



Cabral Gold

Cabral Gold Inc.

(An Exploration Stage Company)

Interim MD&A – Quarterly Highlights

For the nine months ended September 30, 2021

Dated: November 26, 2021

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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 November 26, 2021. It is intended to be read in conjunction with the condensed interim consolidated financial statements of the Company as at and for the nine months ended September 30, 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. MAusIMM and FAIG., 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 November 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.

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 and the Short Form Prospectus dated June 28, 2021 both of which are 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 B.C. Inc. (“**CG B.C.**”) which in turn is a wholly owned subsidiary of the Company.

Highlights

The three months ended September 30, 2021 and the period ended November 26, 2021 were highlighted by the following activities and initiatives:

Exploration and development

- The Company’s drill program commenced in Q3 2020 and currently consists of four drill rigs as follows:
 - The Company’s wholly-owned RC rig which has been drilling since September 2020. This drill rig is focussed on conducting reconnaissance drilling, testing a series of predominately grass-roots targets.
 - A contracted diamond-drill rig which arrived on site and has been drilling since February 2021. It is exclusively focussed on advancing the MG deposit.
 - Two additional contracted diamond-drill rigs which arrived on site and commenced drilling in early September 2021. These rigs have been focussed on drilling the high-grade portions of the Central and MG deposits and further testing other high-grade targets on the property.
- A contracted Prospector W750 RC drill rig which had been drilling since November 2020 fulfilled its contractual meterage commitment and the contract was terminated in October 2021. This drill rig had been largely focussed on follow-up drill testing of the MG gold-in-oxide blanket.
- Drilling during Q3 2021 comprised the following:

- MG: nine diamond-drill holes totalling 1,865m, and 59 RC holes totalling 4,905m
- PDM: two diamond-drill holes totalling 401m, and 11 RC holes totalling 583m
- Other reconnaissance targets: three diamond-drill holes totalling 510m, and 47 RC holes totalling 2,221m.
- Drilling during the period subsequent to September 30, 2021 through November 23, 2021 comprised the following:
 - MG: nine diamond-drill holes totalling 1,318m, and seven RC holes totalling 700m
 - PDM: six diamond-drill holes totalling 1,033m
 - Central: four diamond-drill holes totalling 574m, and eight RC holes totalling 455m
 - Other regional targets: two diamond drill holes totalling 306m and 41 RC holes totalling 314m.
- The Company continued to drill the **gold-in-oxide blanket at MG** and reported drill results increasing its surface area to approximately 40 hectares. Highlighted intercepts during the period, included: 51m @ 0.8 g/t gold from surface in RC-65; 75m @ 0.6 g/t gold from surface in RC-66; 18m @ 1.4 g/t gold from surface in RC-68, which also returned 20m @ 0.9 g/t gold from 24m depth; 75m @ 0.4 g/t gold in RC-69; 33m @ 0.7 g/t gold in RC-100; 24m @ 0.8 g/t gold in RC-91; 13m @ 0.6 g/t gold, 7m @ 0.5 g/t gold and 34m @ 0.7 g/t gold in RC-132; and 46m @ 0.5 g/t gold in RC-135.
- One of the most significant exploration results during the period, was the discovery of an extensive weathered, transported, **colluvial-gold blanket in oxidized and saprolitized rocks at the PDM target**, located 2.5 kilometres northwest of the Central gold deposit. This is the second gold-in-oxide blanket identified on the Cuiú Cuiú property. RC drill results from the PDM blanket material of note include: 16m @ 1.3 g/t gold from surface; and 40m @ 2.2 g/t gold from surface, including 7m @ 9.4 g/t gold, which terminated in 2m @ 23.8 g/t gold. Following the initial discovery of the blanket at PDM, additional RC drilling has increased the size of the blanket to a surface area of approximately 24 hectares.
- **Other notable drill results** during the period included the following:
 - DDH-215 returned two significant intercepts within **primary basement ore at MG**, including: 17.6m @ 4.1 g/t gold from 149m depth, including 4.3m @ 11.3 g/t gold; and 18.1m @ 4.3 g/t gold from 198m depth, including 1.0m @ 45.1 g/t gold. The second intercept of 18.1m @ 4.3 g/t gold is interpreted to be a new footwall zone, located south of the main MG gold deposit that had not been encountered in previous holes.
 - At the **Morro da Lua target**, significant results included: 2m @ 10.5 g/t gold in RC84; 3m @ 6.6 g/t gold in RC85; 1m @ 6.2 g/t gold in RC87; and 2m @ 3.6 g/t gold in RC88. These intercepts have been correlated along strike and down dip, and suggest there is continuity of high-grade mineralization along strike and down-dip at this target.
- The Company acquired the interests of a majority stakeholder and minority stakeholder of the Cuiú Cuiú garimpeiro condominium in Q3 2021 at a total cost of R\$ 617,380 (approximately \$145,000) pursuant to the terms of the garimpeiro condominium agreement.
- Ongoing regional soil, stream-sediment and rock-chip geochemical sampling and reconnaissance mapping continued during the period in various target areas within the Cuiú Cuiú district. Assay results are pending.

