Cabral Gold Inc.
(formerly San Angelo Oil Limited)

An exploration stage company

Management Discussion and Analysis
For the six months ended June 30, 2018

Dated: August 23, 2018

Management Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") of Cabral Gold Inc. ("Cabral" or the "Company") has been prepared as at August 23, 2018. It is intended to be read in conjunction with the condensed interim consolidated financial statements of the Company for the six months ended June 30, 2018.

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

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

Overview

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

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

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

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

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

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

Highlights

The six months ended June 30, 2018 and the period ended August 23, 2018 were highlighted by the following activities and initiatives:

Executive appointment

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

Finance

- The balance of cash and cash equivalents as at June 30, 2018 was $1,785,582 and the net working capital balance as at this date was $1,622,239
- In November 2017, Magellan Brazil entered into a restructuring agreement relating to unpaid taxes pursuant to which approximately $280,798 of tax liabilities were eliminated on February 26, 2018. The remaining tax liabilities of approximately $50,000 are expected to be eliminated in Q3 or Q4 2018. See 'Liquidity'.
- The value of the R$ has been extremely volatile during 2018 through August 23, 2018. The R$ had depreciated in value by 10% relative to the $ in the six months ended June 30, 2018 and had depreciated a further 2.5% in the subsequent period through August 17, 2018. Federal elections are planned for October 2018 in Brazil which may contribute to further volatility. The Company has benefited from this volatility as the relative depreciation of the R$ serves to reduce R$ denominated expenditures and liabilities when measured in $.

Exploration and development

- In December 2017, the Company engaged Micon International Ltd. ("Micon") to prepare an updated mineral resource estimate for the Cuiú Cuiú project. The updated resource estimate was issued in Q2 2018 and totals 5.9 million tonnes grading 0.9 g/t Au (Indicated) and 19.5MM tonnes grading 1.2 g/t Au (Inferred), or 0.2MM ounces and 0.8MM ounces of gold, respectively
- During 2017 and 2018 to date, Magellan Brazil increased its land holdings around the Cuiú Cuiú project by approximately 92,900 hectares. These applications were made partially in response to the recent staking of approximately 1,481,000 hectares in the Tapajós region by Anglo American Níquel Brasil Ltda. ("Anglo American") and Votorantim Metais Zinco S.A. ("Votorantim") which brought their total holdings in the region to approximately 1,829,000 hectares. Anglo American acquired ground immediately north, northwest and southwest of Magellan Brazil's tenements at Cuiú Cuiú and Bom Jardim.
- The Company initiated an aggressive campaign of exploration and related activities focussing on the Cuiú Cuiú property in early February 2018 which included the following:
  - Retention of Dr. Adrian McArthur to manage the Company's exploration program. Dr. McArthur has over 20 years' experience in exploration, resource definition and project generation principally in Brazil and Australia
  - Commencement of a surface exploration program which included trenching, channel sampling, auger sampling and soil sampling with a view to identifying drill targets
  - Initiation of a comprehensive review of all historic exploration data relating to the project
  - Drone mapping of existing exploration targets.
- In March 2018 and June, 2018, the Company announced the identification of several new high-grade gold targets following initial trenching, mapping, auger sampling, soil sampling and rock sampling work undertaken in areas of recent and abandoned artisanal workings on the Cuiú Cuiú property

CGL Transaction

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

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

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

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

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

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

Following closing of the CGL Transaction:

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

Cuiú Cuiú

The Company's primary gold project is Cuiú Cuiú.

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

Surface access agreement, garimpiero condominium

Magellan Brazil is a party to a surface access agreement with the holders of the traditional surface rights over the Cuiú Cuiú property. The owners are organised into a 'condominium' comprising minority stakeholders and majority stakeholders. The current terms of the agreement require Magellan Brazil to pay R$ 5,000 per year (equivalent of $1,705 as at June 30, 2018) to each of the 18 majority stakeholders and R$ 2,500 per year ($852) to each of the 61 minority stakeholders.

