Cabral Gold Inc.
(formerly San Angelo Oil Limited)

An exploration stage company

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Unaudited)

THREE MONTHS ENDED MARCH 31, 2018

Cabral Gold Inc. (formerly San Angelo Oil Limited)

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes	March 31, 2018	Dec. 31, 2017
ASSETS			
Current assets		$	$
Cash and cash equivalents		2,924,755	3,680,427
Accounts receivable		81,517	66,264
Prepaid expenses		77,764	160,560
Total Current assets		**3,084,036**	**3,907,251**
Non-current assets			
Fixed assets	6	897,745	781,418
Mineral properties	7	1,334,667	1,298,113
Total Assets		**$ 5,316,448**	**$ 5,986,782**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	$ 234,767	$ 424,179
Other liabilities and provisions	10	106,999	104,114
Total Current liabilities		**341,766**	**528,293**
Long-term liabilities	9	24,457	25,432
Total liabilities		**366,223**	**553,725**
Shareholders' equity			
Share capital	11(a)	7,007,824	7,007,824
Reserves	11(b), 11(c)	1,425,670	1,425,670
Accumulated other comprehensive income		(63,359)	(90,344)
Accumulated deficit		(3,419,910)	(2,910,093)
Total Shareholders' equity		**4,950,225**	**5,433,057**
		$ 5,316,448	**$ 5,986,782**

Total Liabilities and Shareholders' equity	
Nature of operations and going concern (Note 1)	
Commitments and contingent liabilities (Note and 18)	

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

Approved by the Board of Directors

"Derrick Weyrauch"	*"Charles Oliver"*
Derrick Weyrauch, Director	Charles Oliver, Director

Cabral Gold Inc. (formerly San Angelo Oil Limited)

Condensed interim consolidated statements of loss and comprehensive loss

(Expressed in Canadian Dollars except number of shares)

	Notes	**3 months ended March 31, 2018**	**3 months ended March 31, 2017**
Expenses			
Exploration expenditures	12, 15(a)	470,578	125,729
Professional fees		128,352	50,652
Management and consulting	15(a)	85,977	59,922
Office and administrative		78,919	19,864
Travel		14,230	16,403
Listing expense		13,329	-
Depreciation		8,724	1,579
Stock-based compensation		-	163,800
		800,109	437,949
Other income and expenses			
Penalties and financing charges	9	837	17,498
Foreign exchange loss		408	5,903

Interest income		(10,739)	(1,118)
Gain on tax restructuring	9	(280,798)	-
Net loss for the period		**$ 509,817**	**$ 460,232**
Other comprehensive income and loss			
Unrealised foreign currency translation items		(26,985)	(1,432)
Total comprehensive loss for the period		**$ 482,832**	**$ 458,800**
Loss per share, Basic and diluted		$ 0.02	$ 0.02
Weighted average shares outstanding, Basic and diluted		31,412,418	22,715,733

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

Cabral Gold Inc. (formerly San Angelo Oil Limited)

Condensed interim consolidated statements 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 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**
Share issuance costs	-	(8,037)	-	-	-	-	-	**(8,037)**
Stock options issued	-	-	-	-	163,800	-	-	**163,800**
Comprehensive loss	-	-	-	-	-	1,432	(460,232)	**(458,800)**
Balance at March 31, 2017	**22,822,533**	**$ 3,309,346**	**$ -**	**$ 38,253**	**$ 163,800**	**$ 26,826**	**($ 747,612)**	**$ 2,790,613**
Balance at December 31, 2017	**31,412,418**	**$ 7,007,824**	**$ -**	**$ 1,202,767**	**$ 222,903**	**($ 90,344)**	**($ 2,910,093)**	**$ 5,433,057**
Comprehensive loss	-	-	-	-	-	26,985	(509,817)	**(482,832)**
Balance at March 31, 2018	**31,412,418**	**$ 7,007,824**	**$ -**	**$ 1,202,767**	**$ 222,903**	**($ 63,359)**	**($ 3,419,910)**	**$ 4,950,225**

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

Cabral Gold Inc. (formerly San Angelo Oil Limited)

Condensed interim consolidated statements of cash flows

(Expressed in Canadian Dollars)