Finance

- The balance of cash and cash equivalents as at September 30, 2021 was \$8,545,505 and the net working capital balance as at this date was \$8,057,405 (see ‘Liquidity and going concern’)
- In July 2021, the Company announced that it had closed a bought-deal prospectus offering selling 21,298,000 units for gross proceeds of \$11,500,920. Each unit is comprised of a common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.80 per share until July 6, 2023 (see ‘Liquidity and going concern’)
- In July 2021, the Company announced that the TSX Venture Exchange had accepted for listing the 10,649,000 share purchase warrants issued in connection with the July 2021 bought-deal prospectus offering (TSX Venture Exchange symbol ‘CBR-WT’)

- The R\$ depreciated 7% against the Canadian dollar in 2021 through November 17, 2021. 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, contribution to the community construction of a water tower, 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. Ongoing logistical support is also provided to the regional police post at Cuiú Cuiú.

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 \$1,268 as at September 30, 2021) to each of the 20 majority stakeholders and R\$ 2,700 per year (\$634) to each of the 62 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 August 2021, the Company acquired the interest of a majority stakeholder for a price of R\$ 468,900 (approximately \$110,000). This acquisition followed the previous purchases of two other majority stakeholder's interests, one in each of March 2021 and May 2021, at a total cost of R\$ 948,000 (approximately \$223,000).

In September 2021, the Company acquired the interest of a minority stakeholder for a price of R\$ 108,480 (approximately \$25,000).

In July 2021, the Company paid a further R\$ 30,000 (approximately \$7,000) in connection with the majority stakeholder interest that had been acquired in May 2021. An additional amount relating to compensation for structures and other improvements on the property will be determined and paid in early 2022.

Q3 2021 and subsequent work program

Exploration initiatives undertaken during Q3 2021 and the period ended November 26, 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 Company's wholly-owned RC rig is currently focussed on testing for new gold-in-oxide-blanket deposits. It is tasked with drilling vertical and incline holes through oxidized saprolite cover to bedrock beneath surface geochemical anomalies. During Q3 2021, this rig drilled 52 holes, totalling 2,063m; a further 49 holes and 779m were drilled subsequent to September 30, 2021 through November 23, 2021.

Highlights of the reconnaissance RC drill program in Q3 2021 and the period ended November 26, 2021 are presented in the Company's news releases and its website and include the following:

- Drill hole RC-84 returned 2m @ 10.5 g/t gold from 25m, RC-85 returned 3m @ 6.6 g/t gold from 14m, RC-87 returned 1m @ 6.2 g/t from 8m, and RC-88 returned 2m @ 3.6 g/t from 32m. All four RC holes are located at the Morro da Lua target (July 15, 2021 news release).
- Drill hole RC-112 at PDM target, returned 40m @ 2.2 g/t gold in-oxide-blanket from surface, including 7m @ 9.4 g/t gold from 33m, which also included 2m @ 23.8 g/t gold from 38m (August 10, 2021 news release). This turned out to be the second gold in-oxide-blanket discovered on the Cuiú Cuiú property to date.