R$ 242,500 (approximately $90,800) was payable to the garimpieros in connection with the surface access fee in respect of the year ended March 2019. Most of this amount was paid in the second quarter of 2018. A liability for approximately $5,200 remained outstanding as at June 30, 2018.

Acquisition of additional ground

During 2017 and 2018 to date, Magellan Brazil made claim applications around the Cuiú Cuiú project of approximately 92,900 hectares as follows:

- Cuiú Cuiú and surrounding area: increase of 16,326 hectares
- Bom Jardim and surrounding area: increase of 66,928 hectares
- Tocantinzinho and surrounding area: increase of 13,648 hectares (Eldorado Gold Corp.'s Tocantinzinho gold deposit is located 25 kilometres southeast of the Cuiú Cuiú project[1]).

The applications were made partially in response to the recent staking of approximately 1,481,000 hectares in the Tapajós region by Anglo American and Votorantim which brought their total holdings in the region to approximately 1,829,000 hectares. Anglo American acquired ground immediately north, northwest and southwest of Magellan Brazil's tenement package.

Resource update

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

In June 2018, the Company issued the updated resource estimate which totals 5.9 million tonnes grading 0.9 g/t Au (Indicated) and 19.5MM tonnes grading 1.2 g/t Au (Inferred), or 0.2MM ounces and 0.8MM ounces of gold, respectively.

The update followed from the previous mineral resource estimate completed by Pincock Allen and Holt that was included in the National Instrument 43-101 ("NI 43-101") technical report issued to Magellan Minerals Ltd. (the previous owner of the project) dated April 19, 2011.

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

Q2 2018 exploration activity

The Company's program of soil sampling, channel sampling, surface trenching and auger drilling continued in Q2 2018 and was directed to various targets within the Cuiú Cuiú property.

In June 2018, the Company announced the identification of two new gold prospects at Jerimum North and Jerimum East, where rock chip sampling returned gold assays of 10 to 152.6 g/t Au. Results were also reported from stockpile grab sampling at the Morro da Lua target where sampling returned gold assays of 5.5 to 162.4 g/t Au, and from channel sampling on the western extensions of Jerimum Cima including 12.4m @ 1.9 g/t Au, 1.7m @ 15.7 g/t Au and 8m @ 1.1 g/t Au.

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

Permitting process

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

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

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

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

Work Program on Cuiú Cuiú

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

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

surveys are being considered to extend historical ground geophysical surveys. Soil sampling, channel sampling and auger drilling is expected to continue during Phase 2.

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

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

The estimated cost of Phase 1 of the work program and a summary of costs incurred through June 30, 2018 are as follows:

Activity	**Plan** $	***Actual through 30 June 2018*** *$*
Exploration expense:		
Re-estimate mineral resource	100,000	*129,117*
Trenching	80,000	
Mapping/geology	150,000	
Field workers/soil sampling	90,000	
	320,000	*363,169*
Food/supplies	43,200	*71,552*
Geochemical analysis	175,000	*26,645*
Flights to Cuiú Cuiú	41,250	*52,986*
Fuel for vehicles	9,250	*12,635*
Transport of personnel	18,000	*102,201*
Fixed assets:		
Vehicles and ATVs	95,000	*153,173*
Computers, etc.	12,000	*14,560*
Logistical support	60,000	*135,628*
Contingency	87,370	-
Original work program	**961,070**	***1,061,666***
Additions to original work program:		
Environmental study (EIA RIMA) (1)		*122,030*
Tailings dam study (2)		*22,074*
Economic feasibility study (PAE) (3)		*7,859*
Hydrological study (4)		-
Hydrological study, drill testing (5)		-
Camp construction		*31,330*
Machinery and equipment		*40,044*
Exploration leadership and head office support		*104,006*
		1,389,009

