# Cabral Gold Inc.
(An Exploration Stage Company)

Management Discussion and Analysis

For the year ended December 31, 2021

Dated: April 29, 2022

## Management Discussion and Analysis

The following Management Discussion and Analysis ("**MD&A**") of Cabral Gold Inc. ("**Cabral**" or the "**Company**") has been prepared as at April 29, 2022. It is intended to be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2021.

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

All monetary amounts, including comparatives, are expressed in Canadian dollars ("**$**") unless otherwise noted.

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.

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

## Cautionary Statement on Forward-Looking Information

This MD&A document contains 'forward-looking information' and 'forward-looking statements' (together, the "**forward-looking statements**") within the meaning of applicable securities laws. Such forward-looking statements concern the Company's anticipated operations in future periods, planned exploration and development of its properties, and plans related to its business and other matters that may occur in the future. This information relates to analyses and other information that is based on expectations of future performance and planned work programs. These forward-looking statements are made as of April 29, 2022.

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. ("**CGBC**") which in turn is a wholly-owned subsidiary of the Company.

# Highlights

The year ended December 31, 2021 and the period ended April 29, 2022 were highlighted by the following activities and initiatives:

***Exploration and development***

- The Company's current drill program commenced in Q3 2020. Since then, the program has been expanded several times as a result of drill success as described below. As at April 29, 2022, the Company had five drill rigs in operation on the Cuiú Cuiú property, including four diamond drills and one RC drill
  - A Company-owned RC rig has been drilling since September 2020. This rig is focussed on defining the limits to the recently identified gold-in-oxide blankets at PDM and Central, and is also used to conduct initial-phase reconnaissance drilling and testing of predominately grass-roots targets and areas
  - A contracted RC rig commenced drilling in November 2020. This program was focussed on follow-up drilling of advanced targets. The RC segment of the MG drill program was completed and that rig was released from the site in October 2021
  - The first contracted diamond-drill rig arrived on site in February 2021. It has been exclusively focussed on advancing the MG deposit
  - Two additional contracted diamond-drill rigs arrived on site in early September 2021. These rigs have been focussed on drilling the high-grade portions of Central and other high-grade targets on the property
  - A fourth contracted diamond-drill rig was added in early March 2022. It will be used to test more advanced secondary targets and has commenced drilling at the Indio target area
- During 2021, much of Cabral's drill program was focused on defining the high-grade basement zones within the MG and Central gold deposits. At the same time, the Company discovered and drilled two new near-surface gold-in-oxide blankets at MG and PDM, and drill-tested a new high-grade mineralized basement zone at PDM beneath the gold-in-oxide blanket. Meanwhile, the Company continued to explore, drill test, and expand other new target areas, such as Machichie, Machichie NE, Machichie

SW, Morro da Lua and Indio. A third gold-in-oxide blanket was confirmed above the Central gold deposit in January 2022

- A total of 25,359 metres of drilling was completed during 2021, including 16,027 metres of RC drilling and 9,332 metres of diamond drilling. Drill results have been disclosed throughout the period under review (see 'Cuiú Cuiú - 2021 and 2022 year-to-date work programs'). Much of that diamond drilling has comprised infill drilling at known deposits while much of the RC drilling was carried out for regional reconnaissance. As at December 31, 2021, there were still some 39 other gold targets to test on the 36,000 hectare Cuiú Cuiú property
- In November 2021, the Company announced that it had entered into an agreement with Kappes, Cassiday & Associates, a well-known laboratory based in Reno, Nevada, USA, to complete a series of metallurgical tests on mineralized samples from the gold-in-oxide blanket and saprolite from MG
- During 2021, Cabral acquired surface rights to all of the surface footprint of the MG complex as well as much of Machichie and PDM. Specifically, the Company acquired the interest of five majority Cuiú Cuiú condominium stakeholders and one minority stakeholder in 2021 for total consideration of R$ 2,534,280 ($590,000) of which R$ 370,000 is due for payment in June 2022 (the interest of a majority stakeholder was also acquired in 2020). During 2022 through April 29, 2022, the Company acquired the interest of a seventh majority stakeholder for total consideration of R$ 434,600 (approximately $107,000)
- Concurrent with the drill program, 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 property