Follow-up RC drill program

In late 2020, 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 contractor fulfilled its contractual commitment of drilling a total of 10,000m and the contract was terminated in October 2021. During Q3 2021, this rig drilled 65 holes, totalling 5,481m; a further seven holes and 700m were drilled subsequent to September 30, 2021 through the termination of the contract.

The rig was a larger truck-mounted unit capable of drilling to depths of 450m. The program was 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 Q3 2021 through November 26, 2021 are presented in the Company's news releases and its website and include the following:

- Drill results from four RC holes (RC65 through RC68) drilled on the same section at MG and 300m to the west of DDH-215, returned encouraging results in gold-in-oxide blanket and saprolitized, oxidized basement material, including: 51m @ 0.8 g/t gold from surface in RC-65; 75m @ 0.6 g/t gold from surface in RC-66 (of which 47m was gold-bearing oxide blanket material); and 18m @ 1.4 g/t gold from surface in RC-68, which also returned 20m @ 0.9 g/t gold from 24m. depth (July 8, 2021 news release)
- Drill hole RC-69 returned 75m @ 0.4g/t gold from surface. RC-100 returned 33m @ 0.7 g/t gold from surface and RC-91 returned 24m @ 0.8 g/t gold from surface. The intercepts in all three holes were within the oxide-blanket (July 29, 2021 news release)
- 13m @ 0.6 g/t gold, 7m @ 0.5 g/t gold and 34m @ 0.7 g/t gold in RC-132, and 46m @ 0.5 g/t gold in RC-135 (August 31 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 diamond-drilling program was focussed on extending and confirming high-grade zones at both the MG and Central gold deposits where previous diamond-drilling returned over 80 drill intercepts in excess of 10 g/t gold.

In July 2021, the Company announced that it had added two more diamond-drill rigs to its drill program thereby bringing the total number of rigs in operation at Cuiú Cuiú at the time to five including three diamond-drill rigs and two RC rigs. The two new diamond rigs arrived on site and commenced drilling in September 2021.

The first diamond rig will continue to focus on drilling off the MG gold deposit. The second rig will be initially focused on the drilling of regional priority targets. The third rig will initially be focused on targeting historic high-grade zones at the Central gold deposit. During Q3 2021 the three diamond-drill rigs drilled 14 holes, totalling 5,816m; a further 21 holes and 3,231m were drilled subsequent to September 30, 2021 through November 23, 2021.

Highlights of the diamond-drill program at MG in Q3 2021 through November 26, 2021 are presented in the Company's news releases and its website and include the following:

- Drill hole DDH-215 returned 17.6m @ 4.1 g/t gold from 149.0m, including: 4.3m @ 11.3 g/t; and 18.1m @ 4.3 g/t gold from 198.9m, which also included 1.0m @ 45.1g/t, from 210.5m (July 8, 2021 news release)
- Drill hole DDH-218 returned 63.5m@0.9g/t from 53.5m, including: 0.5m @ 12.7 g/t gold from 57.7m; 0.5m @ 13.1 g/t gold from 76.5m; and 0.5m @ 16.2g/t gold from 81m (July 29, 2021 news release).

Other exploration initiatives

While exploration activity during 2021 to date has been focused on the three drill programs described above, extensive geological reconnaissance and soil-sediment and stream-geochemical surveys were conducted in the eastern part of the property during Q3 2021 and subsequent thereto.

