Cabral Gold Inc.

(An Exploration Stage Company)

Interim MD&A – Quarterly Highlights

For the six months ended June 30, 2020

Dated: August 28, 2020

Management Discussion and Analysis

The following Interim MD&A – Quarterly Highlights ("MD&A") of Cabral Gold Inc. ("Cabral" or the "Company") has been prepared as at August 28, 2020. 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, 2020.

This Interim MD&A – Quarterly Highlights has been compiled in accordance with Section 2.2.1 of Form 51-102F1 - *Management's Discussion & Analysis*.

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 are expressed in Canadian dollars unless otherwise noted.

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

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 28, 2020.

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 and going concern')
- 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.

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.

Highlights

The three months ended June 30, 2020 and the period ended August 28, 2020 were highlighted by the following activities and initiatives:

Exploration and development

- In April 2020, the Company announced that it had suspended all fieldwork at the Cuiú Cuiú project in Brazil and had temporarily closed both of its offices (Vancouver, Canada and Itaituba, Brazil) in response to the COVID-19 outbreak and in order to protect staff and the local community from potential infection. The restart of exploration activity at Cuiú Cuiú commenced in early August 2020
- The Company took advantage of this fieldwork suspension to review all existing exploration data at Cuiú Cuiú and to plan for the upcoming drill program which will focus on testing a series of high -grade targets at Cuiú Cuiú. The Company also used this downtime to fully refurbish and test the RC drill rig
- In July 2020, the Company reported additional surface results received from the Cilmar target located in the northeast part of the Cuiú Cuiú concession area. The results identified several potential sources for the coarse gold nuggets recovered from the main drainage
- In August 2020, the Company announced the mobilisation of the RC drill rig to Cuiú Cuiú

Finance

- The balance of cash and cash equivalents as at June 30, 2020 was $2,906,187 and the net working capital balance as at this date was $2,677,718 (see 'Liquidity and going concern')
- In May 2020, the Company announced a non-brokered private placement of up to 16,000,000 common shares at a price of $0.125 per share for gross proceeds of up to $2,000,000. Due to increased demand, the size of the private placement was expanded. Three closings took place in late June and early July 2020 raising gross proceeds of $4,179,014 on the issuance of 33,432,110 common shares (see 'Liquidity and going concern')
- In July 2020, the Company announced that it had extended the expiry date of the 22,796,832 share purchase warrants issued to subscribers pursuant to the July 2019 private placement from July 25, 2020, to November 25, 2020 (see 'Liquidity and going concern')
- In July and August 2020 (through August 28, 2020), a total of $1,353,209 was raised in through the exercise of 6,766,044 share purchase warrants at $0.20 issued in connection with the July 2019 private placement (see 'Liquidity and going concern')
- The R$ depreciated 27% in 2020 through August 21. 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 $.

Cuiú Cuiú

The Company's primary gold project is Cuiú Cuiú.

2020 year to date work program

<u>Q4 2019 drill program</u>

The second diamond drill program of 2019 commenced in late September 2019 and continued through November 2019; drill results were received through Q1 2020. Highlights of the program are presented in the Company's news releases issued in Q4 2020 and Q1 2020 and on its website and include the following:

- MG deposit: 16.9m @ 9.6 g/t gold from 82.6m including 7.6m @ 18.5 g/t gold from 91.9m in hole 199-19 (see press release dated November 7, 2019)
- MG deposit: 14.2m @ 6.7 g/t gold from 109.4m depth including 5.6m @ 13.0 g/t gold from 109.4m and 0.9m @ 22.4 g/t gold from 121.3m depth in drill hole 202-19 confirming the along strike and down dip continuity of high-grade mineralization (see press release dated January 20, 2020)
- MG second zone of high-grade gold mineralization: 7.8m @ 4.7 g/t gold including 0.6m @ 48.5 g/t gold in drill hole 201-19 (see press release dated January 20, 2020)
- Central deposit: 17.3m @ 2.1 g/t gold including 6.0m @ 4.9 g/t gold from 130.5m in hole 204-19 and 39.6m @ 1.3 g/t gold from 126.6m including 3.6m @ 6.0 g/t gold and 2m @ 5.0 g/t gold in hole 205-19 and 38.5m @ 1.5 g/t gold including 1.5m @ 6.0 g/t and 1.6m @ 8.6 g/t gold in hole 206-19 (see press release dated February 5, 2020).