***Finance***

- The balance of cash and cash equivalents as at December 31, 2021 was $4,898,213 and the net working capital balance as at this date was $4,313,224
- 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 $0.80 per share until July 6, 2023 (see 'Liquidity and going concern')
- In July 2021, the Company announced that the TSX Venture Exchange had accepted for listing the 10,649,000 share purchase warrants issued in connection with the July 2021 bought-deal prospectus offering (TSX Venture Exchange symbol 'CBR-WT')
- The value of the R$ relative to the Canadian dollar was extremely volatile throughout 2021; the R$ depreciated 7% against the Canadian dollar during the year. This decline followed 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 Canadian dollars. The 2021 depreciation of the R$, however, has been more than offset in 2022 with a steep appreciation in the value of the R$ of 17% relative to the Canadian dollar through April 22, 2021

***Other***

- In April 2021, the Company announced the appointment of Rodney Cooper, an experienced mining engineer, to the Board of Directors and the resignation of Dennis Moore from the Board of Directors
- Ongoing corporate social responsibility activities continued during 2021 and 2022 to date 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. A new health clinic was built with the local community supplying funds and labour and the Company assisting with

materials and the provision of internal furnishings, medical equipment and supplies. 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.

***Background: surface access agreement, garimpeiro condominium***

On February 19, 2006, Magellan Brazil entered into a surface access agreement with a garimpeiro condominium, 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 $1,229 as at December 31, 2021) to each of the 20 majority stakeholders and R$ 2,700 per year ($614) to each of the 62 minority stakeholders.

Payments totalling approximately $73,000 are due to the garimpeiros (both majority and minority stakeholders) in Q2 2022 in connection with the surface access fee in respect of the year ended March 2023.

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

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

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

***Acquisition of garimpeiro interests***

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

During 2021, Cabral acquired surface rights to all of the surface footprint of the MG Complex as well as much of Machichie and PDM. Specifically, the Company acquired the interest of five majority stakeholders and one minority stakeholder during the year for total consideration of R$ 2,534,280 ($590,000) of which R$ 370,000 is due for payment in June 2022. During 2020, the interest of one majority stakeholder was acquired for total consideration of R$ 100,000 (approximately $31,000).

During 2022 through April 29, 2022, the Company acquired the interest of a seventh majority stakeholder for total consideration of R$ 434,600 (approximately $107,000).

***New surface-access and purchase agreements within the Cuiú Cuiú district***

During 2020, the Company entered into three surface-access and purchase agreements relating to a total of 9,285 hectares located to the northeast and east within the main Cuiú Cuiú property. The total monthly fee for all three properties was initailly R$ 24,000 (approximately $5,900 as at December 31, 2020).

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

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

In June 2021, the Company entered into a fourth surface access agreement relating to a total of 2,168 hectares located east of the main Cuiú Cuiú property for a monthly fee of R$ 12,500. The agrement does not have a purchase option.

Monthly rental fees are adjusted on an annual basis. The total monthly fee for all four properties was R$ 51,500 as at March 2022 (approximtaely $13,600).

***Net smelter royalties***

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

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

***2021 work programs***

Highlights of the 2021 exploration program are as follows by target area.

<u>MG Gold Complex</u>

Initial RC and diamond drilling at MG resulted in a significant reinterpretation of the geology of the MG deposit. A thick, laterally extensive, flat-lying cover sequence of redeposited oxidized, heavily weathered and unconsolidated mineralized material (oxide blanket) was recognized with a surface footprint of 40 hectares. It extends from surface to up to 60m depth and was the first new gold discovery at Cuiú Cuiú during 2021. This new style of gold mineralization is interpreted to have formed through the erosion of the primary basement MG gold deposit, and now unconformably overlies the primary gold deposit. The oxide blanket extends significantly to the north and south of the east-trending basement deposit but lies within the limits of the 2018 Micon resource pit. Importantly, much of this mineralized blanket material could be free digging and much of it was considered sterile waste rock in the of the 2018 resource estimate.