Outlook

The Cabral drilling campaign to date has largely focused in, and around, the MG gold deposit. This resulted in the discovery of a near surface gold-in-oxide blanket at MG, the mineralized zone in hard-rock at Machiche, and in a new mineralized zone in the footwall of the main MG gold deposit. Following these successes, the Company announced in November 2021, that it was turning its attention to the 5km long Central Trend at Cuiú Cuiú. The corridor has been traced through magnetics and auger geochemical sampling. It extends from the Central southeast target, through the Central gold deposit, and north-west to the recently identified PDM gold-in-oxide blanket. This trend includes a number of other excellent targets, notably the Central SE target, where historic drilling returned 27m @ 6.9 g/t gold, and the Mutum target where surface trenching previously returned 32m @ 1 g/t gold. These targets, including PDM and Central, will be the subject of an aggressive program of follow-up drilling in the coming months.

Mineral resource estimate

Two principal gold deposits have been defined at Cuiú Cuiú and contain National Instrument 43-101 compliant Indicated resources of 5.9Mt @ 0.90g/t (200,000 oz) and Inferred resources of 19.5Mt @ 1.24g/t (800,000 oz). The resource estimate is described in the technical report concerning the Cuiú Cuiú project dated March 25, 2021 (amended June 28, 2021) with an effective date of June 19, 2021 is available on www.sedar.com.

Use of proceeds

A comparison of use of proceeds disclosed in the short form prospectus dated June 28, 2021 that was issued in connection with the July 2021 bought-deal financing (see 'Liquidity and going concern - July 2021 bought-deal financing') to actual spend for the four months ended September 30, 2021 is as follows

	Use of proceeds	4m ended Sept. 30, 2021	Variance
Total available funds:			
Gross proceeds from the offering	11,500,920	11,500,920	-
Estimated working capital as at May 31,	<u>2,350,000</u>		
Gross proceeds and other available funds	13,850,920		
Less:			
Underwriters' fees	(690,055)	(562,853)	127,202
Estimated expenses and cost of the offering	<u>(350,000)</u>	<u>(418,739)</u>	<u>(68,739)</u>
	<u>12,810,865</u>	<u>10,519,328</u>	<u>58,463</u>
Drill programs	8,200,000	2,435,864	(5,764,136)
Other exploration expenditures	1,600,000	558,736	(1,041,264)
Fixed assets	300,000	504,138	204,138
Mineral claim maintenance and acquisition	<u>400,000</u>	<u>215,702</u>	<u>(184,298)</u>
	10,500,000	3,714,440	
Operating expenses (non-exploration)	1,200,000	455,073	(744,927)
Contingency (5%)	<u>585,000</u>	<u></u>	<u>(585,000)</u>
	12,285,000	4,169,513	(8,115,487)
Working capital	<u>525,865</u>	<u></u>	<u></u>
	<u>12,810,865</u>	<u>4,169,513</u>	

Actual exploration spend and non-exploration operating expenses for the four months ended September 30, 2021 have been consistent with the stated use of proceeds. Expenditures on fixed assets have, however, been considerably in excess of budget due primarily to both increases in the scope of camp construction activity undertaken and a general underestimation of the costs of construction (see 'Cuiú Cuiú - Camp and other construction').

Cumulative exploration expenditures

Cumulative exploration spend incurred on the Cuiú Cuiú property through September 30, 2021 by the Company and a previous owner of the property amounts to approximately \$37.4m as follows:

	Previous owner (1)	Dec. 31, 2020 (2)	9 months ended Sept. 30, 2021	Total
Drilling (direct costs)	\$ 12,252,193	\$ 973,053	\$ 1,901,224	\$ 15,126,470
Payroll	7,187,040	2,526,753	1,220,229	10,934,022
Field costs	1,255,833	1,832,832	1,465,799	4,554,464
Consulting, third parties	1,178,055	1,408,997	68,811	2,655,863
Freight and travel	931,739	711,648	530,804	2,174,191
Assay	832,789	181,802	207,089	1,221,680
Geophysics	772,114	-	-	772,114
	\$ 24,409,763	\$ 7,635,085	\$ 5,393,956	\$ 37,438,804

- (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. to Cabral Gold Ltd. (now CG B.C.) through a series of transactions. CG B.C. 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 licences (*guias de utilizacao*) covering an area of approximately 250 hectares was submitted for the Central, PDM, MG and Machiche of which two were granted by the ANM on February 3, 2021 on the MG and Machiche target areas.

