	25,417	15,334	4,115	44,866
Other	-	-	2,440	104	2,544
	$ -	**$ 973,797**	**$ 118,843**	**$ 69,091**	**$ 1,161,731**

The Company's primary mineral property is Cuiú Cuiú.

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

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

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

The Company is required to make certain option payments in order to maintain its property agreements in good standing. These future payments totalled US$ 40,000 as at December 31, 2017 all of which is conditional on the formal registration of title to an optioned secondary property (see Note 8(b)). The Company is also required to make statutory claim maintenance expenditures to the Brazilian authorities each year to maintain its properties in good standing.

(a) Cuiú Cuiú

Surface access agreement, garimpiero condominium

On February 19, 2006, Magellan Brazil entered into a service 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 $1,894 as at December 31, 2017) to each of the 19 majority stakeholders and R$ 2,500 per year ($947) to each of the 59 minority stakeholders.

Payments totalling approximately $92,000 will be paid to the garimpieros in April and May 2018 in connection with the surface access fee in respect of the year ended March 2019.

The agreement specifies that in the event that an economically viable gold resource is identified, 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.

Outstanding amounts due in respect of previous years

The 2014 and 2015 payments of approximately R$ 225,000 each (equivalent to $92,814 as at December 31, 2016) were due on or before May 16, 2014 and May 16, 2015, respectively, pursuant to a December 2010 amendment. These amounts and an uncontracted amount in respect of the period ended May 2016 were unpaid as at December 31, 2016.

The March 2017 amendment also set out charges in respect of inflation adjustments and interest charges relating to the delay in payment of annual fees since 2014. Total charges amount to R$ 1,268,079 in respect of the four years ended March 2018 which was to be paid as follows:

- R$ 751,383 was to be paid on or before March 30, 2017 (this amount, subject to minor late adjustments and an amount still owing to one majority and two minority stakeholders as at April 26, 2018, was paid in full in April 2017)
- The remaining R$ 516,696 was to be paid on or before June 30, 2017 (this amount, subject to minor late adjustments, was paid in full in July 2017 with the exception of an amount still owing to one majority and two minority stakeholders as at April 26, 2018)
- The amount still owing to one majority and two minority stakeholders as at April 26, 2018, totalled R$ 20,703.

Sandstorm NSR

In May 2012, Magellan and Magellan Brazil granted Sandstorm Gold Ltd. ("Sandstorm") a 1.0% net smelter royalty ("NSR") on the Cuiú Cuiú project for consideration of US$ 500,000. The Company is required to pay an advance royalty of US$ 250,000 on the date that it obtains a 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.

Magellan NSR

In conjunction with the April 2016 agreement between the Company, Magellan and two of the Company's founding shareholders relating to the transfer of Magellan Brazil from Magellan to the Company (see Note 6), Magellan Brazil and the Company agreed to grant Magellan a 0.5% royalty on the Cuiú Cuiú property. The Magellan NSR is subordinate to the Sandstorm NSR.

(b) Bom Jardim

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

- Option agreement dated June 1, 2011 requiring total payments of R$ 100,000 (paid in full as at the date of closing of the Magellan Brazil transaction)
- Option agreement dated May 4, 2009 requiring total payments of R$ 35,000 and US$ 40,000. As at the date of closing of the Magellan Brazil transaction, R$ 35,000 had been paid and US$ 40,000 was unpaid pending the formal transfer of mineral rights to the Company; the final US$ 40,000 option payment remained unpaid as at December 31, 2017 due to the absence of formal transfer.

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

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

9. POCONÉ

The Company is a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso were to be identified, explored and developed. The first agreement was entered into between Magellan and ECI Exploration & Mining Inc. ("ECI") on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the "ECI Venture"). The second set of agreements was between Magellan, ECI and Brasil Central Engenharia Ltda. ("Brasil Central") pursuant to which Magellan, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through a newly incorporated entity, Poconé Gold Mineração Ltda. ("PGM"), an entity in which Magellan Brazil holds a 35% interest (at both the date of closing of the Magellan Brazil transaction and at December 31, 2017).

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.

Virtually no exploration activity was undertaken on any of the Poconé properties since 2012, however, claim maintenance charges have continued to be incurred (see Note 14) some of which have been restructured (see Note 10).

None of the purchase price consideration relating to the Magellan Brazil transaction was attributed to the Poconé properties.

(Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Dec. 31, 2017	Dec. 31, 2016
Brazil taxes (not restructured)	$ 327,425	$ 283,041
Restructured Brazil claim maintenance	34,211	3,743
Cuiú Cuiú condominium liability (see Note 8(a))	7,840	337,830
Restructured Brazil taxes	-	81,678
Other	80,135	82,499
	449,611	788,791
Less long-term (restructured Brazil taxes)	-	(49,577)
Less long-term (restructured Brazil claim maintenance)	(25,432)	(9,743)
	(25,432)	(59,320)
	$ 424,179	**$ 729,471**

Restructuring of Brazilian tax liabilities

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

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

The new arrangements were finalised with respect to $272,920 of tax liabilities on February 26, 2018. Arrangements in respect of the remaining $54,505 of tax liabilities are expected to be finalised in the second quarter of 2018.

Magellan Brazil made payments totalling $29,846 through December 31, 2017 in connection with these new arrangements. No further amounts were due to be paid to the tax authorities subsequent to 2017, however, estimated professional fees associated with completing the program will amount to approximately $38,000.

(Expressed in Canadian Dollars)

Restructuring of Brazilian claim maintenance liabilities

The Brazilian subsidiary of ECI and PGM entered into restructuring agreements in connection with claim maintenance liabilities relating to the ECI Venture and the PGM Venture, respectively. Such restructured liabilities are typically being repaid over 60 months with monthly repayments increased to reflect inflation pursuant to published indices.

Magellan Brazil's share of these restructured tax and claim maintenance liabilities amounted to $34,211 as at December 31, 2017 of which $25,432 is due subsequent to December 31, 2018.

11. OTHER LIABILITIES AND PROVISIONS

Various legal, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations. The balance of Other liabilities and provisions as at December 31, 2017 is comprised of a provision of approximately $104,000 representing management's best estimate of expenditures required to settle present contingent obligations relating to such matters. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Company's estimates (see Note 21).

The balance of Other liabilities and provisions as at December 31, 2016 includes an amount of approximately $242,000 owing to the vendor in respect of the purchase of land at Cuiú Cuiú made in January 2016 (see Note 7). This amount was paid in full during 2017 in accordance with the terms of the land purchase agreement (as amended).

12. INCOME TAXES

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

	Year ended Dec. 31, 2017	Period ended Dec. 31, 2016 (a)
Net loss before income taxes	($ 2,622,713)	($ 287,380)
Statutory tax rate	26.89%	30.15%
Expected income tax recovery	(705,248)	(86,632)
Effect of deductible/non-deductible items for income tax purposes	199,683	(28,971)
Unrecognised benefit of non-capital losses	505,565	115,603
Deferred income tax expense	-	-

(a) Period from February 17, 2016 (date of incorporation) to December 31, 2016

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

(Expressed in Canadian Dollars)

	Year ended Dec. 31, 2017	Period ended Dec. 31, 2016 (a)
Non-capital losses	$ 16,927,643	$ 16,736,167
Mineral properties	(1,298,113)	(1,161,731)
Fixed assets	(781,418)	(853,890)
Share issue costs	309,520	83,905
	$ 15,157,632	**$ 14,804,451**

(a) Period from February 17, 2016 (date of incorporation) to December 31, 2016

The Company has non-capital losses of approximately $2,418,227 in its Canadian operations and $14,509,416 in its Brazilian operations for income tax purposes which are available to reduce future taxable income.

13. SHAREHOLDERS' EQUITY

(a) Share capital

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

Shares issued for services (December 2017)

On December 15, 2017, the Company paid M Partners a transaction success fee of $180,000 in connection with the closing of the CGL Transaction. The fee was paid through the issuance of 360,000 common shares at a deemed price of $0.50 each (see Note 5). M Partners acted as financial advisor to CGL in connection with the CGL Transaction.

October 2017 private placement

On October 30, 2017, the Company closed a series of private placement financings pursuant to which a total of 6,931,335 units (the "Units") were issued at an effective price of $0.60 per Unit, for gross proceeds of $4,158,797. Each Unit was comprised of one common share of the Company, one-half of one class A warrant and one-half of one class B warrant. Each whole class A warrant entitles the holder to purchase one common share of the Company at a price of $0.75 until October 30, 2018, and each whole class B warrant entitles the holder to purchase one common share at a price of $0.90 until October 30, 2019.

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

Exchange of CGL shares (October 2017)

On October 30, 2017, the Company issued 22,822,533 in exchange for the 126,791,932 pre-consolidation, pre-CGL Transaction common shares of CGL outstanding as at this date reflecting the 0.18 exchange ratio (see Note 5). All references to share capital, common shares, share purchase warrants, stock options and per share amounts in these consolidated financial statements and the accompanying notes for periods prior to the CGL Transaction have been restated to reflect this exchange ratio.

Acquisition of San Angelo (October 2017)

On October 30, 2017, the Company issued 1,298,550 common shares to acquire San Angelo (see Note 5).