<u>Other exploration activity</u>

Exploration initiatives undertaken during 2020 to date included the following:

- At the Alonso target, a soil sampling program was initiated in Q1 2020 aimed at defining geochemical anomalies following the recognition of high-grade rock chips on the margin of alluvial workings. Approximately 300 samples have been collected to date. Both the Alonso and Cilmar areas are associated with a post-mineralization cover sequence extending over part of the area, and subtle anomalies are considered significant

- A trench at the Alonso target identified a vein interval which returned 1.3m @ 7.1 g/t. A composite grab from the same vein 8m to the east returned a grade of 15.8 g/t gold, where the trench was first attempted but then abandoned. The northern limit of the trench terminated within a low-grade halo (4m @ 158 ppb gold). The extent of trenching is limited by wet season conditions, and further work is required to determine the cross-strike footprint of mineralization
- Further reconnaissance work identified a site with mineralized boulders located 950m to the west-south-west of Alonso, returning values of 1.0 to 7.7 g/t gold. The rock chip results coupled with the magnetic imagery suggests that a network of east to north-easterly trending prospective structures are present over this poorly exposed area
- Following the success in identifying the new Alonso high-grade target, continued reconnaissance mapping and sampling in the eastern part of the concession area identified additional mineralized blocks in an area 4km east of Alonso. Two areas of quartz-sulphide blocks on surface returned values of 1.1 to 82.1g/t gold (13 samples averaging 26.0g/t gold) and 5.2 to 50.1 g/t gold (6 samples averaging 21.8g/t gold). The two areas are located 330m apart and blocks are all angular in nature suggesting that they are very close to source. The new target has been named Medusa after the complex structural setting suggested by the airborne magnetic data.

Medusa is located within a flexure in the main Tocantinzinho structure where the principal orientation of the structure appears to bend east-west. This structural corridor hosts Eldorado Gold Corporation's Tocantinzinho gold resource 20 kilometres to the south-east, along with the Santa Patricia porphyry copper-molybdenum deposit located 13 kilometres to the south-east. Medusa is the first target at Cuiú Cuiú identified by Cabral which sits within the main Tocantinzinho fault zone. The Medusa target and the structural extensions of the fault zone will be a focus for ongoing exploration.

Cumulative exploration expenditures

Cumulative exploration spend incurred on the Cuiú Cuiú property through June 30, 2020 by the Company and a previous owner of the property amounts to approxiamtely $30.3m as follows:

	Previous owner (1)	Dec. 31, 2019 (2)	6M ended 30 June 2020	Total
Drilling contractor	$ 12,252,193	$ 806,059	$ -	$ 13,058,252
Payroll	7,187,040	1,711,693	356,131	9,254,864
Field costs	1,255,833	1,044,521	217,638	2,517,992
Consulting, third parties	1,178,055	1,024,576	97,749	2,300,380
Freight and travel	931,739	444,377	65,617	1,441,733
Assay	832,789	127,952	14,825	975,566
Geophysics	772,114	-	-	772,114
	$ 24,409,763	**$ 5,159,178**	**$ 751,960**	**$ 30,320,901**

(1) Relates to exploration expenditures incurred from the initial establishment of Magellan Brazil in 2005 through April 16, 2016 when Magellan Brazil was transferred from Magellan Minerals Ltd. ("Magellan") to Cabral Gold Ltd. through a series of transactions. Cabral Gold Ltd. became a wholly owned subsidiary of Cabral Gold Inc. on October 30, 2017

(2) Relates to exploration expenditures incurred from October 30, 2017 through December 31, 2019. Virtually no exploration activity was undertaken from April 16, 2016 through October 30, 2017

(3) Compiled based on previously reported annual financial statements denominated in Canadian dollars

RC drill rig

In February 2020, Cabral announced that it had acquired a track mounted ASV Scout ST-50 reverse circulation drill rig that is capable of drilling holes to a maximum of 200m depth. This will allow the Company to rapidly and cost effectively test its growing portfolio of high-grade targets.