*MG Gold-in-Oxide Blanket*

Based on the initial discovery of near-surface oxide mineralization in April 2021, Cabral conducted an aggressive RC drilling program consisting of 79 relatively short RC holes totaling 6,609 metres. These were designed primarily to determine the vertical and lateral extent of the gold-in-oxide blanket, but most of the RC holes also extended into and tested for mineralization within basement rocks. The surface footprint grew over the course of 2021 to 40 hectares and it remains open in several directions. Drilling highlights in 2021 included the following:

- 60m @ 3.5 g/t gold, including 2.6m @ 64.6 g/t gold
- 46m @ 1.3 g/t gold including 5.0m @ 3.6 g/t gold and including 1.0m @ 7.7 g/t gold
- 46m @ 1.2 g/t gold including 3.0m @ 5.5 g/t gold
- 66m @ 0.7 g/t gold including 6.0m @ 2.5 g/t gold
- 47m @ 0.7 g/t gold
- 48m @ 0.5 g/t gold
- 16m @ 1.2 g/t gold
- 22m @ 0.7 g/t gold including 2.0m @ 3.0 g/t gold
- 24m @ 0.8 g/t gold
- 34m @ 0.7 g/t gold including 2.0m @ 3.0 g/t gold and including 1.0m @ 5.4 g/t gold
- 46m @ 0.5 g/t gold.

With increased drill density, an east-trending zone of thicker and higher-grade mineralization was also recognised within the overall outline of the blanket. This higher-grade zone is largely coincident with, and occurs directly above, the primary basement MG gold deposit.

Five diamond-drill holes were drilled during 2021 specifically to obtain samples of blanket and saprolite material for metallurgical test work. Drill results from these five holes included: 70.8m @ 1.0 g/t gold, including 17.0m @ 3.3 g/t gold; 43.6m @ 1.4 g/t gold; 30m @ 2.2 g/t gold; 54.0m @ 0.7 g/t gold; 13m @ 0.9 g/t gold; and 21.7m @ 0.8 g/t gold. Samples were dispatched late in the year to the Kappes Cassiday laboratory in Reno, Nevada. This work is critical to understanding the economic viability of this unconsolidated surface oxide mineralization at MG, which may be amenable to low-cost, low-capital heap-leach processing, and is expected to be competed in May 2022.

The mineralized blanket is an important new discovery and lies entirely within the confines of any potential open pit that would exploit the basement gold deposit at MG. Much of this blanket material was previously considered to be barren and therefore the removal of this material may now be considered as potentially profitable pre-strip mineralization, whereas it would have formerly been allocated a significant stripping cost. The newly discovered gold-in-oxide material may prove to be an economic bonus that improves the overall economics of the project. This material is soft and much of it could be free digging which would significantly reduce mining costs. Moreover, the softer rock should also have a much lower work index leading to lower crushing and grinding costs than the harder basement rocks. It is also possible that the blanket material may be amenable to heap-leach processing, which could further reduce processing costs, initial capital costs and cut-off grades

*MG Primary Basement Gold Deposit:*

Drilling during 2021 also targeted the main basement gold deposit at MG. Drilling was designed to establish vertical and lateral continuity, expand, and confirm zones containing historic high-grade gold mineralized intercepts within the deposit and to evaluate undertested regions of the deposit, particularly closer to surface. The planned MG drilling program is not yet complete, and drilling continues.

Key results to date include:

- Several parallel zones to the primary MG gold deposit were discovered, notably in the footwall, where highlights included: 18.1m @ 4.3 g/t gold, including 1.0m @ 45.1 g/t gold; and 2.1m @ 29.4 g/t gold, including 0.5m @ 120.6 g/t gold
- The deposit was also extended to the west where diamond drilling returned 19.1m @ 2.2 g/t gold, including 7.0m @ 4.5 g/t gold
- Lateral and vertical continuity of known high-grade mineralization was confirmed in several areas highlighted by: 17.6m @ 4.1 g/t gold, including 4.3m @ 11.3 g/t gold; 14m @ 1.9 g/t gold, including 2.5m @ 7.5 g/t gold; and 10.5m @ 2.4 g/t gold, including 2m @ 4.7 g/t gold
- Drilling on numerous different north-south cross sections of the MG deposit successfully extended known gold mineralization to depth, where it remains open downdip
- In much of the deposit, the main mineralized zones are now interpreted to dip slightly shallower to the north than previously thought, and some potentially shallow north-dipping high-grade structures have also been identified. Much of the historic drilling was wide-spaced, with most holes inclined down-dip to north, and so those holes may have missed the main mineralized zone in some areas.