January 12, 2017 private placement

On January 12, 2017, the Company closed a private placement financing pursuant to which 801,000 common shares were issued at a price of $0.333 per common share, for gross proceeds of $267,000 (including $200,000 received prior to 2017 and classified as Subscription receipts as at December 31, 2016). No finder's fees or similar fees were paid or compensation options issued in connection with this financing.

December 20, 2016 private placement

On December 20, 2016, the Company closed a private placement financing pursuant to which 5,731,547 common shares of Cabral were issued at a price of $0.3333 per common share, for gross proceeds of $1,910,516.

Total success fees paid to M Partners in connection with the financing amounted to $88,876 and 264,826 compensation warrants. Each compensation warrant entitles the holder to acquire one common share at an exercise price of $0.333 until October 30, 2019.

Private placements prior to December 20, 2016

Prior to December 20, 2016, the Company raised $782,275 through the issuance for cash of 4,986,394 common shares at an average price of $0.156 per common share. These proceeds include $198,450 contributed by the two founding shareholders in March 2016 for 1,551,724 common shares at an average price of $0.128 per share. No success fees or similar fees were paid or compensation options issued in connection with these share issuances.

Acquisition of Magellan Brazil (April 2016)

On April 13, 2016, the Company issued 4,036,034 common shares to acquire Magellan Brazil (see Note 6).

(Expressed in Canadian Dollars)

Escrowed shares

Under the policies of the TSX-V, an aggregate of 13,305,342 common shares exchanged for CGL shares in connection with the CGL Transaction were placed in escrow to be released over a 36-month period commencing in October 2017; 10% were released on October 31, 2017 and 15% will be released every six months thereafter through October 31, 2020. The number of common shares held in escrow as at December 31, 2017 was 11,974,808.

(b) Warrants

	Expiration	Number of warrants		Weighted average exercise price		Reserves
Incorporation		-	$	-	$	-
Compensation warrants granted	Oct. 30, 2019	264,826		0.333		38,253
December 31, 2016		**264,826**		**0.333**	**$**	**38,253**
Warrants granted:						
Class A warrants	Oct. 30, 2018	3,465,664		0.75		425,237
Class B warrants	Oct. 30, 2019	3,465,664		0.90		425,237
Finders' fee compensation warrants (1)	Oct. 30, 2019	400,878		0.60		109,440
Pre-Transaction San Angelo warrants	May 26, 2021	600,000		0.25		204,600
December 31, 2017		**8,197,032**	**$**	**0.75**	**$**	**1,202,767**

(1) The finders' fee compensation warrants issued in connection with the October 2017 private placement relate to Units not common shares (see Note 13(a)).

The fair values of the finders' fee compensation warrants and the pre-CGL Transaction San Angelo warrants were estimated as at October 30, 2017 using the Black-Scholes option-pricing model applying the following assumptions:

	Finders' fee compensation warrants	Pre-Transaction San Angelo warrants
Dividends	-	-
Expected volatility (average)	104%	135%
Risk-free interest rate	1.04%	1.35%
Expected life (months)	24	43

The weighted average remaining life of outstanding warrants as at December 31, 2017 was 18 months (December 31, 2016: 34 months).

(Expressed in Canadian Dollars)

(c) Stock options

	Expiration	Number of stock options		Weighted average exercise price		Reserves
Incorporation		-	$	-	$	-
December 31, 2016		**-**		**-**	**$**	**-**
Stock options granted:						
December 6, 2017	Dec. 5, 2020	297,000		0.35		59,103
February 15, 2017	Feb. 14, 2020	936,000		0.33		163,800
December 31, 2017		**1,233,000**	**$**	**0.34**	**$**	**222,903**

Stock-based compensation totalled $222,903 in the year ended December 31, 2017 (period ended December 31, 2016: nil).

All stock options granted in 2017 vested immediately upon issuance.

The weighted average remaining life of outstanding stock options as at December 31, 2017 was 28 months.

The fair values of the stock options granted in 2017 were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	Dec. 6, 2017	Feb. 15, 2017
Dividends	-	-
Expected volatility (average)	89%	91%
Risk-free interest rate	1.35%	1.15%
Expected life (months)	36	36
Expected rate of forfeiture	0.0%	5.0%

(Expressed in Canadian Dollars)

14. EXPLORATION AND DEVELOPMENT EXPENDITURES

Year ended December 31, 2017	Cuiú Cuiú	Pocone	Local administration	Total
Office and logistics	$ -	$ -	$ 85,001	$ 85,001
Field costs (1)	43,245	17,311	-	60,556
Payroll	152,480	-	-	152,480
Consulting, third parties	66,121	-	-	66,121
Other	814	-	-	814
Travel	3,576	-	14,635	18,211
	$ 266,236	**$ 17,311**	**$ 99,636**	**$ 383,183**