The rig is second hand but barely used and was acquired for a total of US$ 125,000 which includes some maintenance costs; expected additional overhaul costs will amount to approximately $50,000. The purchase and importation of a new rig into Brazil would have cost approximately US$ 1.1 million. Management estimates RC drill costs could be as low as 10% of the cost of diamond drilling, or approximately $25 per metre including geochemical analysis.

The Company took advantage of the downtime associated with the COVID-19 fieldwork suspension to fully refurbish and test the RC drill rig. This process was completed in early August following which the rig was transported to Cuiú Cuiú. Active use of the rig commenced in late-August 2020 focussed on the recently identified high-grade Alonso and Medusa targets (see 'Outlook').

Permitting process

Following completion of six years of exploration on various parts of the Cuiú Cuiú property, Magellan Brazil submitted the requisite Final Exploration Report to the Brazilian Department of Mines ("ANM") 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 ANM and published in November 2015.

Following the approval of this report, Magellan Brazil initiated the process of acquiring a mining license in 2016 which has involved the preparation of various studies and their submission to, and ultimate acceptance by applicable authorities in Brazil. Activities undertaken during 2020 to date relating to the acquisition of a mining license for the Cuiú Cuiú property have included the following:

- Archaeological studies were completed and the final report was received. No archaeological sites of significance were encountered that would restrict the implementation of a mining plan
- The malaria studies were completed and the related technical report was compiled and received.

Submission of the final environmental study ("EIA-RIMA") is planned for the fourth quarter of 2020. A deferral in the submission date relative to previously announced dates was attributable to resources being redirected to exploration initiatives including the Q4 2019 diamond drill program.

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.

Direct permitting costs (relating primarily to third party studies) incurred in the six months ended June 30, 2020 amounted to $40,085 ($82,959 in the year ended December 31, 2019).

Camp and other construction

The Company continued the construction of the camp at Cuiú Cuiú in 2020 to date including the following:

- Construction of a new core shed with laboratory, sample storage and core cutting facility (completed in Q1 2020)
- Ongoing construction of living quarters for 26 employees including kitchen, office space and bathroom and laundry facilities.

As was the case with permitting, the completion of camp construction was deferred in 2019 to date to enable resources to be directed to the exploration programs. Specifically, completion of staff housing construction was put on hold and as a result, employee accommodation at Cuiú Cuiú continued to be rented from third parties.

Company response to COVID-19

In order to protect both staff and the local Cuiú Cuiú community from potential infection arising from COVID-19, the Company suspended all fieldwork at the Cuiú Cuiú project in Brazil in early April 2020. Due to COVID-19 outbreaks in Itaituba (where the Company's Brazil head office is located) and numerous towns and villages in the region, the work suspensions continued until late July 2020.

On the restart of exploration activity, initial fieldwork has been directed to areas outside of the town of Cuiú Cuiú (such as the Alonso and Medusa targets). These high-grade targets in the Eastern part of the Cuiú Cuiú property will provide excellent opportunities for further discoveries, while conducting exploration activity outside of the town of Cuiú Cuiú will reduce risks to the town's residents.

A number of COVID-19 protocols were initiated upon the recommencement of fieldwork at the Cuiú Cuiú project, including the ongoing testing of all employees and contractors.

As part of its ongoing corporate social responsibility initiatives, the Company has provided support to the town of Cuiú Cuiú throughout the current crisis through the provision of medical support and supplies (including masks and test-kits) to the community and the maintenance of a medical outpost in Cuiú Cuiú to serve not only our staff, but also local partners and the broader community.