	3 months ended March 31, 2018	**3 months ended March 31, 2017**
OPERATING ACTIVITIES	($	509,817) ($
Net loss for the period	460,232)	
Adjustments for items not involving cash:	8,724	
Depreciation	1,579	
Stock-based compensation		
	-	163,800
Unrealised foreign exchange gain		
	(12,271)	(13,961)
Gain on tax restructuring (Note 9)		
	(280,798)	-
	(794,162)	**(308,814)**
Net changes in non-cash working capital:		
Increase in accounts receivable	(15,253)	(7,101)
Decrease in prepaid expenses		
	82,796	8,270
Increase (decrease) in accounts payable		
Cash used in operating activities	88,263	(174,710)
	(638,356)	**(482,355)**
INVESTING ACTIVITIES		
Additions to fixed assets	(103,590)	-
Additions to mineral properties		
Cash used in investing activities	(14,454)	(9,754)
	(118,044)	**(9,754)**
FINANCING ACTIVITIES		
Issuance of shares for cash	-	67,000
Share issuance costs		
Cash provided by financing activities	-	(8,037)
	-	**58,963**
Effect of change in exchange rate on cash	**728**	**470**
Net increase in cash and cash equivalents	**(755,672)**	**(432,676)**

(Unaudited, Expressed in Canadian Dollars)

Cash and cash equivalents, beginning of period	**3,680,427**	**2,184,746**
Cash and cash equivalents, end of period	**$ 2,924,755**	**$ 1,752,070**

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 Vancouverbased 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 was considered the acquiring and continuing entity, and Cabral Gold Inc. was the acquired entity (see Note 4).

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 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 condensed interim 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 three months ended March 31, 2018, the Company reported a net loss of $509,817 (three months ended March 31, 2017: net loss of $460,232) and cash applied to operating activities of $638,356 (three months ended March 31, 2017: $482,355), and as at that date had a net working capital balance of $2,742,270 (December 31, 2017: $3,378,958) and an accumulated deficit of $3,419,910 (December 31, 2017: $2,910,093).

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2017.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 29, 2018, the effective date the Company's 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 three months ended March 31, 2018.

The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2017.

3. RECENT ACCOUNTING PRONOUNCEMENTS

(Unaudited, Expressed in Canadian Dollars)

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

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

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

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

4. 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 11(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
		791,616
		824,398

(Unaudited, Expressed in Canadian Dollars)

Listing expense	
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 11(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 11(a)).

5. 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 Minerais Prospecção Geológica Ltda. ("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 holds 100% of the Cuiú Cuiú property and several secondary properties, including properties held by Poconé Gold Mineração Ltda. ("PGM") in which Magellan Brazil holds a 35% interest.

(Unaudited, Expressed in Canadian Dollars)

6. FIXED ASSETS

	Land	Vehicles	Equipment	Total
Cost:				
December 31, 2017	$ 765,239	$ 14,562	$ 12,630	$ 792,431
Additions	-	65,038	38,552	103,590
Foreign exchange differences	18,909	1,937	1,035	21,881
March 31, 2018	784,148	81,537	52,217	917,902
Accumulated depreciation:				
December 31, 2017	-	(5,899)	(5,114)	(11,013)
Depreciation expense	-	(5,039)	(3,685)	(8,724)
Foreign exchange differences	-	(277)	(143)	(420)
March 31, 2018	-	(11,215)	(8,942)	(20,157)
Net book value:				
December 31, 2017	765,239	8,663	7,516	781,418
March 31, 2018	**$ 784,148**	**$ 70,322**	**$ 43,275**	**$ 897,745**

(Unaudited, Expressed in Canadian Dollars)

	Land	Vehicles	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**

7. MINERAL PROPERTIES

3 months ended March 31, 2018

	Jan. 1, 2018	Additions	Foreign exchange	Mar. 31, 2018
Cuiú Cuiú	$ 1,254,589	$ 14,454	$ 20,894	$ 1,289,937
Bom Jardim	41,189	-	1,141	42,330
Other	2,335	-	65	2,400
	$ 1,298,113	**$ 14,454**	**$ 22,100**	**$ 1,334,667**

(Unaudited, Expressed in Canadian Dollars)

Year ended December 31, 2)17				
	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**

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 March 31, 2018 all of which is conditional on the formal registration of title to an optioned secondary property (Bom Jardim). The Company is also required to make statutory claim maintenance expenditures to the Brazilian authorities each year to maintain its properties in good standing.

