



Cabral Gold

Cabral Gold Inc.

(An Exploration Stage Company)

Interim MD&A – Quarterly Highlights

For the three months ended March 31, 2021

Dated: May 28, 2021

Cabral Gold Inc.

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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 May 28, 2021. It is intended to be read in conjunction with the condensed interim consolidated financial statements of the Company as at and for the three months ended March 31, 2021.

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.

Guillermo Hughes, P. Geo. FAusIMM and AIG., 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 presented 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 May 28, 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.

Reference is made to the risk factors presented in the Annual Information Form for the year ended December 31, 2020 dated as of April 12, 2021 that is available on www.sedar.com.

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 March 31, 2021 and the period ended May 28, 2021 were highlighted by the following activities and initiatives:

Exploration and development

- The Company's current drill program commenced in Q3 and consists of three drill rigs as follows:
 - The Company's own RC rig which commenced drilling in September 2020. This program is focussed on reconnaissance drilling, testing a series of predominately grass-roots targets
 - A contracted Prospector W750 RC drill rig which commenced drilling in November 2020. This program is focussed on follow-up drilling of advanced targets
 - A contracted diamond-drill rig undertaking a minimum 5,000m program which commenced drilling in February 2021
- Drill results have been disclosed throughout the period under review including the following results of note:
 - RC drill hole 40-20 at Machichie returned 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 drill hole 63 at Hamilton Novo returned 3m @ 13.2 g/t gold including 1m @ 36.7 g/t gold
 - Diamond-drill hole 208-21 at MG returned 2.1m @ 29.4 g/t gold including 0.5m @ 120.6 g/t gold
 - Diamond-drill hole 214-21 at MG returned 60m @ 3.5 g/t gold including 2.6m @ 64.6 g/t gold from surface

- The Company acquired the interests of a majority stakeholder of the Cuiú Cuiú garimpeiro condominium in each of March 2021 and May 2021 at a total cost of R\$ 948,000 (approximately \$210,000) pursuant to the terms of the garimpeiro condominium agreement
- Ongoing regional soil, rock chip and reconnaissance mapping continued in various target areas within the Cuiú Cuiú district.

Finance

- The balance of cash and cash equivalents as at March 31, 2021 was \$3,578,547 and the net working capital balance as at this date was \$3,093,457 (see ‘Liquidity and going concern’)
- The R\$ depreciated 8% against the Canadian dollar in 2021 through May 21. This follows from a 24% decline in 2020. 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 2021 within the community of Cuiú Cuiú and surrounding areas including extensive assistance in connection with the COVID-19 outbreak as well as ongoing contributions to the community’s school, the provision of community garbage cleanup services, 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 April 2021, the Company announced the appointment of Rodney Cooper to the Board of Directors and the resignation of Dennis Moore from the Board of Directors.

Cuiú Cuiú

The Company’s primary gold project is Cuiú Cuiú.

Cuiú Cuiú garimpeiro condominium payments

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 \$1,194 as at March 31, 2021) to each of the 19 majority stakeholders and R\$ 2,700 per year (\$597) to each of the 61 minority stakeholders.

Payments totalling approximately \$60,000 were made to the garimpeiros (both majority and minority stakeholders) in March and April 2021 in connection with the surface access fee in respect of the year ended March 2022.

Acquisition of garimpeiro interests

The surface access agreement with the Cuiú Cuiú 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.

In March 2021, the Company acquired the interest of a majority stakeholder for a price of R\$ 474,000 (approximately \$105,000) pursuant to the terms of the garimpeiro condominium agreement.

In May 2021, the Company acquired the interest of a second majority stakeholder also for a price of R\$ 474,000. An additional nominal amount relating to compensation for structures and other improvements on the property will be determined and paid in Q3 2021.

Q1 2021 and subsequent work program

Exploration initiatives undertaken during Q1 2021 and the period ended May 28, 2021 included the following:

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 to a maximum of 200m depth.

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 holes traverse across surface geochemical anomalies or boulder occurrences to identify potential mineralized structures or trends.

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, the Jerimum Meio target in March and the Morro da Lua and JN targets in April 2021.

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 in 2021 to date 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
- Jerimum Meio: six holes totalling 499.5 m of drilling
- Morro da Lua: six holes totalling 499.5 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 reconnaissance 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 at the Tracaja target include 1m @ 0.61 g/t gold from 51m and 7m @ 0.45 g/t gold from 82m in hole RC-50, 2m @ 0.70 g/t gold from 55m in hole RC-51 and 1m @ 0.64g/t gold from 28m in hole RC-52. 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 to add a second RC drill rig to its drill program to focus on the follow-up drilling of advanced targets. The rig was mobilised to site in late October 2020 and commenced drilling in November 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.