In response to the crisis, the Brazilian government introduced various initiatives to reduce and defer payroll costs of employers such as Magellan Brazil. While such programs have provided financial relief to the Company that have resulted in significant reductions in its ongoing direct and indirect payroll costs, the Company has continued to incur payroll and other costs in Brazil while staff there have been largely idle and unable to undertake any form of exploration activity in the field. In late May, the Brazilian government announced an extension of the program for a further two months through mid August (in respect of the Company).

The Company utilised the downtime associated with the suspension of fieldwork to review all existing exploration data at Cuiú Cuiú, to plan for the next drill program which will focus on testing a series of high-grade targets at Cuiú Cuiú and fully refurbish and test the RC drill rig that was acquired in early 2020.

Outlook

The extent of drilling and other exploration activity at Cuiú Cuiú will be dependent on improvements in the COVID-19 situation. Subject to continued improvements with regards to this issue, the Company's near-term exploration plans are as described below.

Drilling is planned using the Company's RC drill rig and will initially focus on drill testing recently identified new high-grade targets at Alonso, Cilmar and Medusa. Additional drilling is also planned on several targets outside the existing resource base where previous drilling indicated the presence of high-grade gold mineralization. Infill drilling is planned at the Central and MG deposits to better define the high-grade zones which occur within both deposits.

Other exploration initiatives planned for 2020 include the following:

- Follow-up programs of rock chip and channel sampling is expected to continue at Machichie as well as several other targets on the property in an effort to determine the strike extent of this discovery and other high-grade zones.
- Ongoing soil sampling and auger drilling. This is expected to be focussed initially in the Medusa area and then extended along the Tocantinzinho structural corridor, a prominent regional structure hosting the Tocantinzinho gold resource and Santa Patricia porphyry Cu-Mo system of Eldorado Gold Corporation which is located along strike to the southeast
- Ongoing geological reconnaissance of the broader property following the positive results at the Alonso and Medusa targets which show that new high-grade gold occurrences remain to be located by geological mapping and prospecting.
- Continuation of third party studies relating to the permitting process. Applicable studies are on target to be submitted to the Brazilian Environmental authorities in late 2020. Estimated direct environmental permitting costs still to be incurred totalled approximately $200,000 as at June 30, 2020 (see ‘Contractual commitments’)
- Completion of the camp living quarters at Cuiú Cuiú as referred to above.

Poconé properties

The Company was a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso were to be identified, explored and developed. The first agreement was entered into between Magellan and ECI Exploration & Mining Inc. (“ECI”) on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the “ECI Venture”). The second set of agreements was between Magellan, ECI and Brasil Central Engenharia Ltda. (“Brasil Central”) pursuant to which Magellan, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through a newly incorporated entity, PGM. Magellan Brazil held a 35% interest in PGM through September 26, 2018.

Magellan’s rights and responsibilities associated with both the ECI Venture and PGM were transferred to CGL pursuant to an agreement dated April 15, 2016 between CGL, Magellan and ECI.

While the Poconé properties have never had a carrying value in the books of the Company, Magellan Brazil’s share of various liabilities relating to the ECI Venture and PGM were recognised.

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

In August 2015, ECI received notification that a former optionor of one of the property interests acquired by ECI on behalf of the ECI Venture had filed a claim against ECI and PGM in connection with an option agreement that had been entered into with the ECI Venture in December 2009. As of August 28, 2020, no claim had been filed against the Company, however, the Company is responsible for 50% of costs of ECI pursuant to the ECI Venture agreement. The plaintiff is claiming an amount of US$ 780,000 plus damages. Management has assessed the likelihood of a potential loss to be less than 50%. No accrual has been made in the accounts for any amount associated with the claim.

On September 26, 2018, an agreement was entered into pursuant to which the shares of PGM held by both Magellan Brazil and the Brazilian subsidiary of ECI were transferred to Brasil Central in exchange for Brasil Central taking over the debts of PGM and making nominal cash payments.

The disposal of PGM does not reduce the Company's exposure relating to the aforementioned legal claim against ECI and PGM. Furthermore, as part of the sale of PGM, Magellan Brazil and the Brazilian subsidiary of ECI provided an indemnification to PGM relating to any losses resulting from the legal claim.