(1) Environmental study costs (EIA RIMA): The contracted cost of the EIA-RIMA study is R$ 1,576,684 ($537,640 applying the Bank of Canada exchange rate as at June 29, 2018) including approximately R$ 864,000 ($295,000) which is expected to be incurred in the final six months of 2018
(2) Tailings dam study: The contracted cost of the tailings dam study is R$ 156,658 ($53,240) all of which is expected to be incurred prior to December 31, 2018
(3) Economic feasibility study (PAE): The estimated total cost of the PAE study is US$ 13,000 ($17,119) all of which is expected to be incurred prior to September 30, 2018
(4) Hydrogeological study: The contracted cost of the hydrogeological study is R$ 144,800 ($49,376) including R$ 22,080 ($7,529) which is expected to be incurred in the final six months of 2018
(5) Hydrogeological study (drill testing): The estimated total cost of the drill testing component of the hydrogeological study is R$ 240,000 ($81,839) all of which is expected to be incurred prior to December 31, 2018

The foregoing studies are required for the issuance of the mining license. They are being prepared in accordance with applicable Brazilian standards which are not NI 43-101 compliant. The total costs of each study are expected to be 10%-20% more than the aforementioned amounts due to related costs (such as travel, incremental camp costs, etc.).

In addition to the cost of the foregoing studies, actual work program costs incurred through June 30, 2018 have been in excess of forecast work program costs previously reported for most cost categories. This has been due, in part, to the identification of more new exploration targets than originally anticipated which resulted in more staff being hired than originally contemplated in order to advance the project.

Phase 1 of the work program was completed effective June 30, 2018. Management is currently reassessing the scope of Phase 2 procedures relative to the work program previously reported. The scope of the Phase 2 work program will be driven, in part, by the availability of financing which the Company is currently pursuing. Prior to the finalisation of the Phase 2 work program and subject to the availability of additional financing, it is expected that the Company's exploration activity will continue with the same scope and pace as in Q2 2018.

Summary of quarterly results

A summary of quarterly results in respect of the two years ended June 30, 2018 is as follows:

	Quarter ended 30-Sep-17	**Quarter ended 31-Dec-17**	**Quarter ended 31-Mar-18**	**Quarter ended 30-Jun-18**
Revenues	-	-	-	-
Exploration expenditures	90,222	95,256	470,578	655,115
Listing expense (CGL Transaction) (a)	-	791,616	-	-
Professional fees	81,543	386,363	128,352	59,266
Non-cash items	2,207	61,292	(272,074)	45,793
Administration (b)	92,203	148,761	192,455	183,282
Net loss	270,028	1,403,814	509,817	960,259
Net loss per share (c)	0.01	0.05	0.02	0.03
Total comprehensive loss	255,041	1,461,291	482,832	1,156,727
Cash and cash equivalents	524,864	3,680,427	2,924,755	1,785,582
Net working capital (deficit)	184,936	3,378,958	2,742,270	1,605,189
Total assets	2,689,449	5,986,782	5,316,448	4,177,511

	Quarter ended 30-Sep-16	Quarter ended 31-Dec-16	Quarter ended 31-Mar-17	Quarter ended 30-Jun-17
Revenues	-	-	-	-
Exploration and development	50,052	58,200	125,729	71,976
Professional fees	2,073	8,177	50,652	98,119
Non-cash items	1,508	1,520	165,379	2,292
Administration (b)	25,805	71,022	96,189	116,761
Net loss	76,635	152,126	460,232	488,639
Net loss per share (c)	-	0.01	0.02	0.02
Total comprehensive loss	78,571	147,027	458,800	563,319
Cash and cash equivalents	10,184	2,184,746	1,752,070	1,007,268
Net working capital (deficit)	(695,544)	1,070,349	756,664	409,827
Total assets	2,393,662	4,227,948	3,873,288	3,160,427

