Cabral Gold

Cabral Gold Inc.
(An Exploration Stage Company)

Management Discussion and Analysis

For the year ended December 31, 2020

Dated: March 26, 2021

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 March 26, 2021. It is intended to be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2020.

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.

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.

Gold results quoted herein have been determined by fire assay at SGS Laboratories, Belo Horizonte.

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 March 26, 2021.

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 year ended December 31, 2020 and the period ended March 26, 2021 were highlighted by the following activities and initiatives:

Exploration and development

- In February 2020, the Company announced that it had acquired a track mounted reverse circulation drill which has allowed for the cost-effective testing of various targets within the Cuiú Cuiú project area
- In April 2020, the Company announced that it had suspended all fieldwork at the Cuiú Cuiú project 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 late July 2020
- The Company took advantage of this fieldwork suspension to review all existing exploration data at Cuiú Cuiú and to plan for the pending diamond drill program which focussed 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
- Exploration activity increased significantly in Q3 2020 following closing of the private placement in June and July 2020, the end of COVID-19-related work suspensions in July, the retention of additional staff (both employees and contractors) and commencement of the RC drill program
- In August 2020, the Company announced the mobilisation of the RC drill rig to Cuiú Cuiú. The RC drill program commenced in late September 2020 and has since focussed on reconnaissance drilling, testing a series of high-grade targets
- In September 2020, the Company announced that it would be adding a second RC rig at Cuiú Cuiú. The rig was mobilised to site in October and has since focussed on follow-up drilling of advanced targets
- In September 2020, the Company announced channel sample results of 5.3m @ 24.0 g/t gold at the Jerimum North target, located 4km north-east of the MG deposit. Mineralization is confined to a NE-trending quartz-pyrite vein system that has never been drill tested. Surface grab samples with values of 966.2 g/t, 331.7 g/t and 55.4 g/t gold occur 130m to the NE and may be related to the same structure

- In December 2020, the Company announced a new high-grade target at Tracaja, located 1.8km NNE of the Medusa target. Nineteen surface grab samples collected from the edge of historic placer workings, returned values of 24.2 g/t to 165.0 g/t gold and average 74.9 g/t gold. Recent surface sampling from the Filao de Amor vein structure in the Machichie SW area also returned gold values of 0.5 – 324.5 g/t with an average of 123.4 g/t gold. Reconaissance drilling continued at an early stage of evaluation of new targets
- In February 2021, the Company announced that it had added a third drill rig and had commenced a minimum 5,000 metre diamond drill program
- Ongoing regional soil, rock chip and reconnaissance mapping and auger drilling continued in several target areas including Alonso / Alonso West, Medusa, Dona Moca, MG, JB, Cilmar and Ivo.

Finance

- The balance of cash and cash equivalents as at December 31, 2020 was $5,477,780 and the net working capital balance as at this date was $5,246,060
- 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 total 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. A total of 22,296,832 of these share purchase warrants were ultimately exercised. Including other series of warrants, a total of $4,824,875 was raised through the exercise of 23,907,877 share purchase warrants at a weighted average exercise price of $0.20 in 2020 (see ‘Liquidity and going concern’)
- The R$ depreciated 24% relative to the $ during 2020 and depreciated a further 7% in 2021 through March 19, 2021. 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 $.

Other

- Ongoing corporate social responsibility activities continued during 2020 within the surrounding community of Cuiú Cuiú including extensive assistance in connection with the Q2 2020 COVID-19 outbreak as well as ongoing contributions to the community’s school, the provision of community garbage cleanup services, the drilling of a new water borehole for the community, the sharing of the Company’s medical centre facilities and staff with the community and ongoing support of educational and health events related to COVID-19 treatment, testing and prevention
- In November 2020, the Company announced the appointment of Carlos Vilhena to the Board of Directors.

Cuiú Cuiú

The Company’s primary gold project is Cuiú Cuiú.

Background: surface access agreement, garimpeiro condominium

On February 19, 2006, Magellan Brazil entered into a surface access agreement with the holders of the traditional surface rights over the Cuiú Cuiú property. The 2006 agreement has since been amended and extended several times the most recent of which was on March 29, 2017. The current terms of the agreement require Magellan Brazil to pay R$ 5,400 per year (equivalent of $1,323 as at December 31, 2020) to each of the 19 majority stakeholders and R$ 2,700 per year ($662) to each of the 61 minority stakeholders.

Payments totalling approximately $66,000 are due to the garimpeiros (both majority and minority stakeholders) in Q2 2021 in connection with the surface access fee in respect of the year ended March 2022.