Proposed transactions

As at June 30, 2020 and August 28, 2020, there were no proposed asset or business acquisitions or dispositions being contemplated other than the sale of a secondary property.

Selected financial information

A summary of results in respect of the five quarters ended June 30, 2020 is as follows. This summary information has been derived from the audited consolidated financial statements and condensed interim consolidated financial statements (unaudited) of the Company.

Statements of loss

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Revenue	-	-	-	-	-
Exploration and evaluation	511,988	614,432	792,747	544,294	314,252
Administration:					
Management	90,958	93,094	95,812	95,174	95,779
Office and administration	105,821	122,165	139,751	80,094	98,502
Stock-based compensation	73,394	117,317	96,302	77,301	55,394
Depreciation	25,580	25,819	33,622	37,646	31,153
Professional fees	26,997	11,402	5,479	9,731	6,488
Travel	17,510	11,404	18,123	7,774	26,217
Listing expense	6,358	2,746	2,360	2,186	3,897
	346,618	*383,947*	*391,449*	*309,906*	*317,430*
Foreign exchange loss (gain)	3,411	3,229	(360)	307	5,579
Interest income	(3,093)	(8,020)	(4,703)	(520)	(23)
Other income (net)	-	151	(12,613)	(36,572)	9,305
Net loss	**858,924**	**993,739**	**1,166,520**	**817,415**	**646,543**

- Exploration and evaluation: A phase 2 diamond drill program commenced in late Q3 2019 (see 'Cuiú Cuiú – 2020 year to date work program'). The significant reduction in exploration spend in Q2 2020 was due to the COVID-19 suspension of fieldwork, reduction in net payroll costs in Brazil due to benefits provided by government programs and the ongoing deterioration in the value of the Brazilian reais relative to the Canadian dollar
- Management costs relate to compensation of the Company's officers (Executive Chairman, President and CEO and CFO). These amounts exclude stock-based compensation
- Office and administration relates to the costs of operating the Company's Vancouver office including marketing initiatives such as attendance at conferences and various road shows.
- Stock-based compensation relates to the amortisation of three tranches of stock options and RSUs granted as follows:
  - June 2018: 450,000 stock options having an exercise price of $0.23 and vesting over two years
  - January 2019: 1,644,672 stock options having an exercise price of $0.25 and vesting over two years
  - September 2019: 266,666 RSUs issued vesting over three years

- September 2019: 2,575,000 stock options having an exercise price of $0.15 and vesting over two years

- Professional fees relate to audit fees, legal fees and certain advisory fees relating to the provision of marketing services
- Other income (net) in Q4 2019, Q1 2020 and Q2 2020 relates primarily to proceeds (net of applicable taxes) realised on the sale of a secondary property (not part of Cuiú Cuiú).

Statements of financial position

	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20
Cash and cash equivalents	138,230	1,973,465	705,725	31,987	2,906,187
Other current assets	176,939	168,797	190,242	151,357	133,691
Fixed assets	951,851	914,605	973,539	892,845	823,484
Mineral properties	1,504,469	1,498,392	1,538,620	1,449,663	1,447,702
Total assets	*2,771,489*	*4,555,259*	*3,408,126*	*2,525,852*	*5,311,064*
Accounts payable and accru	418,683	364,697	262,343	426,598	362,160
Other liabilities and provisio	3,084	7,203	-	-	-
Total liabilities	*421,767*	*371,900*	*262,343*	*426,598*	*362,160*
Share capital	8,689,557	11,866,177	11,866,177	11,866,177	14,956,270
Reserves	1,756,252	1,933,742	2,030,044	2,107,345	2,175,267
Subscription receipts	404,000	-	-	-	490,625
Other comprehensive incom	(248,479)	(371,213)	(338,571)	(644,986)	(797,433)
Accumulated deficit	(8,251,608)	(9,245,347)	(10,411,867)	(11,229,282)	(11,875,825)
Total equity	*2,349,722*	*4,183,359*	*3,145,783*	*2,099,254*	*4,948,904*
	-	-	-	-	-