Teams from the Para State Environmental Authority (SEMA) conducted a preliminary field visit in August 2021 and completed their field audit in early November 2021 as part of the Trial Mining Licence process. It is anticipated that the Operating Licenses (LOs) for the trial mining licenses will be available in early 2022.

An application for reconsideration of the trial mining licences to be expanded to include the PDM and Central targets has been submitted. This could potentially increase the number of operational trial mining licenses to up to six *guias de utilizacao*s or expand the annual capacity to up to 200,000t of each of the two published *guias de utilizacao*s to allow the testing of all requested targets.

A request for analysis of the EIA-RIMA will be made in early 2022 to help fast-track the environmental licensing process to receive the Preliminary License in early 2023.

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 in connection with 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. The clinic is expected to be formally transferred to the local government in December 2021
- Ongoing provision of space for the local police post and logistical support to the police. The Company has agreed with the local community and local government to cooperate in the construction of a permanent police post at Cuiú Cuiú in 2022.

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)
- Construction of a new geological office (completed in Q2 2021)
- Construction of an open shed for sampling and sample preparation (completed in Q3 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 Q4 2021)
- The process of recovering and transferring the historical core to the new core shed commenced in early 2021 and is expected to be completed in Q1 2022.

The completion of camp construction has been repeatedly deferred due to the expansion of scope to include items such as the following:

- Construction of an internet / radio tower providing dedicated broadband and radio communication over the project area and a much-needed improvement in communications within the district and externally (completed in early Q4 2021)
- Construction of a fully functional garage-workshop with warehouse to provide ongoing support to the Company's fleet of four-wheel drive vehicles, quadbikes, RC drill rig and heavy equipment (expected completion of Q4 2021)
- Construction of a fuel depot including a total fuel capacity of 70,000 litres with a view to improving the quality, safety and control of fuel and reducing the effective cost of fuel during the wet season when freight costs are considerably higher (expected completion of Q4 2021)
- Expansion of main core shed to accommodate an additional two full benches for core logging (expected completion of Q4 2021).

In addition, near-term accommodation requirements have been addressed using two Weatherhaven-style all-weather, climatized portable tents, which are relatively inexpensive, can be rapidly constructed and provide considerable flexibility as to both functionality and future movement to different locations. Significant increases in accommodation requirements are driven by growth in the number of employees, drill contractors, other contractors and onsite visitors (relating to the permitting process, visits from various government bodies, etc.). Both tents were installed in October 2021.

Due to the pending arrival of two additional diamond-drill rigs in early September, the Company retained an external construction company based in Moraes Almeida to complete certain of the foregoing construction initiatives. The less pressing construction projects such as parts of the accommodation facilities and the nursing station have continued to be undertaken by resources contracted locally in Cuiú Cuiú; these are expected to be completed in early Q4 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 November 26, 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.

Vaccination of employees is underway both onsite and when on break in Itaituba where vaccinations are now well advanced for the general population aged 18 and older. A register of all vaccinated employees is maintained and employees are being advised and encouraged to be fully vaccinated. As at November 19, 2021, approximately 95% of all employees had received either one or both doses of vaccination.

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 the Company's 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. The majority of the Cuiú Cuiú community have now been vaccinated through these initiatives and COVID-19 cases are rare.

Brazil continues to suffer from the much-publicised growth in the spread of COVID-19 including variants throughout the country. However, Brazil now has one of the highest COVID-19 vaccinations rates in the world.