Central Deposit

The Central gold deposit is the largest gold deposit discovered to date at in the Cuiú Cuiú project area and like MG, remains open at depth. Historic drilling indicates the potential to add ounces in a number of areas within the zone, while there is also potential for parallel zones of mineralization. One of the new diamond-drill rigs commenced drilling at Central in late November 2021.

Based on the discovery of the new gold-in-oxide blankets above the MG gold deposit and at the PDM target during 2021, a 25-hole, shallow RC drilling program was initiated above the Central gold deposit to test for the possibility of a third gold-in-oxide blanket. Results for the initial RC drilling at the north end of the deposit were released in January 2022. The presence of the blanket was confirmed by the RC drilling and included 26m @ 0.4 g/t gold in oxidized material from surface. Diamond holes drilled towards the south end of the main deposit also encountered a thin gold-in-oxide blanket, returning up 11.0m @ 0.7 g/t gold from surface, but more importantly, cut thick mineralized intervals within highly weathered and oxidized mineralized basement saprolite, highlighted by 55.1m @ 1.1 g/t gold from 4.9m depth.

PDM Gold Complex

Following the identification of the gold-in-oxide blanket mineralization at MG, the Company elected to explore for similar near surface oxide gold deposits elsewhere within the Cuiú Cuiú district. The next target was PDM, located 2.5 kilometres NW of the Central gold deposit and 6.5 kilometres NW of the MG gold deposit. Several scattered historic holes and trenches at PDM had returned significant gold values from bedrock as well as oxidized weathered rock.

*PDM Gold-in-Oxide Blanket*

In August 2021, results were announced on an initial 11 RC holes which suggested the presence of a gold-in-oxide blanket at the PDM target. Drill result highlights include:
- 40m @ 2.2 g/t gold, including 7m @ 9.4 g/t gold
- 16m @ 1.3 g/t gold
- 13m @ 0.9 g/t gold
- 10m @ 0.6 g/t gold.

The blanket at PDM is an important new discovery and currently covers an area of 900 x 350m (31.5 hectares). This blanket also contains a significant northwest-trending zone of higher grade and remains open to the north and to the west. This higher-grade zone is very similar to the high-grade core within the blanket at MG which largely occurs directly above the basement primary gold mineralized zone.

*PDM Primary Basement Target*

In late 2021, diamond drilling at PDM in unweathered basement rocks beneath the gold-in-oxide blanket returned 22.4m @ 4.8 g/t gold, including 1.35m @ 62.0 g/t gold. A step-out hole 130m to the northwest returned 11.9m @ 3.3g/t. This basement intercept was directly below the northwest-trending higher-grade zone in the gold-in-oxide blanket and suggested that there could be a significant new zone of higher-grade primary gold mineralization in basement at PDM. Such basement gold mineralization would be the most likely source of the near-surface gold-in-oxide blanket at PDM.

The new mineralized basement zone at PDM is an important new gold discovery. It extends at least 200 metres along strike, trends northwest and dips steeply to the southwest. It remains open to the north, south and down-dip. The zone appears similar to the northwest-trending Central gold deposit. It is 2.5 kilometres to the northwest and along strike from Central and virtually no exploration has been done in the intervening northwest-southeast corridor between the two mineralized areas. Additional drilling is planned for 2022 to establish the extent, strike and dip of the PDM basement zone.

<u>Machichie Main Zone</u>

The Machichie main zone target area is located 500 metres north of the MG deposit. The main Machichie target is an east-trending mineralized zone comprising a high-grade vein structure surrounded by a lower grade halo, similar to the nearby MG gold deposit.

RC drilling during 2021 along the strike of the main Machichie target returned encouraging drill results including 34m @ 5.4 g/t gold, which included 13m @ 13.4 g/t gold. Results to date suggest that the mineralized zone extends east to west for at least 500 metres. It remains open to both the east and west and there appears to be higher-grade shoots within the main mineralized zone. Further drilling and trenching are planned for 2022.

<u>Machichie NE Target</u>

At Machichie NE, five holes were drilled to follow-up a mineralized intercept from a single drill hole that was completed in 2019. It returned 15.9m @ 1.7 g/t gold, including 0.5m @ 21.3 g/t gold. 2021 drill results are highlighted by 8m @ 3.3 g/t gold, and 17m @ 0.8 g/t gold, including 4m @ 2.9 g/t gold. Follow drilling at Machichie NE is planned during 2022 in order to evaluate the extent of this mineralized zone.