- Fixed assets relate primarily to a 30 hectare plot of land in Cuiú Cuiú that was purchased by Magellan Brazil in early 2016 prior to its acquisition by Cabral. Movements in the period under consideration relate primarily to camp construction and miscellaneous capital purchases relating to the establishment of the exploration camp at Cuiú Cuiú offset by depreciation expense and the impact of the general deterioration in the value of the Brazilian reais relative to the Canadian dollar. Movements in Q1 2020 relate primarily to the purchase of the RC drill rig offset by depreciation expense and the impact of the considerable deterioration in the value of the Brazilian reais during this quarter
- The balance of mineral properties relates to capitalised acquisition and claim maintenance costs. Increases relate to claim maintenance expenditures comprising payments to both the Brazilian authorities (Q1 and Q3) and members of the Cuiú Cuiú garimpiero condominium (Q1 and Q2). As is the case with fixed assets, increases are offset by decreases associated with the general deterioration in the value of the Brazilian reais which were particularly significant in Q1 2020. With the exception of $121,072, the June 30, 2020 balance related entirely to Cuiú Cuiú
- The balance of accounts payable and accrued liabilities increased as at March 31, 2020 relative to previous balance sheet dates due primarily to significant increases in amounts due to management in connection with funding provided to the Company in the form of unpaid management remuneration, expenses paid on behalf of the Company and advances to the Company. This liability was reduced but not eliminated utilising the proceeds of the June 2020 private placement (see 'Liquidity and going concern').

Liquidity and going concern

As at June 30, 2020, the Company had a cash balance of $2,906,187, and net working capital of $2,677,718.

The Company closed the first tranche of a private placement in late June 2010. Future cash inflows were realised subsequent to June 30, 2020 with the closing of two further tranches of the private placement and the exercise of warrants (see discussion below).

The Company's cash balance had depleted during Q1 2020. Through March 31, 2020 and subsequent thereto, management had been funding operations through deferred remuneration, expenses paid on behalf of the Company and funds advanced to the Company. Certain of the proceeds of the June 2020 private placement were applied to these liabilities as well as the payment of certain expenditures that had been deferred.

June and July 2020 private placement

In May 2020, the Company announced a non-brokered private placement of up to 16,000,000 common shares at a price of $0.125 per share for gross proceeds of up to $2,000,000. Due to increased demand, the size of the offering was increased twice. The private placement ultiamtely closed in three tranches totalling 33,432,110 common shares for gross proceeds of $4,179,014 as follows:

- June 19, 2020: 25,997,400 common shares for gross proceeds of $3,249,675. This initial tranche of the private placement included a brokered component comprising 2,400,000 common shares for gross proceeds of $300,000
- July 6, 2020: 3,934,710 common shares for gross proceeds of $491,839
- July 7, 2020: 3,500,000 common shares for gross proceeds of $437,500.

The Company incurred total finder's fees of $53,000 of which $32,000 relates to the non-brokered portion of the private placement and includes $18,000 paid through the issuance of 144,000 common shares. The remaining $21,000 of finder's fees relates to the brokered component and was paid through the issuance of 168,000 common shares. The Company also issued 144,000 share purchase warrants in connection with the brokered portion; each broker warrant entitles the holder to purchase one common share at a purchase price of $0.20 for a period of 24 months following closing of the private placement.

Exercise of share purchase warrants

In July 2020, the Company announced that it had extended the expiry date of the 22,796,832 share purchase warrants issued to subscribers pursuant to the July 2019 private placement. The expiry date was extended from July 25, 2020, to November 25, 2020. All other terms of the share purchase warrants, including the $0.20 exercise price, remained unchanged. The 970,358 finder warrants issued in connection with this private placement were not subject to the extension.

The Company raised a total of $1,353,209 through August 28, 2020 through the exercise of 6,020,099 subscriber warrants and 745,045 finder warrants as follows:

	Exercise price		Issued	Exercised	Expired	Outstanding
Subscriber warrants	$	0.20	22,796,832	6,020,999	-	16,775,833
Finder warrants	$	0.20	970,358	745,045	225,313	-
			23,767,190	**6,766,044**	**225,313**	**16,775,833**

See 'Outstanding share data' below for a summary of the Company's capital structure as at August 28, 2020.