Outlook

Subject to developments in the status of the COVID-19 pandemic in Brazil, the Company's exploration plans through December 31, 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 (completed in mid October)
- Diamond-drill program utilising three rigs
- Other exploration initiatives including stream sediments, soil sampling and channel sampling
- Completion of camp construction (the completion of certain parts of the camp construction will be deferred until the dry season in ~ Q2 2022)
- 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 was submitted for the Central, PDM, MG and Machiche in December 2020, of which two were granted by the ANM on February 3, 2021 (in respect of the MG 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 were 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 Minerals Ltd. (“**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 CG B.C. pursuant to an agreement dated April 15, 2016 between CG B.C., 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 expenses and 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, nominal claim maintenance charges continue 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 November 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.

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 September 30, 2021 and November 26, 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 September 30, 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

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Revenue	-	-	-	-	-
Exploration and evaluation	733,325	1,059,971	1,460,110	1,525,638	2,575,258
Administration (cash):					
Management	124,867	102,614	105,991	104,234	137,743
Marketing	96,252	120,712	110,847	70,432	108,808
Office and administration	31,057	25,577	32,757	19,928	26,977
Professional fees	18,777	7,210	19,787	14,398	13,962
Listing expense	13,277	5,212	23,807	2,058	10,577
Travel	39	(19)	-	-	-
	<u>284,269</u>	<u>261,306</u>	<u>293,189</u>	<u>211,050</u>	<u>298,067</u>
Administration (non-cash):					
Stock-based compensation	332,182	378,667	249,716	305,918	568,879
Depreciation	47,412	58,408	68,572	75,734	102,609
	<u>379,594</u>	<u>437,075</u>	<u>318,288</u>	<u>381,652</u>	<u>671,488</u>
Foreign exchange loss (gain)	7,896	6,259	1,830	3,037	(3,746)
Interest income	(2,636)	(4,050)	(3,913)	(10,051)	(12,204)
Other expense (income)	1,054	(87)	-	-	-
Net loss	<u>1,403,502</u>	<u>1,760,474</u>	<u>2,069,504</u>	<u>2,111,326</u>	<u>3,528,863</u>

- Exploration and evaluation: See ‘Cuiú Cuiú – Q3 2021 and subsequent work program’. Exploration spend increased steadily from quarter to quarter during the period under review. The initial RC drill program using the Company’s own RC drill rig commenced in Q3 2020; increased spend in that quarter included the rental of various heavy equipment to support the program, a contracted soils program, the termination of the government payroll programs relating to COVID-19 and the restart of other general exploration activity following a pandemic-driven shutdown in Q2 2020. Exploration spend continued to grow thereafter with the commencement of the second RC drill program (using a contracted RC drill rig) in Q4 2020 and the diamond-drill program in Q1 2021. Two additional diamond-drill rigs were added to the diamond-drill program in Q3 2021
- Management costs relate to compensation of the Company’s officers (Executive Chairman, President and CEO and CFO). The presented amounts exclude stock-based compensation. A \$25,000 bonus was paid to the President and CEO in Q3 2020. In Q3 2021, a \$15,000 bonus was paid to each of the Executive Chairman and CFO, and the Executive Chairman received a remuneration increase
- Marketing expenditures relate to attendance at conferences (virtual), various advisory services and other marketing related expenditures
- Office and administration relate 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:
 - 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 36 months
- 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 36 months
- 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
- April 2021: 600,000 stock options having a term of five years and an exercise price of \$0.49 and vesting over two years
- April 2021: 85,938 RSUs issued vesting over 18 months and 498,437 RSUs issued vesting over 36 months
- August 2021: 4,050,000 stock options having a term of five years and an exercise price of \$0.51 and vesting over two years.