The agreement specifies that in the event that an economically viable gold resource is identified and supported by a formal feasibility study, Magellan Brazil will make an additional payment to the holders of the traditional surface rights based on the quantity of gold defined (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Less than 1.0 million ounces: US$ 2,000,000
- 1.0 million ounces to 2.0 million ounces: US$ 3,000,000
- 2.0 million ounces to 3.0 million ounces: US$ 4,000,000
- 3.0 million ounces to 4.0 million ounces: US$ 6,000,000
- More than 4.0 million ounces: an additional US$ 3,000,000 for every additional million ounces identified in excess of 4.0 million ounces of contained gold.

Upon delivery and approval of the final research reports on the areas under consideration to the Brazilian National Department of Mineral Production or at any time if the size of the gold reserve is found to be economically viable (pursuant to a formal feasibility study), Magellan Brazil is to provide written notice to the condominium following which the aforementioned payment is to be made within 90 days.

Acquistion of garimpeiro interests

The surface access agreement with the garimpeiro condominium provides the Company with the right to acquire any stakeholder's interest at any time for a specified price as defined in the agreement. Such purchases are made for the purpose of consolidating land tenure of strategic ground.

During 2019, the Company chose to acquire a minority stakeholder's interest at a negotiated price of R$ 100,000 (approximately $31,000). The purchase price was paid in full during 2020.

In March 2021, the Company chose to acquire the interest of a majority stakeholder for a price of R$ 465,000 (approximately $104,000) as per the terms of the garimpeiro condominium agreement. The purchase price was paid in full in March 2021.

New surface access and purchase agreements within the Cuiú Cuiú district

During 2020, the Company entered into three new surface access and purchase agreements relating to a total of 9,285 hectares located northeast and east of the the main Cuiú Cuiú property.

<u>Garimpo Cilmar</u>

In August 2020, Magellan Brazil entered into an agreement pursuant to which it gained access to a parcel of land having a total area of approximately 5,447 hectares located northeast of the main Cuiú Cuiú property. The monthly fee for the year ending August 2021 amounts to R$ 12,000 ($2,941) per month; thereafter, the monthly charge is to be adjusted based on official inflation indices.

<u>Garimpo Santa Barbara</u>

In March 2020, Magellan Brazil entered into an agreement pursuant to which it gained access to a parcel of land having a total area of approximately 2,769 hectares in the Nova Aliança area located southeast of the main Cuiú Cuiú property. The monthly fee for the year ending February 2021 amounts to R$ 6,000 ($1,471) per month. In March 2021, the monthly fee was increased to R$ 7,000 per month in respect of the year ending February 28, 2022.

Garimpo Nova Aliança

In February 2020, Magellan Brazil entered into an agreement pursuant to which it gained access to a parcel of land having a total area of approximately 1,069 hectares in the Nova Aliança area located east of the main Cuiú Cuiú property. The monthly fee for the year ending February 2021 amounts to R$ 6,000 per month. In March 2021, the monthly fee was increased to R$ 7,000 ($1,716) per month in respect of the year ending February 28, 2022.

Based on the current terms, the total annualised surface access fees for the three properties will amount to R$ 308,000 (approximately $72,600) in respect of 2021.

Each of the three agreements include an option pursuant to which Magellan Brazil may purchase the subject property by making a payment to the owner based on the amount of gold defined on the applicable property at the time of activation and payment (as measured in accordance with provisions defined by the Brazilian National Mining Agency (*Agencia Nacional de Mineraçao*)) as follows:

- Less than 1.0 million ounces: US$ 1,000,000
- 1.0 million ounces to 2.0 million ounces: US$ 2,000,000
- 2.0 million ounces to 3.0 million ounces: US$ 3,000,000
- 3.0 million ounces to 4.0 million ounces: US$ 4,000,000
- More than 4.0 million ounces: an additional US$ 1,000,000 for every additional million ounces identified in excess of 1.0 million ounces of contained gold to a maximum of US$ 2,000,000.

Net smelter royalties

There are two net smelter royalties (“NSR”) on the Cuiú Cuiú property as follows:

- A 1.0% NSR held by Sandstorm Gold Ltd. (“Sandstorm”). The Company is required to pay an advance royalty of US$ 250,000 on the date that it obtains a feasibility study that recommends placing all or part of the Cuiú Cuiú project into production and a further advance royalty payment of US$ 250,000 on each one year anniversary of this date thereafter until the property enters commercial production. As part of the transaction, Sandstorm has a right of first refusal on any future royalty or gold stream financing for the Cuiú Cuiú project. The NSR agreement was originally entered into by Magellan Minerals Ltd. (“Magellan”) whose rights and responsibilities associated with the agreement were transferred to Cabral pursuant to an agreement dated May 2, 2016
- A 0.5% NSR held by Equinox Gold Corp. which is subordinate to the Sandstorm NSR.