Cuiú Cuiú, Surface access agreement, garimpiero condominium

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

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

(Unaudited, Expressed in Canadian Dollars)

8. POCONÉ

The Company is a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso were to be identified, explored and developed. The first agreement was entered into between Magellan and ECI Exploration & Mining Inc. ("ECI") on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the "ECI Venture"). The second set of agreements was between Magellan, ECI and Brasil Central Engenharia Ltda. ("Brasil Central") pursuant to which Magellan, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through a newly incorporated entity, Poconé Gold Mineração Ltda. ("PGM"), an entity in which Magellan Brazil holds a 35% interest (at both the date of closing of the Magellan Brazil transaction and March 31, 2018).

Magellan's rights and responsibilities associated with both the ECI Venture and PGM were transferred to CGL prior to the date of closing of the Magellan Brazil transaction pursuant to an agreement dated April 15, 2016 between CGL, Magellan and ECI.
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 12) some of which have been restructured (see Note 9). In addition, the Company has incurred various other charges and realised proceeds on the liquidation of certain assets relating to both the ECI Venture and PGM.

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

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		Mar. 31, 2018		Dec. 31, 2017
Brazil taxes (not restructured)	$	56,015	$	327,425
Brazil payroll and related costs		37,514		-
Cuiú Cuiú resource update		34,231		29,458
Restructured Brazil claim maintenance		33,669		34,211
Professional fees (Canada)		20,437		39,466
Consulting fees (Canada)		18,667		-
Marketing fees (Canada)		12,000		2,083
Cuiú Cuiú condominium liability (see Note 8(a))		8,057		7,840
Other		38,634		9,128
		259,224		449,611
Less long-term (restructured Brazil claim maintenance)		(24,457)		(25,432)

(Unaudited, Expressed in Canadian Dollars)

	$ 234,767	**$ 424,179**

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 Brazil transaction in 2016. The payment plan, including application of discounts, was entered into pursuant to a general program offered by these bodies. The restructured liabilities were typically being repaid over 60 months. Monthly repayments were increased to reflect inflation pursuant to indices published each month.

In November 2017, Magellan Brazil entered into further restructuring programs with applicable federal and state taxation and administrative bodies in Brazil pursuant to which further discounts were granted to existing liabilities in return for payments being made sooner than as agreed in the aforementioned restructuring arrangements; the programs were also applied to certain unpaid tax balances of the Company that had not been previously restructured. The new arrangements resulted in the termination of the previous restructuring agreements, the application of further discounts, the offsetting of historical tax losses of Magellan Brazil against tax liabilities otherwise due and the payment of deposits. As a result of the termination of the previous agreements, restructured amounts that were previously classified as long-term liabilities, were recognised as current liabilities as at December 31, 2017 and March 31, 2018.
The new arrangements were finalised with respect to $280,798 of tax liabilities on February 26, 2018. Arrangements in respect of the remaining $56,015 of tax liabilities are expected to be finalised in the second or third quarter of 2018.

Estimated professional fees associated with completing the program will amount to approximately $39,000.

Restructuring of Brazilian claim maintenance liabilities

PGM and the Brazilian subsidiary of ECI entered into restructuring agreements in connection with claim maintenance liabilities (the latter in respect of the ECI Venture). 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 $33,669 as at March 31, 2018 of which $24,457 is due subsequent to March 31, 2019.

10. 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 March 31, 2018 is comprised of a provision of approximately $107,000 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 18).

11. 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 4). 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 common shares 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 4). All references to share capital, common shares, share purchase warrants, stock options and per share amounts in these condensed interim consolidated financial statements and the accompanying notes for periods prior to the CGL Transaction have been restated to reflect this exchange ratio.

(Unaudited, Expressed in Canadian Dollars)

Acquisition of San Angelo (October 2017)

On October 30, 2017, the Company issued 1,298,550 common shares to acquire San Angelo (see Note 4).

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. No finder's fees or similar fees were paid or compensation options issued in connection with this financing.

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 36month 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 March 31, 2018 was 11,974,808.

(b) Share purchase warrants

	Number of warrants	Weighted average exercise price	Reserves
December 31, 2017	**8,197,032**	**$ 0.75**	**$ 1,202,767**
March 31, 2018	**8,197,032**	**$ 0.75**	**$ 1,202,767**

A summary of the share purchase warrants outstanding as at March 31, 2018 is as follows:

	Expiration	Number of warrants	Weighted average exercise price	Reserves
Compensation warrants granted	Oct. 30, 2019	264,826	$ 0.333	$ 38,253

(Unaudited, Expressed in Canadian Dollars)

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-CGL Transaction San Angelo warrants	May 26, 2021	600,000		0.25		204,600
March 31, 2018		**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 11(a)).