Highlights of the follow-up RC drill program in 2021 to date are presented in the Company's news releases and its website and include the following:

- Drill hole RC-40 at Machichie returned 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 (January 7, 2021 news release)
- Drill hole RC-45 was drilled 50m east of the 2019 discovery hole and returned 8m @ 3.3 g/t gold from 10m depth. Drill hole RC-42 was drilled directly above the 2019 discovery hole and returned 17m @ 0.80 g/t gold from 15m depth including 4m @ 2.9 g/t gold. Drill hole RC-43 was drilled 50m west of the 2019 discovery hole and returned 26m @ 0.5 g/t gold from 67m depth (February 11, 2021 news release)
- Drill hole RC-71 returned 4m @ 2.45 g/t gold from 35m depth including 1m @ 8.7 g/t gold. Drill hole RC-72 was drilled 40m SE of RC-71 and intersected 5m @ 2.6 g/t gold from 36m including 2m @ 5.7 g/t gold. Drill hole RC-54 returned 1m @ 1.8 g/t gold. (March 31, 2021 news release).
- Drill hole RC-63 drilled at Hamilton Novo returned 3m @ 13.2 g/t gold including 1m @ 36.7 g/t gold (April 29, 2021 news release).

Diamond-drill program

In February 2021, the Company announced that it had added a third drill rig to its drill program and commenced a minimum 5,000 metre diamond-drill program. The rig initially focussed 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.

Highlights of the diamond-drill program to date are presented in the Company's news releases and its website and include the following:

- Drill hole 208-21 at MG returned 2.1m @ 29.4 g/t gold including 0.5m @ 120.6 g/t gold (April 15, 2021 news release)
- Drill hole 211-21 returned 14m @ 1.1 g/t gold from 24m depth and drill hole 210-21 intersected 12.7m @ 0.28 g/t gold from 8m depth (April 29, 2021 news release)
- Drill hole 214-21 at MG returned 60m @ 3.5 g/t gold including 2.6m @ 64.6 g/t gold from surface (May 19, 2021 news release).

Other exploration initiatives

Exploration activity during 2021 to date was focused on the three drill programs described above. No significant geological reconnaissance or geochemical surveys have been undertaken in 2021 to date.

Cumulative exploration expenditures

Cumulative exploration spend incurred on the Cuiú Cuiú property through March 31, 2021 by the Company and a previous owner of the property amounts to approximately \$33.5m as follows:

	Previous owner (1)	Dec. 31, 2020 (2)	3 months ended March 31, 2021	Total
Drilling (direct costs)	\$ 12,252,193	\$ 973,053	\$ 506,037	\$ 13,731,283
Payroll	7,187,040	2,526,753	300,048	10,013,841
Field costs	1,255,833	1,832,832	407,665	3,496,330
Consulting, third parties	1,178,055	1,408,997	34,146	2,621,198
Freight and travel	931,739	711,648	129,282	1,772,669
Assay	832,789	181,802	38,298	1,052,889
Geophysics	772,114	-	-	772,114
	\$ 24,409,763	\$ 7,635,085	\$ 1,415,476	\$ 33,460,324

- (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, 2020. 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

Permitting process

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.

Corporate social responsibility

Corporate social responsibility activities within the surrounding community of Cuiú Cuiú continued in 2021 to date including the following:

- Ongoing contributions to the community’s school
- Contribution to the construction of water tanks to better utilize the water bore previously supplied by the Company
- 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 clinic was formally inaugurated in early May 2021. The Company will assist the local government to supply the 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 2021 to date including the following:

- 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 (including the acquisition of fuel tank systems) and recreational areas (expected completion in Q2 2021)
- The process of recovering and transferring the historical core to the new core shed commenced in 2021 and will be completed Q2 2021.

Completion of camp construction is expected by the end of Q2 2021.

Company response to COVID-19

In order to protect both staff and the local Cuiú Cuiú community from COVID-19, the Company introduced a number of COVID-19 protocols in 2020 that meet and, in most cases, exceed the requirements issued by federal, state and local governments. Testing of all personnel (both employees and contractors) before entering the project is obligatory and suspected cases onsite are isolated and removed from site immediately for treatment in Itaituba. These initiatives also include the ongoing testing of all employees and contractors and have continued in force through May 28, 2021.

All employees and third-party contractors are provided with medications and vitamin supplements to help enhance their immunity against COVID-19 and are regularly monitored by the Company's in-house nursing staff for any early signs of illness and treated accordingly. Health and safety protocols are reinforced on a daily basis with safe practices in place to reduce the risk of transmission. All activities involving the community of Cuiú Cuiú have been restricted in order to minimise risks of cross-contamination.