2020 and 2021 year to date work programs

Reconnaissance RC drill program

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. The rig is second hand but barely used and was acquired for a total of US$ 125,000. The purchase and importation of a new rig into Brazil would have cost approximately US$ 1.1 million.

The rig was purchased with the objective of allowing the Company to rapidly and cost effectively test its growing portfolio of high-grade targets, specifically regional targets that are not well defined. The drill programs for these targets are planned as drill hole traverse across surface geochemical anomalies or boulder occurrences to identify potential mineralized structures or trends.

The Company took advantage of the downtime associated with the COVID-19 fieldwork suspension to refurbish and test the RC drill rig. This process was completed in August 2020 following which the rig was transported to Cuiú Cuiú.

The RC drill program commenced in September 2020 focussing initially on high-grade targets at Alonso, moving to Medusa in late October, Tracaja in January 2021, Indio in February and the Jerimum do Maio target in March.

Various operating inefficiencies were experienced during September and October which resulted in less than expected production rates. These issues led to downtime in both months while the Company waited for the delivery and installation of replacement parts on the rig. The rig has since experienced peak production rates of 70-80 metres per day and the Company is working to achieve consistency in performance.

In late January 2021, the reconnaissance drill program was temporarily suspended due to an outbreak of COVID-19 within the drill team. Operations recommenced in late February 2021.

Highlights of the reconnaissance RC drill program are presented in the Company's news releases and its website and include the following:

- Alonso and Alonso West: 15 holes totalling 749m of drilling
- Medusa: 21 holes totalling 944m of drilling
- Tracaja: six holes totalling 537 m of drilling.

The reconnaissance drilling requires fences of holes on broad-spaced traverses as the location and orientation of the structure host structure responsible for the boulders is not specifically known. The most significant intercept was returned from the final hole of the program (RC 36-20) at Medusa which was drilled immediately north of the eastern-most boulder train and intersected a broad low-grade zone of gold mineralization and a 1m section from 83.0m depth returned 1.0 g/t gold directly underneath the eastern most set of boulders which range from 1.1 to 82.1 g/t gold. This intercept is encouraging and will require follow-up drilling of the structure immediately to the east and west. Variably disseminated pyrite was present across the broader interval of 19.0 to 63.0m associated with weaker mineralization, indicating the presence of a broad alteration system (see news release dated January 7, 2021).

Results from the initial reconnaissance drill holes include 1m @ 0.61 g/t gold from 51m and 7m @ 0.45 g/t gold from 82m in hole 50, 2m @ 0.70 g/t gold from 55m in hole 51 and 1m @ 0.64g/t gold from 28m in hole 52 at the Tracaja target. Whilst these gold values are lower than the blocks sampled on surface, the presence of a mineralized structure is significant. The prospect will require further follow up drilling to identify the position of the high-grade shoots within the structure responsible for the boulders, and drilling of extensions where the magnetic data shows convergence between NE and E-W structures (see news release dated January 20, 2021).

Follow-up RC drill program

In order to increase the pace of drilling and resulting news flow, the Company entered into a contract with a third-party independent drilling contractor in late September 2020 to add a second RC drill rig with personnel on site to focus on the follow-up drilling of advanced targets. The rig was ultimately mobilised to site in late October 2020. The rig is a larger truck-mounted unit capable of drilling to depths of 450m. The program is designed to follow up positive results from previous drill holes and surface trenches where the locations of the mineralized structures are known.

The program was initially directed to follow up on positive drill results at the Machichie target - including 45m @ 1.0 g/t (including 3.1m @ 7.3 g/t gold) and 62.8m @ 0.9 g/t (including 2.1m @ 15.3 g/t gold) - and then moved to further the recently identified high-grade veins in the Machichie SW area where previous drilling intersected 3.4m @ 36.9 g/t gold, and 3m @ 7.4 g/t gold.

Highlights of the follow-up RC drill program are presented in the Company's news releases and its website and include the following:

- Machichie target: 34m @ 5.4 g/t gold including 13m @ 13.4 g/t gold within which a bonanza grade section returned 3m @ 48.2 g/t gold (RC 40-20; see news release dated January 7, 2021)
- Machichie target: 20m @ 1.2 g/t gold including 1m @ 10.0 g/t gold (RC 41-20; see news release dated January 7, 2021)
- Machichie target: 8m @ 3.3 g/t gold (RC 45-21; see news release dated February 11, 2021).