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

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

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

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

- Exploration and development (pre-2018): Exploration and development activity has been limited since the closing of the Magellan Transaction with costs incurred through Q4 2017 relating primarily to a third-party study and logistical support in connection with the maintenance of the Cuiú Cuiú property. Fluctuations during this period were attributable to the following specific issues:
  - Third party study relating to the preparation of an integrated economic development plan of the Cuiú Cuiú property ($24,209 in Q3 2016 and $9,749 in Q4 2016). The report was prepared to fulfill Brazilian requirements and does not adhere to the standards required by Canadian National Instrument 43-101 ("NI 43-101")
  - Preparation of NI 43-101 technical report regarding the Cuiú Cuiú property to support a public listing ($32,946 in Q1 2017, $5,383 in Q2 2017 and $13,595 in Q3 2017)
  - Initiation of a NI 43-101 resource update regarding the Cuiú Cuiú property ($21,458 in Q4 2017)
  - Introduction of a consultant (a director of the Company) to oversee Brazil activity effective October 1, 2016 through September 30, 2017 ($12,500 in Q4 2016 and $15,625 in each of Q1 2017, Q2 2017 and Q3 2017)
  - Introduction of Brazil country manager effective February 1, 2017 ($15,000 in Q1 2017 and $22,500 in each of Q2 2017, Q3 2017 and Q4 2017).
- Exploration and development (post 2017): The significant increase in exploration expenditures was attributable to the initiation of the exploration program at the Cuiú Cuiú property in February 2018 (see 'Cuiú Cuiú') including the following:
  - The hiring of local staff early in Q1 2018. Magellan Brazil had 25 staff as at June 30, 2018 comprised of 23 field staff, one administrative employee and the country manager
  - The re-establishment and ongoing operation of the field camp at Cuiú Cuiú which has resulted in significant increases in both capital costs on equipment, vehicles and buildings (being constructed internally) and exploration expenses
  - The appointment of Dr. McArthur in February 2018 to manage the exploration program
  - Ongoing third-party studies including the resource update (completed), environmental study and extension of the local feasibility study (not 43-101 compliant)

  - Rental, fuel and ongoing maintenance expenditures incurred on camp vehicles and heavy equipment
  - Extensive charges for travel and freight to Cuiú Cuiú
- Professional fees: Professional fees increased significantly in 2017 with CGL's pursuit of a public listing. Such costs included legal fees, audit fees and various other fees including a transaction success fee of $180,000 incurred in Q4 2017 relating to the closing of the CGL Transaction (which was paid through the issuance of common shares). In addition, agreements were entered into with various third parties in Q4 2017 relating to the provision of marketing services which extended into Q2 2018
- Non-cash items: Non-cash items comprise depreciation expense, stock-based compensation (Q1 2017, Q4 2017 and Q2 2018) and a gain on tax restructuring in Brazil in Q1 2018 (see 'Liquidity')
- Administration: Fluctuations in administration costs were attributable to the following issues:
  - Initiation of various marketing programs and attendance at conferences following closing of the CGL Transaction
  - The appointment of Mark Smith as Executive Chairman of the Board of Directors in May 2018
  - One-off payment to a company controlled by Mr. Smith in respect of advisory services provided during the period February through April 2018, inclusive; $18,667 was recognised in Q1 2018 and $9,333 in Q2 2018
  - Significant increases in travel costs relating to travel to Brazil, pursuit of financing and transaction opportunities and marketing
  - Various non-recurring listing fees incurred in Q3 2017 and Q4 2017 relating to the CGL Transaction
  - The introduction of remuneration of management (President and CEO and CFO) effective October 1, 2016.

Results of operations

The Company's net loss increased by $521,205 from $948,871 in the six months ended June 30, 2017 to $1,470,076 in in the six months ended June 30, 2018.

	6 months ended 30-Jun-18	6 months ended 30-Jun-17	Variance
Expenses			
Exploration expenditures	1,125,693	197,705	927,988
Professional fees	187,618	148,771	38,847
Management and consulting	172,728	128,750	43,978
Office and administrative	135,343	38,721	96,622
Travel	49,890	45,479	4,411
Other	17,776	-	17,776
	1,689,048	559,426	1,129,622
Expenses (non-cash items)			
Depreciation	25,857	3,871	21,986
Stock-based compensation	17,550	163,800	(146,250)
Gain on tax restructuring	(269,688)	-	(269,688)
Other income and expenses			
Adjustment to provisions	26,766	192,278	(165,512)
Penalties and financing charges	930	24,516	(23,586)
Interest income	(15,900)	(5,840)	(10,060)
Foreign exchange loss (gain)	(4,487)	10,820	(15,307)
Net loss for the period	**1,470,076**	**948,871**	**521,205**