Going concern

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

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding through equity financing 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.

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.

The Company's 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.

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

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

Operating activities

Cash used in operating activities in the six months ended June 30, 2020 amounted to $1,118,442 as follows:

- The net loss for the quarter of $1,463,958
- Non-cash items totalling $212,146 including depreciation and stock-based compensation
- Net reduction in non-cash working capital items of $133,370 primarily in respect of amounts due to management in connection with the funding of the Company and the amortisation of prepaid marketing spend.

Investing activities

Cash used in investing activities in the six months ended June 30, 2020 amounted to $273,674 as follows:

- Additions to mineral properties of $139,712 relating to capitalised mineral claim maintenance costs
- Additions to fixed assets of $133,962 relating primarily to the purchase of the RC drill rig in Q1 2020 and to a lesser extent, ongoing camp construction.

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, 2020 or August 28, 2020 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; the agreement was subsequently amended. As at June 30, 2020, approximately R$ 515,000 ($130,000) of the contract (as amended) was outstanding
- Magellan Brazil entered into an agreement in April 2018 with Senior Geologia e Mineracao Ltda relating to two tailings dam studies; the agreement was subsequently amended. As at June 30, 2020, approximately R$ 175,000 ($45,000) of the contract (as amended) was outstanding
- Magellan Brazil entered into an agreement in April 2018 with Hidrovia Hidrogeologia e Meio Ambiente Ltda relating to the hydrogeological study; the agreement was subsequently amended. As at June 30, 2020, approximately R$ 90,000 ($25,000) of the contract (as amended) was outstanding
- The surface access agreement with the Cuiú Cuiú garimpieros pursuant to which approximately R$ 250,000 (approximately $65,000) is to be paid to the garimpieros in Q2 of each year in connection with the surface access fee in respect of the following year
- The Company is committed to sharing in net costs and commitments associated with its Poconé venture including its share of any losses relating to current litigation against PGM and a venture partner.

Capital resources

The Company had no capital expenditure commitments as at either June 30, 2020 or August 28, 2020 other than nominal agreements associated with the construction of the Cuiú Cuiú camp.

Transactions with related parties

The Company incurred the following costs of management remuneration:

		6 months ended June, 2020		6 months ended June, 2019
Management:				
Employment and consulting remuneration	$	170,000	$	170,000
Payroll related costs		12,550		12,610
Stock-based compensation		60,295		130,169
		242,845		312,779
Directors (excluding management):				
Stock-based compensation, stock options		21,969		47,857
Stock-based compensation, RSUs		10,334		-
		32,303		47,857
	$	**275,148**	**$**	**360,636**

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

As at June 30, 2020, the Company owed a total of $79,622 to management in connection with unreimbursed expenditures incurred by management on behalf of the Company and advances made to the Company by management. This liability had been repaid in full by August 28, 2020. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

Outstanding share data

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

The Company had the following common shares, unit and share purchase warrants and stock options outstanding as at June 30, 2020 and August 28, 2020:

	Aug. 28, 2020	June 30, 2020
Issued and outstanding common shares	101,857,404	87,656,650
Fully diluted	128,788,351	117,598,954
Share purchase warrants:		
November 25, 2020 ($0.20)	16,775,833	22,796,832
July 25, 2020 ($0.20)	-	970,358
November 28, 2020 ($0.25)	366,000	366,000
May 26, 2021 ($0.25)	600,000	600,000
June 19, 2022 ($0.20)	144,000	144,000
	17,885,833	24,877,190
RSUs	841,666	266,666
Stock options	8,203,448	4,798,448

Recent accounting pronouncements

The Company has determined that new accounting standards or amendments to existing accounting standards that were effective for annual periods commencing on or after January 1, 2020 are either not applicable or do not have a significant impact on the Company's consolidated financial statements.

The Company has determined that new 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.