Q1 2021 diamond drill program

In February 2021, the Company announced that it had added a third drill rig and had commenced a minimum 5,000 metre diamond drill program. The rig will initially focus on drilling off high-grade zones at both the MG and Central gold deposits where previous diamond drilling has returned over 70 drill intercepts in excess of 10 g/t gold.

Other exploration initiatives

Ongoing geochemical programs were undertaken commencing in late 2020 in both the established Jerimum and Machichie target areas, as well as less explored areas in the eastern part of the Cuiú Cuiú district:

- Soil sampling and auger drilling activity was focussed in the Medusa area within 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)
- Grab samples of rock material were taken from workings in the Machichie area and the eastern part of the Cuiú Cuiú district where the source of extensive alluvial mineralization remains to be located
- Follow-up surface channel sampling continued 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 geological reconnaissance of the broader property continued following positive results:

- In the Cilmar region, quartz-sulphide float boulders were located in a drainage 350m WSW of the nugget field. A total of 13 samples from surface float ranged from 1.4 to 12.3 g/t gold (averaging 4.5 g/t gold). This area is coincident with a major structural intersection evident in the regional magnetic data
- In the Machichie area, six NE trending high-grade vein structures were identified between the E-W trending MG and Machichie main structural corridors. Grades of 21.4 g/t and 15.3 g/t gold were returned adjacent to shafts on the Maranhão structure. Drilling will target depth and strike extensions to a surface trench result of 5.8m @ 16.0 g/t gold, and prior drill results of 3.4m @ 36.9 g/t and 3.0m @ 7.4 g/t gold
- The ongoing regional reconnaissance program at Cuiú Cuiú identified a new high-grade target at Dona Moca which is located 1.6 kilometres ENE of the Medusa target. Surface grab samples at Dona Moca returned gold values of 108.3 g/t, 32.0 g/t, 21.9 g/t and 3.9g/t gold
- In late September, surface sampling at the Jerimum North target identified a new outcropping NE trending vein system which returned 5.3m @ 24 g/t gold
- Nineteen surface grab samples collected from the edge of historic placer workings at Tracaja, a new high-grade gold target located 1.8km NNE of the Medusa target, returned gold values of 24.2 g/t to 165.0 g/t gold, averaging 74.9 g/t gold
- Reconnaissance surface sampling at the Indio target returned gold values from quartz-sulphide float material up to 137.8 g/t gold
- An outcropping east-west trending vein structure was identified in surface reconnaissance work at the JM target located 2.2km NW of the MG gold deposit. Channel sampling of the new vein structure returned 0.9m @ 35.3 g/t gold (open)

- Surface grab sampling completed at the JM vein structure during December 2020 returned gold values of 23.7, 42.6, 126.4, 145.8, 162.2 and 700.2 g/t gold.

Exploration activity undertaken through 2020 and 2021 to date has identified a number of high-grade targets for drill testing in various areas of the Cuiú Cuiú property.

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 will has involved the preparation of various studies and their submission to, and ultimate acceptance by applicable authorities in Brazil. Activities undertaken in 2019 and 2020 to date relating to the acquisition of a mining license for the Cuiú Cuiú property have included the following:

- Q3 2019: Geosan Geotecnologia was contracted to provide a detailed drone airborne photo-topographic survey of the proposed mine layout and a geodesic survey of historic drill holes at Central, MG and Jerimum de Baixo as part of the mining license process. The survey also provided greater confidence in the location of drill holes testing high grade intersections at both MG and Central as well as a validation of the Company's drill hole location database
- Q1 2020: Archaeological studies were completed by third parties and the final report was received. No archaeological sites of significance were encountered that would restrict the implementation of a mining plan. The competent archeological department IPHAN has identified some technical areas of the submitted report and photographic figures that were of poor quality and have requested rectification of the same. Some areas did not have access due to water and tenure at the time of the original report and will need to be visited and documented in 2020. Field work will be conducted in the summer months of July and August 2021 to resolve these issues and a revised report will be submitted
- Q1 2020: The malaria studies were completed and the related technical report was compiled and received.

On December 23, 2020, the EIA-RIMA (environmental background study) was submitted as part of the mining applications for 850.615/2004 and 850.047/2005 within the legally required timeframe. At the same time, an application for six Trial Mining Licenses (Guias de Utilizacao) covering an area of approximately 250 hectares was submitted for the Central, Pau da Merenda, Moreira Gomes and Machiche of which two were granted by the ANM on February 3, 2021 on the Moreira Gomes and Machiche target areas. The environmental licensing for these Trial Mining Licenses, with submission of a formal RCA/PCA report in December 2020, has been requested but is outstanding.

Direct permitting costs (relating primarily to third party studies) incurred in the year ended December 31, 2020 amounted to $214,865 ($82,959 in the year ended December 31, 2019).