Statements of financial position

	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21
Cash and cash equivalents	4,460,412	5,477,780	3,578,547	1,528,437	8,545,505
Other current assets	218,914	184,357	237,185	222,896	404,773
Fixed assets	959,893	1,172,863	1,181,066	1,350,632	1,649,247
Mineral properties	1,460,357	1,519,490	1,611,962	1,921,272	2,061,357
<i>Total assets</i>	<i>7,099,576</i>	<i>8,354,490</i>	<i>6,608,760</i>	<i>5,023,237</i>	<i>12,660,882</i>
Liabilities	406,678	416,077	722,275	609,554	892,873
Share capital	18,077,202	21,197,071	21,202,346	21,445,773	31,313,524
Reserves	2,507,449	2,514,669	2,764,385	2,930,132	4,150,586
Subscription receipts	242,667	-	-	-	-
Other comprehensive income	(855,093)	(733,526)	(970,941)	(741,591)	(946,607)
Accumulated deficit	(13,279,327)	(15,039,801)	(17,109,305)	(19,220,631)	(22,749,494)
<i>Total equity</i>	<i>6,692,898</i>	<i>7,938,413</i>	<i>5,886,485</i>	<i>4,413,683</i>	<i>11,768,009</i>
	-	-	-	-	-

- The balance of other current assets increased in Q3 2021 as a result of a significant deposit paid to the drill contractor in connection with the diamond-drill program
- Increases in the balance of fixed assets during the period under review relate primarily to camp construction and miscellaneous capital expenditures 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 (see 'Camp and other construction'). The balance also includes the cost of a 30 hectare plot of land in Cuiú Cuiú that was purchased by Magellan Brazil in early 2016 prior to its acquisition by Cabral. 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 garimpeiro 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 (including both majority and minority interests in the Cuiú Cuiú garimpeiro condominium; see 'Cuiú Cuiú - Acquisition of garimpeiro interests'). As is the case with fixed assets, mineral property additions are offset by decreases associated

with the general deterioration in the value of the Brazilian reais. With the exception of \$201,634, the September 30, 2021 balance related entirely to Cuiú Cuiú

- The balance of accounts payable and accrued liabilities increased through September 30, 2021 due to the significant increase in the scope of exploration activity through late 2020 and 2021 with the initiation of the three drill programs growing to a total of five rigs in Q3 2021 as well as camp construction activity and seasonal issues impacting payroll liabilities. (see ‘Cuiú Cuiú – Q3 2021 and subsequent work program’)
- The increases in share capital during the period under review relate to the exercise of share purchase warrants and stock options (total of \$4,964,900) in the second half of 2020 and proceeds realised on the July 2021 financing (see ‘Liquidity and going concern’).

Liquidity and going concern

As at September 30, 2021, the Company had a cash balance of \$8,545,505, and net working capital of \$8,057,405.

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.

July 2021 bought-deal financing

In June 2021, the Company announced that it had entered into an agreement with Cormark Securities Inc., on behalf of a syndicate of investment dealers pursuant to which the underwriters agreed to purchase, on a bought-deal basis, an aggregate of 18,520,000 units (the “**Units**”) from the treasury of the Company, at a price of \$0.54 per Unit for total gross proceeds of approximately \$10 million (the “**Offering**”). The Company granted the Underwriters an option (the “**Over-Allotment Option**”) to purchase up to an additional 15% of the Units of the Offering on the same terms exercisable at any time up to 30 days following the closing of the Offering, for market stabilization purposes and to cover over-allotments, if any.

In July 2021, the Company announced that it had closed the bought-deal prospectus offering selling an aggregate of 21,298,000 Units, which included the exercise in full of the Over-Allotment Option, for aggregate gross proceeds of \$11,500,920.

Each Unit is comprised of one common share of the Company and one-half of one share purchase warrant of the Company (each whole share purchase warrant, a “**Warrant**”). Each Warrant entitles the holder to acquire one common share at an exercise price of \$0.80 per share until July 6, 2023, subject to the terms of a warrant indenture dated July 6, 2021 between the Company and Computershare Trust Company of Canada as warrant agent.

The Offering was led by Cormark Securities Inc. as lead underwriter and sole bookrunner, on behalf of a syndicate of underwriters including Stifel Nicolaus Canada Inc., Paradigm Capital Inc., and Research Capital Corporation. In consideration for the services provided by the underwriters in connection with the Offering, the Company paid a cash commission of \$562,852.85 and issued an aggregate of 1,042,320 underwriters’ warrants (the “**Underwriters’ Warrants**”). Each Underwriters’ Warrant is exercisable into one Common Share at an exercise price of \$0.54 per share until July 6, 2023.