As part of its ongoing corporate social responsibility initiatives, the Company has provided extensive 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 own staff, but also local partners and the broader community. Visits by the Brazilian Health department to the Cuiú Cuiú community were sponsored by the Company.

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.

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 through September 30, 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 (minimum) diamond-drill program
- Other exploration initiatives including soil sampling, channel sampling and auger drilling,
- Completion of camp construction
- Possible further acquisitions of strategic 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 remains outstanding.

All current expiry dates of licences have been officially extended due to the COVID-19 pandemic for an additional 15 months from the original expiry dates.

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 May 28, 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.

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 March 31, 2021 and May 28, 2021, there were no material proposed asset or business acquisitions or dispositions being contemplated.

Selected financial information

A summary of results in respect of the five quarters ended March 31, 2021 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

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Revenue	-	-	-	-	-
Exploration and evaluation	544,294	314,252	733,325	1,059,971	1,460,110
Administration:					
Marketing	52,786	72,888	96,252	120,712	110,847
Management	95,174	95,779	124,867	102,614	105,991
Office and administration	27,308	25,614	31,057	25,577	32,757
Listing expense	2,186	3,897	13,277	5,212	23,807
Professional fees	9,731	6,488	18,777	7,210	19,787
Travel	7,774	26,217	39	(19)	-
Stock-based compensation	77,301	55,394	332,182	378,667	249,716
Depreciation	37,646	31,153	47,412	58,408	68,572
	<u>309,906</u>	<u>317,430</u>	<u>663,863</u>	<u>698,381</u>	<u>611,477</u>
Foreign exchange loss (gain)	307	5,579	7,896	6,259	1,830
Interest income	(520)	(23)	(2,636)	(4,050)	(3,913)
Other expense (income)	<u>(36,572)</u>	<u>9,305</u>	<u>1,054</u>	<u>(87)</u>	<u>-</u>
Net loss	<u>817,415</u>	<u>646,543</u>	<u>1,403,502</u>	<u>1,760,474</u>	<u>2,069,504</u>

- Exploration and evaluation: See ‘Cuiú Cuiú – Q1 2021 and subsequent work program’. Exploration spend was significantly reduced in Q2 2020 due to the COVID-19 suspension of fieldwork and the reduction in net payroll costs in Brazil due to benefits provided by government programs. Q3 2020 spend increased with the commencement of the initial RC drill program, the rental of various heavy equipment to facilitate the program, a contracted soils program, the termination of the government payroll programs and the restart of other general exploration activity. Exploration spend continued to grow thereafter with the commencement of the second RC drill program in Q4 2020 and the diamond-drill program in Q1 2021. The ongoing deterioration in the value of the Brazilian reais relative to the Canadian dollar served to reduce \$ denominated costs incurred in Brazil
- Marketing: Marketing expenditures relate to attendance at conferences (physical and virtual), various advisory services and other marketing related expenditures
- Management costs relate to compensation of the Company’s officers (Executive Chairman, President and CEO and CFO). These amounts exclude stock-based compensation. The increase in Q3 2020 was due to a bonus paid to the President and CEO and a remuneration increase for both the President and CEO and the Executive Chairman introduced effective August 1, 2020
- Office and administration relates to the costs of operating the Company’s Vancouver office
- Professional fees relate to audit and legal fees
- Stock-based compensation relates to the amortisation of tranches of stock options and RSUs granted as follows:

- June 2018: 450,000 stock options having a term of five years and an exercise price of \$0.23 and vesting over two years
- January 2019: 1,694,672 stock options having a term of five years and 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 a term of five years and an exercise price of \$0.15 and vesting over two years
- July 2020: 3,405,000 stock options having a term of five years and an exercise price of \$0.27 and vesting over two years
- August 2020: 575,000 RSUs issued vesting over three years
- November 2020: 1,150,000 stock options having a term of five years and an exercise price of \$0.60 and vesting over two years
- Other income (net) in 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

	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Cash and cash equivalents	31,987	2,906,187	4,460,412	5,477,780	3,578,547
Other current assets	151,357	133,691	218,914	184,357	237,185
Fixed assets	892,845	823,484	959,893	1,172,863	1,181,066
Mineral properties	1,449,663	1,447,702	1,460,357	1,519,490	1,611,962
<i>Total assets</i>	<i>2,525,852</i>	<i>5,311,064</i>	<i>7,099,576</i>	<i>8,354,490</i>	<i>6,608,760</i>
Liabilities	426,598	362,160	406,678	416,077	722,275
Share capital	11,866,177	14,956,270	18,077,202	21,197,071	21,202,346
Reserves	2,107,345	2,175,267	2,507,449	2,514,669	2,764,385
Subscription receipts	-	490,625	242,667	-	-
Other comprehensive income	(644,986)	(797,433)	(855,093)	(733,526)	(970,941)
Accumulated deficit	(11,229,282)	(11,875,825)	(13,279,327)	(15,039,801)	(17,109,305)
<i>Total equity</i>	<i>2,099,254</i>	<i>4,948,904</i>	<i>6,692,898</i>	<i>7,938,413</i>	<i>5,886,485</i>
	-	-	-	-	-