Corporate social responsibility

Corporate social responsibility activities within the surrounding community of Cuiú Cuiú continued in 2020 including the following:

- The water supply for the village comes from a recently drilled water bore hole. The well was drilled with financial and technical support from Magellan Brazil, Energold Drilling and Pronorte with the hole formally licensed on the November 3, 2020 and delivered to the local community on December 10, 2020

- Ongoing contributions to the community's school
- Sharing of the Company's medical centre facilities and related staff with the community with extensive assistance provided in terms of both personnel and medical resources to the community relating to the COVID-19 pandemic
- Involvement in the construction of a new health clinic with all members of the community participating. The Company will help local government supply all necessary equipment and supplies to maintain the clinic
- Ongoing provision of space for the local police post and logistical support to the police. The Company is in discussions with the local community and local government to cooperate in the construction of a permanent police post at Cuiú Cuiú.

The support of the local community is extremely important in the permitting process.

Camp and other construction

The Company continued the construction of the camp at Cuiú Cuiú in 2020 and 2021 to date including the following:

- Construction of a new core shed with laboratory, sample storage and core cutting facility (completed in Q1 2020)
- Construction of living quarters for up to 80 employees and contractors (completed in Q4 2020)
- Ongoing construction of kitchen, eating area, bathroom and laundry facilities (completed in Q1 2021)
- Ongoing construction of administrative office, warehouse with operational vehicle workshop, fuel depots and recreational areas (expected completion in Q2 2021)
- Water bores were drilled for the new camp site and a second water bore was drilled and donated to the Cuiú Cuiú community with sponsorship by Energold Perfuracoes Ltda and Pronorte Prospectoria Ltda as well as the Company
- Construction of a meteorological station, water monitoring stations and wells in connection with the environmental study

Completion of camp construction is expected in Q2 2021.

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 was 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 provided excellent opportunities for further discoveries, while conducting exploration activity outside of the town of Cuiú Cuiú reduced risks to the town's residents.

A number of COVID-19 protocols were initiated upon the recommencement of fieldwork at Cuiú Cuiú including the ongoing testing of all employees and contractors. These protocols have continued in force through March 16, 2021. Testing of all personnel before entering the project is obligatory and suspected cases onsite are isolated and removed from site immediately for treatment in Itaituba.

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 personnel 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. Sponsored visits by the Brazilian Health department were also provided by the Company.

In response to the crisis, the Brazilian government introduced various initiatives to reduce and defer payroll costs of employers such as Magellan Brazil. 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). 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 continued to incur payroll and other costs in Brazil during the late spring and summer of 2020 while staff there have been largely idle and unable to undertake any form of exploration activity in the field.

The Company utilised the downtime associated with the suspension of fieldwork to review all existing exploration data at Cuiú Cuiú, to plan for the reconnaissance drill program and refurbish and test the RC drill rig that was acquired in early 2020.

In late January 2021, the reconaissance drill program was temporarily suspended due to an outbreak of COVID-19 within the drill team. Operations recommenced in late February 2021.

Brazil continues to suffer from the much-publicised growth in the spread of COVID-19 including variants throughout the country.

Outlook

Subject to both the developments in the status of the COVID-19 pandemic in Brazil and the availability of funding, the Company's exploration plans for the first six to nine months of 2021 will be a continuation of the initiatives described above and summarised as follows:

- Reconnaissance RC drill program utilising the Company's own track mounted ASV Scout ST-50 rig
- Follow-up RC drill program utilising the larger truck mounted rig contracted from a third party driller
- Completion of the 5,000 metre diamond drill program
- Other exploration initiatives including soil sampling, channel sampling and auger drilling,
- Completion of camp construction
- Ongoing strategic acquisition of ground including selected garimpeiro interests in the Cuiú Cuiú condominium
- Pending evaluation of the PAE (Brazilian Economic Feasibility Study) submitted in August 2018 and the EIA-RIMA report submitted to the SEMMA in late December 2020, the Company will move forward with all necessary actions required in the permitting process.
- An application for six Trial Mining Licenses were submitted for the Central, Pau da Merenda, Moreira Gomes and Machiche in December 2020, of which two were granted by the ANM on February 3, 2021 (in respect of the Moreira Gomes and Machiche target areas). The environmental licensing for these Trial Mining Licenses, with submission of a formal RCA/PCA report in December 2020, has been requested but is outstanding.
- All current expiry dates of licences have been officially extended due to the COVID-29 pandemic for an additional 15 months from the original expiry dates.