General quarterly variances are discussed above (see 'Summary of quarterly results'). Additional commentary regarding the 6M 2017 to 6M 2018 variances is as follows:

- Exploration expenditures are discussed above (see 'Cuiú Cuiú')
- Professional fees: The increase is attributable to marketing advisory services partially offset by a reduction in legal fees (considerable fees were incurred in Q1 2017 relating to a proposed transaction)
- Management and consulting: The increase is attributable to the appointment of an Executive Chairman in May 2018 and an advisory fee of $28,000 paid to a company controlled by this individual in respect of the period February through April 2018
- Office and administration costs: The increase is attributable to marketing spend including attendance at various conferences
- The gain on tax restructuring is discussed below (see 'Liquidity')
- Adjustments to provisions relate to changes in management's best estimate of expenditures required to settle present contingent obligations relating to various legal, tax and regulatory matters that the Company is subject to
- Penalties and finance charges relate to amounts incurred in connection with unpaid taxes and claim maintenance expenditures in Brazil (including restructured amounts).

Liquidity and going concern

As at June 30, 2018, the Company had a cash balance of $1,785,582, and a net working capital balance of $1,605,189.

The nature of the Company's operations results in significant expenditures for the acquisition, maintenance and exploration of mineral properties. To date, the Company has not generated any revenue from mining or other operations as it is considered to be in the exploration stage.

The Company's ability to continue operations in the normal course of business is dependent on several factors, including its ability to secure additional funding. Management is exploring all available options to secure additional funding. Given the continuation of weak investor sentiment and capital market conditions, there exists significant uncertainty as to the Company's ability to raise additional funds on favorable terms.

Management has estimated that the Company will not have sufficient funds from existing working capital to meet its planned objectives and property obligations beyond 2018.

In addition, the recoverability of amounts presented as non-current assets 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.

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

Brazil taxation restructuring

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

In November 2017, Magellan Brazil entered into further restructuring programs with applicable federal and state taxation and administrative bodies in Brazil pursuant to which further discounts were granted to existing liabilities in return for payments being made sooner than as agreed in the aforementioned initial restructuring arrangements; the programs were also applied to certain unpaid tax balances of the Company that had not been previously restructured. The new arrangements resulted in the termination of the previous restructuring agreements, the application of further discounts, the offsetting of historical tax losses of Magellan Brazil against tax liabilities otherwise due and the payment of deposits. 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 June 30, 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 third quarter of 2018.

Estimated professional fees associated with completing the program will amount to approximately $40,000 of which $20,000 will be paid following the finalisation of the program.

Operating activities

Cash used in operating activities in the six months ended June 30, 2018 amounted to $1,553,271 as follows:

- The net loss for the period of $1,470,076
- The significant non-cash gain on tax restructuring of $269,688
- The net increase in non-cash working capital items of $109,570 relating to the drawdown in prepaid marketing expenditures and an increase in current liabilities.

Investing activities

Cash used in investing activities in the six months ended June 30, 2018 amounted to $342,149 and related primarily to the purchase of vehicles, ATVs and miscellaneous equipment required in connection with the initiation of the exploration program at Cuiú Cuiú and the establishment of the exploration camp.

Financing activities

There was no cash provided by or applied to financing activities in the six months ended June 30, 2018.