<u>Morro da Lua Target</u>

Follow-up RC drilling at the Morro da Lua target during 2021 identified at least three high-grade northeast trending vein structures. Results were highlighted by 2m @ 10.5 g/t gold and 3m @ 6.6 g/t gold, and indicated continuity along strike and down dip. Further drilling is planned for 2022.

<u>Other Targets</u>

Encouraging drill results were also returned from the Machichie SW area where the number of known NE trending veins was increased from six to nine. Diamond drilling during April 2021 on the Hamilton Novo vein returned 3m @ 13.2 g/t gold, including 1.0m @ 36.7 g/t gold. RC drilling during October identified three additional northeast-trending vein structures with drill results including 1m @ 18.5 g/t gold, 2m @ 3.5 g/t gold, 3m @ 2.8 g/t gold and 1m @ 18.3 g/t gold.

Similarly, first-phase reconnaissance drilling at the Indio target, which is located 1.5 kilometres SE of the MG gold deposit, returned encouraging results, including 5m @ 2.7 g/t gold and 4m @ 2.5 g/t gold. This suggests continuity of gold mineralization in a northwest to southeast direction for at least 200 metres. Given the continuity of mineralization at Indio, follow-up drilling is planned for 2022.

Reconnaissance stream-sediment sampling during late 2021 identified a new gold anomaly called Escondido located 3.4 kilometres east-southeast of the MG gold deposit. The new anomaly is very similar to the geochemical and magnetic anomaly which define the MG gold deposit and will be the subject of follow up soil and auger sampling and if results justify, reconnaissance drilling, during 2022.

***2022 year-to-date work programs***

Highlights of the 2022 year-to-date exploration program are as follows.

MG Gold-in-Oxide Blanket and MG Primary Basement Gold Deposit

The planned diamond-drill program, that commenced in 2021, continued into 2022. Thus far in 2022, 15 additional diamond-drill holes have already been completed at MG. The holes were designed to follow-up 2021 RC results within the gold-in-oxide blanket and to test the underlying primary mineralization in both mineralized basement saprolite and fresh (unweathered) mineralized basement.

Results both in the oxide blanket and in the primary mineralization largely confirms the 2021 interpretation of gold mineralization:

Highlights of 2022 blanket drill-results include:
- 33.6m @ 0.3 g/t
- 25m @ 0.6 g/t
- 44m @ 0.5 g/t
- 18m @ 1 g/t
- 36m @ 1.1 g/t

Highlights of 2022 primary mineralization drill-results include:
- 2.4m @ 1.3 g/t
- 2.6m @ 28.9 g/t, including 1m @ 64.6 g/t
- 1.6m @ 32.8 g/t, including 0.6m @ 86.1 g/t
- 17.5m @ 4 g/t, including 5.5m @ 105 g/t
- 31m @ 1.3 g/t, including 0.5m @15.5 g/t

Central Deposit

An initial 5,500m diamond-drill program commenced at Central in late 2021. Historically wide-spaced drilling was carried out in order to outline the extent of mineralization along strike and at depth. Due to wet overburden that covers much of the deposit, the historic collar locations were generally quite far from the core of the deposit. As a result, the historic program provided virtually no information about the potential blanket at Central and very limited information regarding highly weathered and oxidized basement-saprolite mineralization.

The ongoing program is designed to provide information to aid in defining the extent of oxide-blanket material, establishing the extent of basement saprolite mineralization and better understanding, defining and proving continuity of high-grade gold zones within the primary unweathered basement mineralization. A total of ten holes have already been drilled in 2022.