Bom Jardim

In December 2020, the Company finalised an option agreement pursuant to which it agreed to provide an option to a third party to acquire a 51% interest in part of the Bom Jardim property. The object of the option agreement comprises approximately 6% of the total area of the Bom Jardim property. The agreement provides for the following:

- Option payments totalling US$ 300,000 over three years, and

- Exploration expenditures totalling a minimum of US$ 2,000,000 over three years.

Following acquisition of a 51% interest in the property, the optionee has the option to acquire a further 19% thereby increasing its total interest in the property to 70% in return for incurring a further US$ 3,000,000 in exploration expenditures.

Following the increase in the optionee's interest in the property to 70%, the Company is required to cover 30% of applicable exploration spend in order to avoid diluting its interest. In the event the Company's interest is diluted to 10%, it may convert its interest to a 2.0% NSR on the property.

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, Poconé Gold Mineração Ltda. ("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 and certain of these charges were restructured. 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 March 26, 2021, 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. Gains of $4,820 and $49,963 were recognised by the Company in 2019, and 2018, respectively, in connection with the transaction which included termination of Magellan Brazil's share of restructured claim maintenance liabilities of PGM that had been previously recognised in Magellan Brazil's books of account.

In addition, the proceeds from both this transaction and the disposal of certain fixed assets and other mineral claims held by the ECI Venture were applied to paying off restructured claim maintenance liabilities of the ECI Venture that had also been previously recognised in Magellan Brazil's books of account.

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 December 31, 2020 and March 26, 2021, there were no material proposed asset or business acquisitions or dispositions being contemplated other than the strategic acquisition of ground including selected garimpeiro interests in the Cuiú Cuiú condominium.

Selected annual information

A summary of annual results in respect of the years ended December 31, 2019 and December 31, 2020 is as follows. This summary information has been derived from the audited consolidated financial statements of the Company.

Statement of loss

	Year ended 31-Dec-20	Year ended 31-Dec-19
Consolidated statement of loss:		
Revenue	-	-
Exploration and development	2,651,842	2,837,886
Administration:		
Stock-based compensation	843,544	425,941
Management	418,434	372,595
Marketing	342,638	337,212
Depreciation	174,619	108,613
Office and administration	109,556	104,745
Travel	34,011	71,210
Professional fees	42,206	47,451
Listing expense	24,572	17,139
Foreign exchange loss	20,041	11,149
Interest income	(7,229)	(18,316)
Gain on disposal of PGM	-	(4,820)
Other income	(26,300)	(12,691)
Net loss	***4,627,934***	***4,298,114***
Weighted average shares outstanding	*85,452,013*	*48,793,093*
Net loss per share	$ 0.05	$ 0.09

- Exploration and development: Exploration activity in the first half of 2020 was limited due to both funding constraints and the COVID-19 pandemic. Following the closing of the June and July 2020 private placement and the relaxation of pandemic restrictions, exploration activity in the second half of 2020 was extensive including the initiation of two RC drill programs (see 'Cuiú Cuiú – 2020 and 2021 year to date work programs'). Significant exploration activity was undertaken in 2019 with the completion of two diamond drill programs
- Stock-based compensation in 2020 includes recognition of the issuance of 3,405,000 and 1,150,000 stock options having an exercise price of $0.27 and $0.60, respectively, vesting over two years (2019: issuance of a total of 4,269,672 stock options having a weighted average exercise price of $0.19 vesting over two years)

- Management costs relate to compensation of the Company's officers (Executive Chairman, President and CEO and CFO). The increase in 2020 was attributable to increases in annual remuneration to the Executive Chairman and the President and CEO introduced effective August 1, 2020 and a bonus paid to the President and CEO
- Marketing: Marketing expenditures relate to attendance at conferences (physical and virtual), various advisory services and other marketing related expenditures
- Office and administration expenditures relate to the costs of maintaining the Company's Vancouver office
- Professional fees relate primarily to audit fees and legal fees
- Other income relates primarily to proceeds on the disposal of secondary properties (not part of Cuiú Cuiú)

Statement of financial position

	31-Dec-20	31-Dec-19
Consolidated statement of financial position:		
Cash and cash equivalents	5,477,780	705,725
Other current assets	184,357	190,242
Fixed assets	1,172,863	973,539
Mineral properties	1,519,490	1,538,620
Total assets	***8,354,490***	***3,408,126***
Accounts payable and accrued liabilities	416,077	262,343
Total liabilities	***416,077***	***262,343***
Equity:		
Share capital	21,197,071	11,866,177
Reserves	2,514,669	2,030,044
Other comprehensive income	(733,526)	(338,571)
Accumulated deficit	(15,039,801)	(10,411,867)
Total equity	***7,938,413***	***3,145,783***