Dividends

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

Contractual commitments

The Company had no significant medium- or long-term contractual commitments in place as at June 30, 2018 or August 23, 2018 beyond its stated liabilities and the following:

- Magellan Brazil entered into an agreement in January 2018 with Terra Ambiente Ltda –ME relating to the provision of the EIA-RIMA environmental study for an estimated fee of R$ 1,576,684 ($537,640 applying the Bank of Canada exchange rate as at June 29, 2018)
- Magellan Brazil entered into an agreement in April 2018 with Senior Geologia e Mineracao Ltda relating to the tailings dams study for an estimated fee of R$ 156,658 ($53,240)
- Magellan Brazil entered into an agreement in April 2018 with Hidrovia Hidrogeologia e Meio Ambiente Ltda relating to the hydrogeological study for an estimated fee of R$ 144,800 ($49,376)
- The surface access agreement with the Cuiú Cuiú garimpieros pursuant to which R$ 242,500 (approximately $90,800) was paid to the garimpieros in Q2 2018 in connection with the surface access fee in respect of the year ended March 2019
- The Company is committed to sharing in net costs and commitments associated with both of the Poconé ventures including its share of any losses relating to current litigation against PGM and a venture partner.

Proposed transactions

As at June 30, 2018 and August 23, 2018, there were no proposed asset or business acquisitions or dispositions.

Capital resources

The Company had no capital expenditure commitments as at either June 30, 2018 or August 23, 2018.

The Company is required to make certain option payments in order to maintain its properties and agreements in good standing. These payments are not considered to be commitments as the applicable agreements may be terminated by the Company at short notice without penalty. These future payments totalled USD 40,000 as at June 30, 2018 all of which is conditional on the registration of an optioned secondary property (Bom Jardim).

Transactions with related parties

The Company incurred the following costs of management remuneration:

		6 months ended June 30, 2018		6 months ended June 30, 2017
Management:				
Employment and consulting remuneration	$	135,000	$	114,583
Payroll related costs		9,729		14,166
Consulting fees (1)		28,000		-
		172,729		128,749
Directors:				
Stock-based compensation		17,550		130,725
Advisory fees		-		31,250
		17,550		161,975
	$	**190,279**	**$**	**290,724**

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

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

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

As at June 30, 2018, the Company owed a total of $2,276 to management in connection with unreimbursed expenditures incurred on behalf of the Company. It is expected that this liability will be settled in full in Q3 2018.

Outstanding share data

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

The Company had the following common shares, share purchase warrants and stock options outstanding as at both June 30, 2018 and August 23, 2018:

Issued and outstanding common shares	31,412,418
Fully diluted	41,693,328
Share purchase warrants (shares)	7,796,154
Share purchase warrants (Units)	400,878
Stock options	1,683,000

Changes in accounting policies

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

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

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

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

Financial instruments

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

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

Foreign exchange risk

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

The value of the R$ has been extremely volatile during 2018 through August 23, 2018; the $/R$ exchange rate (per the Bank of Canada) has ranged from a low of 0.3315 on June 7, 2018 to a high of 0.4007 on March 6, 2018 during this period. The R$ had depreciated in value by 10% relative to the $ in the six months ended June 30, 2018 and had depreciated a further 2.5% in the subsequent period through August 17, 2018. Federal elections are being held in October 2018 in Brazil which may contribute to further volatility. The Company has benefited from this volatility as the relative depreciation of the R$ serves to reduce R$ denominated expenditures and liabilities when measured in $.

Liquidity risk

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

As at June 30, 2018, the Company had a cash balance of $1,785,582, and a net working capital balance of $1,605,189.

Credit risk

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

All accounts receivable balances are current and no valuation allowance or provision was applied or required as at June 30, 2018.

Interest rate risk

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

The Company's restructured claim maintenance liabilities in Brazil are subject to interest which is calculated, in part, on the domestic rate of inflation in Brazil and related indices published by the Brazilian authorities. Otherwise, the Company did not have any interest-bearing debt as at June 30, 2018 or August 23, 2018.

Cautionary Statement on Forward-Looking Information

This MD&A document contains 'forward-looking information' and 'forward-looking statements' (together, the "forward-looking statements") within the meaning of applicable securities laws. Such forward-looking statements concern the Company's anticipated operations in future periods, planned exploration and development of its properties, and plans related to its business and other matters that may occur in the future. This information relates to analyses and other information that is based on expectations of future performance and planned work programs. These forward-looking statements are made as of August 23, 2018.

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

- Risks related to the exploration and development of natural resource properties

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

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