The weighted average remaining life of outstanding warrants as at March 31, 2018 was 15 months (December 31, 2017: 18 months).

(c) Stock options

	Number of options		Weighted average exercise price		Reserves
December 31, 2017	**1,233,000**	**$**	**0.34**	**$**	**222,903**
March 31, 2018	**1,233,000**	**$**	**0.34**	**$**	**222,903**

A summary of the stock options outstanding as at March 31, 2018 is as follows:

	Expiration	Number of stock options		Weighted average exercise price		Reserves
Stock options granted:						
December 6, 2017	Dec. 5, 2020	297,000	$	0.350	$	59,103
February 15, 2017	Feb. 14, 2020	936,000		0.33		163,800
March 31, 2018		**1,233,000**	**$**	**0.34**	**$**	**222,903**

Stock-based compensation totalled nil in the three months ended March 31, 2018 (three months ended March 31, 2017: $163,800).

(Unaudited, Expressed in Canadian Dollars)

All stock options granted in 2017 vested immediately upon issuance.

The weighted average remaining life of outstanding stock options as at March 31, 2018 was 25 months.

12. EXPLORATION AND DEVELOPMENT EXPENDITURES

3 months ended March 31, 2018	Cuiú Cuiú	Pocone	Local administration	Total
Office and logistics	$ -	$ -	$ 29,547	$ 29,547
Field costs	104,216	-	-	104,216
Payroll and internal consulting	145,917	-	-	145,917
Consulting, third parties	156,353	-	-	156,353
Travel	17,640	-	2,329	19,969
Assay	2,418	-	-	2,418
Other (1)	6,671	5,487	-	12,158
	$ 433,215	**$ 5,487**	**$ 31,876**	**$ 470,578**

(1) Presented net of both asset rental revenues and proceeds on the sale of various assets relating to the ECI Venture

3 months ended March 31, 2017	Cuiú Cuiú	Pocone	Local administration	Total
Office and logistics	$ -	$ -	$ 29,352	$ 29,352
Field costs	18,528	-	-	18,528
Consulting, internal	-	-	30,625	30,625
Consulting, third parties	32,946	-	-	32,946
Other	-	11,726	-	11,726
Travel	505	-	2,047	2,552
	$ 51,979	**$ 11,726**	**$ 62,024**	**$ 125,729**

(Unaudited, Expressed in Canadian Dollars)

13. SALARY AND WAGES

Total payroll, internal consulting and related costs incurred in the three months ended March 31, 2018 amounted to $240,184 (three months ended March 31, 2017: $97,426).

14. SEGMENTED INFORMATION

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

		Canada		Brazil		Total
Non-current assets:						
March 31, 2018	$	2,465	$	2,229,947	$	2,232,412
December 31, 2017		3,186		2,076,345		2,079,531
Net loss:						
3 months ended March 31, 2018		318,284		191,533		509,817
3 months ended March 31, 2017	$	284,057	$	176,175	$	460,232

15. RELATED PARTY TRANSACTIONS

(a) Management compensation

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

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

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

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

(b) Balances due to related parties

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

As at March 31, 2018, a further $18,667 was due to the company controlled by an individual who joined the Company's Board of Directors as Executive Chairman in May 2018, as referred to in Note 15(a).

(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.

16. 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 the Company's ability to continue as a going concern is disclosed in Note 1.

17. 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 March 31, 2018 and December 31, 2017:

	March 31, 2018		December 31, 2017	
	R$	US$	R$	US$
Cash and cash equivalents	635,820	17,757	382,321	20,126
Receivables and prepaid expenses	8,687	-	11,833	-
Accounts payable and accrued liabilities	(668,598)	-	(1,167,307)	-
	(24,091)	17,757	(773,153)	20,126
Equivalent in Canadian dollars	(9,376)	22,895	(292,794)	25,249

Based on the balances held as at March 31, 2018, 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 $1,502.

Liquidity risk

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

Credit risk

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

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at March 31, 2018.

Interest rate risk

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

The Company's restructured claim maintenance liabilities in Brazil are subject to 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 March 31, 2018.

18. CONTINGENT LIABILITY

The Company is subject to litigation in the counties where it operates. As at March 31, 2018 and May 29, 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 $107,000 with regard to all outstanding litigation and related exposures.