- Fixed assets include a 30 hectare plot of land in Cuiú Cuiú that was purchased by Magellan Brazil in 2017, the RC rig purchased in early 2020 and refurbished in subsequent months, various vehicles in use at Cuiú Cuiú, camp construction and miscellaneous other capital purchases relating to the establishment of the exploration camp at Cuiú Cuiú
- The balance of mineral properties relates to capitalised acquisition and claim maintenance costs. With the exception of $156,007, the balance related entirely to Cuiú Cuiú as at December 31, 2020
- The balance of accounts payable and accrued liabilities increased as at December 31, 2020 relative to December 31, 2019 due to several factors:
  - The significant increase in the scope of exploration activity in late 2020 as compared to late 2019
  - Third party permitting and other studies that had been completed in late 2020
  - Accrued third party marketing and consulting fees
- The increase in share capital in 2020 relates to the $4,179,014 private placement that closed in June and July 2020 and the exercise of share purchase warrants and stock options (total of $4,964,900).

Summary of quarterly results

A summary of quarterly results in respect of the two years ended December 31, 2020 is as follows:

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Revenues	-	-	-	-
Exploration and development	544,294	314,252	733,325	1,059,971
Professional fees	9,731	6,488	18,777	7,210
Non-cash items (a)	115,254	92,126	387,490	443,334
Administration (b)	185,228	224,395	265,492	254,096
Net loss	817,415	646,543	1,403,502	1,760,474
Total comprehensive loss	1,123,830	798,990	1,461,162	1,638,907
Net loss per share (c)	0.01	0.01	0.01	0.02
Cash and cash equivalents	31,987	2,906,187	4,460,412	5,477,780
Net working capital (deficit)	(243,254)	2,677,718	4,272,648	5,246,060
Total assets	2,525,852	5,311,064	7,099,576	8,354,490

	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Revenues	-	-	-	-
Exploration and development	918,719	511,988	614,432	792,747
Professional fees	13,516	26,997	11,402	5,479
Non-cash items (a)	157,471	98,974	143,287	130,002
Administration (b)	186,856	220,647	229,409	256,046
Net loss	1,278,931	858,924	993,739	1,166,520
Total comprehensive loss	1,325,965	873,806	1,116,473	1,133,878
Net loss per share (c)	0.03	0.02	0.02	0.02
Cash and cash equivalents	554,655	138,230	1,973,465	705,725
Net working capital (deficit)	319,395	(106,598)	1,770,362	633,624
Total assets	3,130,026	2,771,489	4,555,259	3,408,126

(a) Non-cash items (net) comprise stock-based compensation, depreciation expense, foreign exchange items and gain on the disposal of PGM

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

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

Liquidity and going concern

As at December 31, 2020, the Company had a cash balance of $5,477,780, and a net working capital balance of $5,246,060 (December 31, 2019: $705,725 and $633,624, respectively).

The increase in cash and working capital in 2020 was attributable to the June and July 2020 private placement (gross proceeds of $4,179,014 on the issuance of 33,432,110 common shares) and the exercise of various tranches of share purchase warrants ($4,824,875 on the issuance of 23,907,877 common shares).

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 $55,652 of which $34,625 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.

The stated uses of proceeds from the June and July 2020 private placement were the drilling of recently identified high-grade gold targets at Cuiú Cuiú and general corporate and working capital purposes. The proceeds have been directed to these purposes through December 31, 2020 (see ‘Cuiú Cuiú’, ‘Selected annual information’ and ‘Summary of quarterly results’) and thereafter through March 26, 2021.

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 $4,824,875 in 2020 through the exercise of 23,907,877 warrants (primarily relating to the July 2019 private placement) as follows:

	Exercise price		Issued	Exercised	Expired	Outstanding
July 2019 private placement:						
Subscriber warrants	$	0.20	22,796,832	(22,296,832)	(500,000)	-
Finder warrants	$	0.20	970,358	(745,045)	(225,313)	-
Dec. 2018 private placemen	$	0.25	366,000	(366,000)	-	-
Pre 2017 RTO warrants	$	0.25	600,000	(500,000)		100,000
June 2020 private placemen	$	0.20	144,000	-	-	144,000
			24,877,190	**(23,907,877)**	**(725,313)**	**244,000**

See ‘Outstanding share data’ below for a summary of the Company’s capital structure as at December 31, 2020 and March 26, 2021.

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 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.

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.

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.

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.

COVID-19

The Company's operations could be significantly and adversely impacted by the effects of a widespread global outbreak of a contagious disease, such as 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 2020 amounted to $3,340,025 as follows:

- The net loss for the period of $4,627,934
- Significant non-cash items totalling $1,150,864 including depreciation and stock-based compensation
- Net decrease in non-cash working capital items of $137,045.