(1) Presented net of asset rental revenues derived from the ECI Venture and PGM Venture

Period ended December 31, 2016 (a)	Cuiú Cuiú	Pocone	Local administration	Total
Office and logistics	$ -	$ -	$ 55,455	$ 55,455
Field costs	26,384	-	-	26,384
Payroll	13,275	-	-	13,275
Consulting, third parties	57,016	-	-	57,016
Other	-	1,719	-	1,719
Travel	1,259	-	7,738	8,997
	$ 97,934	**$ 1,719**	**$ 63,193**	**$ 162,846**

(a) Period from February 17, 2016 (date of incorporation) to December 31, 2016

15. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the year ended December 31, 2017 amounted to $446,795 (period from February 17, 2016 (date of incorporation) to December 31, 2016: $91,664).

16. SEGMENTED INFORMATION

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

(Expressed in Canadian Dollars)

	Canada	Brazil	Total
Non-current assets:			
December 31, 2017	$ 3,186	$ 2,076,345	$ 2,079,531
December 31, 2016	-	2,015,621	2,015,621
Net loss:			
Year ended December 31, 2017	2,112,786	509,927	2,622,713
Period ended December 31, 2016 (a)	$ 125,967	$ 161,413	$ 287,380

(a) Period from February 17, 2016 (date of incorporation) to December 31, 2016

17. RELATED PARTY TRANSACTIONS

(a) Management compensation

	Year ended Dec. 31, 2017	Period ended Dec. 31 2016 (a)
Management:		
Employment and consulting remuneration	$ 239,583	$ 50,000
Payroll related costs	19,648	11,917
	259,231	61,917
Directors:		
Stock-based compensation	189,828	-
Advisory fees	46,875	12,500
	236,703	12,500
	$ 495,934	**$ 74,417**

(a) Period from February 17, 2016 (date of incorporation) to December 31, 2016

Management comprises the President and Chief Executive Officer and the Chief Financial Officer.

Advisory fees were paid to a director who was based in and actively involved in activities in Brazil. These fees were terminated effective October 1, 2017.

(b) Balances due to related parties

As at December 31, 2017, the Company owed a total of $2,244 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in February 2018.

(c) Other related party issues

See Note 6 regarding the acquisition by the Company of Magellan Brazil through the restructuring of balances due by Magellan to the founding shareholders of Cabral.

Also, see Note 13(a) regarding the participation by the two founding shareholders in a private placement that closed in March 2016.

18. CAPITAL MANAGEMENT

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

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

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

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

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

19. FINANCIAL INSTRUMENTS

(a) Carrying value and fair value

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

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

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

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

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

(b) Financial risks

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

Foreign exchange risk

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

The Company held the following foreign currency denominated balances as at December 31, 2017 and December 31, 2016:

	December 31, 2017		December 31, 2016	
	R$	US$	R$	US$
Cash and cash equivalents	382,321	20,126	47,498	150,764
Receivables and prepaid expenses	11,833	-	2,350	-
Accounts payable and accrued liabilities	(1,167,307)	-	(2,802,630)	-
	(773,153)	20,126	(2,752,782)	150,764
Equivalent in Canadian dollars	(292,794)	25,249	(1,135,542)	202,422

Based on the balances held as at December 31, 2017, a 10% decrease in the $ per R$ and $ per US$ exchange rates on this date would have resulted in an increase in the net loss for the period then ended of approximately $29,727.

Liquidity risk

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

(Expressed in Canadian Dollars)

Credit risk

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

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at December 31, 2017.

Interest rate risk

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

The Company's restructured claim maintenance liabilities in Brazil are subject to charges which are calculated based on the domestic rate of inflation in Brazil and related indices published by the Brazilian authorities.

Other than the Company's restructured claim maintenance liabilities in Brazil, it did not have any interest bearing liabilities outstanding as at December 31, 2017.

20. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Year ended Dec. 31, 2017	Period ended Dec. 31, 2016 (a)
Share issuance costs paid in warrants	$ 109,440	$ 38,253
Reverse asset acquisition of San Angelo Oil Limited (see Note 5)		
Acquisition of the net assets of Magellan Brazil: see Note 6		

(a) Period from February 17, 2016 (date of incorporation) to December 31, 2016

21. CONTINGENT LIABILITY

The Company is subject to litigation in the counties where it operates. As at December 31, 2017 and April 26, 2018, there were several cases outstanding which had not been settled or where final judgement had not been rendered. Management is vigorously defending against those claims and has assessed the likelihood of loss related to the outstanding litigation and has recorded a provision of approximately $104,000 with regard to all outstanding litigation and related exposures.