- Fixed assets include 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, the purchase and refurbishment of the RC rig, the purchase and refurbishment of several used vehicles to be used at Cuiú Cuiú and the purchase of various other camp tools and equipment. The cost of fixed asset additions have been offset by depreciation expense and the impact of the general deterioration in the value of the Brazilian reais relative to the Canadian dollar
- The balance of mineral properties relates to capitalised mineral property acquisition and claim maintenance costs. Increases relate to claim maintenance expenditures comprising payments to both the Brazilian authorities (Q1 and Q3 of each year) and members of the Cuiú Cuiú garimpiero condominium (Q1 and Q2 of each year) as well as various surface access payments and acquisition expenditures relating to other parts of the Cuiú Cuiú district. As is the case with fixed assets, increases are offset by decreases associated with the general deterioration in the value of the Brazilian reais. With the exception of \$165,813, the March 31, 2021 balance related entirely to Cuiú Cuiú
- The balance of accounts payable and accrued liabilities increased as at March 31, 2021 relative to previous balance sheet dates due to the significant increase in the scope of exploration activity through late 2020 and early 2021 with the initiation of the three drill programs. Approximately one third of the

total balance as at this date relates to drill contactor, assay and other costs directly related to the drill programs (see ‘Cuiú Cuiú – Q1 2021 and subsequent work program’)

- The increase in share capital during the period under consideration 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) in the second half of 2020.

Liquidity and going concern

As at March 31, 2021, the Company had a cash balance of \$3,578,547, and net working capital of \$3,093,457.

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.

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 Q1 2021 amounted to \$1,541,746 as follows:

- The net loss for the quarter of \$2,069,504
- Non-cash items totalling \$299,240 including depreciation and stock-based compensation

- Net reduction in non-cash working capital items of \$228,518 in respect of increases in accounts payables offset in part by increases in prepaid marketing spend.

Investing activities

Cash used in investing activities in Q1 2021 amounted to \$361,328 as follows:

- Additions to mineral properties of \$176,169 relating to capitalised acquisition and claim maintenance costs including the January claim maintenance payment to the Brazilian authorities and the purchase of the interest of a majority stakeholder in the Cuiú Cuiú garimpeiro condominium
- Additions to fixed assets of \$185,159 relating primarily to the purchase and refurbishment of two used vehicles for use at Cuiú Cuiú, ongoing camp construction and the purchase of miscellaneous other camp tools and equipment.

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 March 31, 2021 or May 28, 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 March 31, 2021, approximately R\$ 160,000 (\$35,000) of the contract (as amended) was outstanding
- The surface access agreement with the Cuiú Cuiú garimpeiros pursuant to which approximately R\$ 270,000 (approximately \$60,000) is to be paid to the garimpeiros in Q1 and 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 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 commitments

The Company had no capital expenditure commitments as at either March 31, 2021 or May 28, 2021 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:

	3 months ended March 31, 2021	3 months ended March 31, 2020
Management:		
Employment remuneration	\$ 44,750	\$ 55,250
Consulting fees	49,000	29,750
Payroll related costs	7,791	7,024
Stock-based compensation, stock options	44,617	60,352
Stock-based compensation, RSUs	7,313	-
	<u>153,471</u>	<u>152,376</u>
Directors (excluding management):		
Stock-based compensation, stock options	49,317	12,750
Stock-based compensation, RSUs	15,394	5,167
	<u>64,711</u>	<u>17,917</u>
	<u>\$ 218,182</u>	<u>\$ 170,293</u>

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

As at March 31, 2021, the Company owed a total of \$27,281 to management in connection with unreimbursed expenditures incurred by management on behalf of the Company; this liability was repaid in full in Q2 2021. 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 March 31, 2021 and May 28, 2021:

	May 28, 2021	March 31, 2021
Issued and outstanding common shares	120,370,460	119,515,237
Fully diluted	130,304,725	129,348,351
Share purchase warrants:		
May 26, 2021 (\$0.25)	-	100,000
June 19, 2022 (\$0.20)	144,000	144,000
	<u>144,000</u>	<u>244,000</u>
RSUs	1,051,041	841,666
Stock options	8,739,224	8,747,448

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for annual periods commencing on or after January 1, 2021, 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.