Investing activities

Cash used in investing activities in 2020 amounted to $848,100 as follows:

- Additions to mineral properties of $225,343 relating to capitalised mineral claim maintenance costs
- Additions to fixed assets of $622,757 relating primarily to the purchase and refurbishment of the RC drill rig, purchase and refurbishment of used vehicles for use at Cuiú Cuiú, ongoing camp construction and the purchase of miscellaneous other camp tools and equipment.

Financing activities

Net cash provided by financing activities in 2020 amounted to $8,971,975 and related to the June and July 2020 private placement and the exercise of share purchase warrants, both as described above.

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 December 31, 2020 or March 26, 2021 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 December 31, 2020, approximately R$ 160,000 ($40,000) of the contract (as amended) was outstanding
- The surface access agreement with the Cuiú Cuiú garimpeiros pursuant to which approximately R$ 270,000 (approximately $66,000) is to be paid to the garimpeiros in Q2 2021 in connection with the surface access fee in respect of the year ended March 2022
- The contract with a drill contractor pursuant to which a minimum of 10,000 meters is to be drilled via reverse circulation (the follow-up RC drill program)
- The contract with a drill contractor pursuant to which a minimum of 5,000 meters is to be drilled via diamond drilling (the Q1 diamond drill program)
- 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 December 31, 2020 or March 26, 2021 other than nominal agreements associated with the completion of construction of the Cuiú Cuiú camp.

Transactions with related parties

A summary of management and director remuneration and related expenses is as follows:

		Year ended Dec. 31, 2020		Year ended Dec. 31, 2019
Management:				
Employment remuneration	$	189,417	$	154,000
Consulting fees		190,167		186,000
Payroll related costs		21,656		23,281
Stock-based compensation, stock options		256,554		228,364
Stock-based compensation, RSUs		12,188		-
		669,982		591,645
Directors (excluding management):				
Stock-based compensation, stock options		154,547		85,151
Stock-based compensation, RSUs		39,626		6,889
		194,173		92,040
	$	**864,155**	**$**	**683,685**

Management comprises the Executive Chairman, the President and Chief Executive Officer and the Chief Financial Officer. Employment remuneration is paid to the President and Chief Executive Officer and the Chief Financial Officer. Consulting fees are paid to Geofin Consulting and Hornby Capital Corp., companies controlled by the Executive Chairman and the Chief Financial Officer, respectively.

As at December 31, 2020, the Company owed a total of $17,594 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in the first quarter of 2021. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

All transactions with related parties have occurred in the normal course of operations and have been measured at the exchange amount, which is the amount agreed to by the related parties.

Officers and directors of the Company subscribed for a total of 1,700,000 common shares for gross proceeds of $212,500 in the June and July 2020 private placement and 1,966,667 Units for gross proceeds of $345,000 in the July 2019 private placement.

Officers and directors of the Company and persons and entities related thereto exercised a total of 2,300,000 share purchase warrants at an exercise price of $0.20 during 2020.

Officers and directors of the Company exercised a total of 297,000 stock options at an exercise price of $0.35 during 2020.

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 December 31, 2020 and March 26, 2021:

	March 26, 2021	Dec. 31, 2020
Issued and outstanding common shares	119,648,569	119,491,737
Fully diluted	129,348,351	129,348,351
Share purchase warrants:		
May 26, 2021 ($0.25)	100,000	100,000
June 19, 2022 ($0.20)	144,000	144,000
	244,000	244,000
RSUs	708,334	841,666
Stock options	8,747,448	8,770,948

In August 2020, the Company granted a total of 575,000 RSUs to five officers and directors of the Company effective July 30, 2020. Fifty percent of the RSUs will vest on January 30, 2022 and the remaining 50% will vest on July 30, 2023. The fair value of the RSUs granted was determined based on the Company's share price on the date of grant being $0.26.

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2020, and have not been applied in preparing these consolidated financial statements.

The Company has determined that these new accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or will not 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, accounts receivable (excluding sales taxes) and accounts payable and accrued liabilities.

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 2020 and 2021 to date relative to the $. The R$ depreciated 24% relative to the $ during 2020 and depreciated a further 7% in 2021 through March 19, 2021; the value of the R$ as at this date was close to the low for the year to date. 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 $. A reversal in the deterioration in the value of the R$ relative to the $ would have a corresponding adverse impact on the Company.

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 December 31, 2020, the Company had a cash balance of $5,477,780, and a net working capital balance of $5,246,060.

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 December 31, 2020.

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 did not have any interest bearing debt as at December 31, 2020 or March 26, 2021.