Highlights of 2022 oxide mineralization drill intercepts include:
- 11m @ 0.7 g/t

- 68.2m @ 0.8 g/t
- 55.5m @ 1.1 g/t
- 37m @ 1.3 g/t, including 1.6m @ 13 g/t
- 18.3m @ 0.7 g/t
- 12.0m @ 0.7 g/t

Highlights of 2022 primary mineralization drill intercepts include:
- 23.8m @ 5.5 g/t, including 0.7m @ 98.4 g/t
- 60m @ 0.8 g/t, including 14.0m @ 1.0 g/t
- 1.7m @ 14.9 g/t, including 1.1m @ 22.2 g/t
- 12.8m @ 1 g/t
- 17.5m @ 1.9 g/t, including 3.2m @ 5.3 g/t
- 30.4m @ 1.1 g/t
- 9.6m @ 16.4 g/t, including 1.2m @ 112 g/t

PDM Gold Complex

The first-phase 2021 PDM diamond-drill program was extended into 2022. An additional seven holes were drilled to further explore for PDM primary gold mineralization within fresh basement rocks. Results to date indicate a northwest-trending mineralized structure dipping steeply southwest. Drilling at this target was suspended temporarily, while awaiting backlogged assay results to return from the lab. Drilling is expected to resume later in the year once the backlogged results are interpreted and integrated. In the meantime, the diamond rig was redeployed to test the main Machichie zone.

Highlights of drill results in the primary mineralization include:
- 6.5m @ 3.2 g/t, including 0.5m @ 39.5 g/t
- 5.8m @ 2.8 g/t, including 2.5m @ 6.1 g/t
- 4m @ 1.7 g/t, including 1.2m @ 5.3 g/t
- 3m @ 4.7 g/t, including 1m @ 13 g/t
- 8m @ 6.7 g/t, including 2m @ 23.2 g/t

Machichie Main Zone

A trenching program testing on strike to the west of the main Machichie mineralized zone started in late 2021. That program remains ongoing. So far, a total of 13 trenches totalling 660m were excavated. Assay results indicate the Machichie structure may extend 300m further to the west than previously thought.

Trench result highlights include:
- 1m @ 1.7 g/t
- 5m @ 8.3 g/t, including 1m @ 37.8 g/t
- 0.6m @ 12.9 g/t
- 1.3m @ 4.1 g/t
- 11m @ 1.2 g/t, including 0.6m @ 9.6 g/t
- 38.6m @ 0.7 g/t, including 2m @ 3.9 g/t

A diamond-drill program commenced recently using the rig that was redeployed from PDM. Two holes have been completed and assays are pending.

Other Targets

The fith rig, which was recently contracted, is being assigned to test earlier stage regional targets. The initial target being tested is Indio. Two holes have already been drilled in 2022 at Indio in the same section previously drilled by Cabral's RC rig which returned 5m @ 2.67 g/t. Assays are pending.

Exploration activity undertaken through 2021 and 2022 to date has successfully discovered several new gold-in-oxide blanket mineralized zones, improved the definition of higher grade bedrock mineralization at MG and Central and identified a number of other high-grade basement targets for drill testing in various areas of the Cuiú Cuiú property.

Exploration outlook

The 2021 Cabral drilling campaign was initially largely focused in and around the MG gold deposit, but has since expanded to test numerous other areas.

The MG drilling been very successful to date and continues, having resulted in outlining a new gold-in-oxide blanket mineralized zone, and refining the existing basement deposit, with emphasis on the definition of high-grade zones. The current MG drill program is expected to be complete in several months and heap-leach metallurgical tests are expected in May 2022.

The Company announced in November 2021, that it was turning its attention to the Central trend which has been traced along a northwest trend using magnetic data and auger geochemical sampling for a distance of five kilometres. 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 excellent early-stage 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. The initial 2021 and 2022 focus, however, has been PDM and Central. Both will be the subject of an aggressive program of follow-up drilling in the coming months. It is expected that the drill currently testing MG will be redeployed to PDM or Central once the MG program is complete.

Machichie infill and down-dip drilling has commenced along with an aggressive trenching program along strike. Drilling is ongoing but the drill-rig will re-deployed to PDM as the assay backlog grows too large at Machichie.

Regional target drilling will continue throughout 2022 utilizing a diamond drill, an RC drill and a power auger. Drilling is being carried out first at the Indio target. The Company also plans to complete soil geochemical grids to better define drill targets in certain areas.