The net proceeds of the Offering are to be used for the advancement of the Company’s Cuiú Cuiú project and for working capital and general corporate purposes.

In July 2021, the Company subsequently announced that the TSX Venture Exchange had accepted for listing the 10,649,000 Warrants issued in connection with the offering, under the symbol ‘CBR-WT’.

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 or the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

Operating activities

Cash used in operating activities in the nine months ended September 30, 2021 amounted to \$6,235,637 as follows:

- The net loss for the period of \$7,709,693
- Net non-cash items totalling \$1,243,751 including stock-based compensation and depreciation
- Net reduction in non-cash working capital items of \$230,305 relating to an increase in accounts payable offset by an increase in prepaid expenses.

Investing activities

Cash used in investing activities in in the nine months ended September 30, 2021 amounted to \$1,325,687 as follows:

- Additions to mineral properties of \$558,302 relating to capitalised acquisition and claim maintenance costs including the January claim maintenance payment to the Brazilian authorities, the purchase of the interest of three majority stakeholders and one minority stakeholder in the Cuiú Cuiú garimpeiro condominium and the annual payment to the Cuiú Cuiú garimpeiro condominium
- Additions to fixed assets of \$767,385 relating primarily to ongoing camp construction, the purchase and refurbishment of used vehicles for use at Cuiú Cuiú 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-term or long-term contractual commitments in place as at September 30, 2021 or November 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 September 30, 2021, approximately R\$ 160,000 (\$38,000) of the contract (as amended) was outstanding
- 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) was fulfilled and terminated in October 2021
- The contract with a drill contractor pursuant to which a minimum of 15,000 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 September 30, 2021 or November 26, 2021 other than agreements associated with the construction of the Cuiú Cuiú camp which are expected to be fulfilled in Q4 2021.

Transactions with related parties

The Company incurred the following costs of management remuneration:

	9 months ended Sept. 30, 2021	9 months ended Sept. 30, 2020
Management:		
Employment remuneration	\$ 134,250	\$ 194,916
Consulting fees	177,000	90,917
Payroll related costs	16,340	17,242
Stock-based compensation, stock options	225,093	183,389
Stock-based compensation, RSUs	38,159	4,875
	<u>590,842</u>	<u>491,339</u>
Directors (excluding management):		
Stock-based compensation, stock options	233,365	77,468
Stock-based compensation, RSUs	55,741	23,084
	<u>289,106</u>	<u>100,552</u>
	<u>\$ 879,948</u>	<u>\$ 591,891</u>

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

As at September 30, 2021, the Company owed a total of \$25,866 to members of management in connection with unreimbursed expenditures incurred by management on behalf of the Company; this liability was repaid in full in Q4 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 both September 30, 2021 and November 26, 2021:

	Exercise price	
Issued and outstanding common shares		141,668,460
Share purchase warrants (expiration date):		
July 6, 2023	\$ 0.80	10,649,000
July 6, 2023	\$ 0.54	1,042,320
June 19, 2022	\$ 0.20	144,000
		11,835,320
Stock options (expiration date):		
June 19, 2023	\$ 0.23	450,000
January 22, 2024	\$ 0.25	1,323,224
September 6, 2024	\$ 0.15	2,045,000
July 21, 2025	\$ 0.27	2,881,000
November 13, 2025	\$ 0.60	1,150,000
April 11, 2026	\$ 0.49	600,000
August 30, 2026	\$ 0.51	4,050,000
		12,499,224
RSUs (vesting date):		
January 30, 2022		200,000
September 6, 2022		66,667
October 12, 2022		85,939
July 30, 2023		200,000
April 12, 2024		498,435
		1,051,041
Fully diluted		167,054,045

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.