***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 @ 0.90 g/t (200,000 oz) and Inferred resources of 19.5Mt @ 1.24 g/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, which 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 seven months ended December 31, 2021 is as follows:

| | Use of proceeds | 7m ended Dec. 31, 2021 | Variance |
|---|---|---|---|
| Total available funds: | | | |
| Gross proceeds from the offering | 11,500,920 | 11,500,920 | - |
| Estimated working capital as at May 31, | 2,350,000 | | |
| 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 | (350,000) | (418,739) | (68,739) |
| | **12,810,865** | **10,519,328** | **58,463** |
| Drill programs | 8,200,000 | 4,590,527 | (3,609,473) |
| Other exploration expenditures | 1,600,000 | 1,040,707 | (559,293) |
| Fixed assets | 300,000 | 1,042,813 | 742,813 |
| Mineral claim maintenance and acquisition | 400,000 | 474,198 | 74,198 |
| | 10,500,000 | 7,148,245 | |
| Operating expenses (non-exploration) | 1,200,000 | 708,968 | (491,032) |
| Contingency (5%) | 585,000 | | (585,000) |
| | 12,285,000 | 7,857,213 | (4,427,787) |
| Working capital | 525,865 | | |
| | **12,810,865** | **7,857,213** | |

Actual exploration spend and non-exploration operating expenses for the seven months ended December 31, 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 December 31, 2021 by the Company and a previous owner of the property amounts to approxiamtely $40.1 million as follows:

| | Previous owner (1) | Dec. 31, 2020 (2) | 12 months ended Dec. 31, 2021 | Total |
|---|---|---|---|---|
| Drilling (direct costs) | $ 12,252,193 | $ 973,053 | $ 2,859,967 | $ 16,085,213 |
| Payroll | 7,187,040 | 2,526,753 | 1,700,871 | 11,414,664 |
| Field costs | 1,255,833 | 1,832,832 | 2,277,875 | 5,366,540 |
| Consulting, third parties | 1,178,055 | 1,408,997 | 69,390 | 2,656,442 |
| Freight and travel | 931,739 | 711,648 | 779,064 | 2,422,451 |
| Assay | 832,789 | 181,802 | 343,423 | 1,358,014 |
| Geophysics | 772,114 | - | - | 772,114 |
| | **$ 24,409,763** | **$ 7,635,085** | **$ 8,030,590** | **$ 40,075,438** |

(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 CGBC) through a series of transactions. CGBC 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*

Following completion of six years of exploration on various parts of the Cuiú Cuiú property, Magellan Brazil submitted the requisite final exploration report to the ANM in October 2013. This report was in respect of the Central, Jerimum Baixo and MG tenements (claims 850.615/2004 and 850.047/2005). The report was approved by the ANM and published in November 2015.

Following the approval of this report, Magellan Brazil initiated the process of acquiring a mining license in 2016 which has involved the preparation of various studies and their submission to, and ultimate acceptance by applicable authorities in Brazil.

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, PDM, MG and Machichie areas of which two were granted by the ANM on February 3, 2021 (one for each tenement 850.615/2004 and 850.047/2005, on the MG and Machichie 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, both as part of the trial mining licence process. It is anticipated that the Installation Licenses (LIs) for the trial mining licenses will be available in Q2 2022 and the Operating Licenses (LOs) in the second half of 2022.

An application for reconsideration of the trial mining licences to be expanded to include the PDM and Central targets was submitted on March 15, 2022 and a positive technical analysis was approved on March 18, 2022. The request will now be subject to a vote by the Directors of the ANM as early as mid-May 2022. This could potentially expand the annual capacity of the two *Guias De Utilizacao* to up to 200,000 tonnes on the western 850.615/2004 tenement with PDM, Central, Machichie West and MG West and a further 100,000 tonnes per year capacity on the eastern tenement, 850.047/2005, comprising the Machichie East and MG East targets.

A request for analysis of the EIA-RIMA will be made in Q2 2022 to help fast-track the environmental licensing process to receive the Preliminary License in early 2023.

Direct permitting costs (relating primarily to third party studies) incurred in the year ended December 31, 2021 amounted to $7,100 ($214,865 in the year ended December 31, 2020).

### *Corporate social responsibility*

Corporate social responsibility activities within the surrounding community of Cuiú Cuiú continued in 2021 and 2022 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. Plans are in place to improve the water distribution in the community in the summer of 2022 and provide additional water bores, if necessary, to meet demand
- Improvements in basic sanitation services in the village of Cuiú Cuiú through the initiation of a garbage collection service three times a week, creation of a landfill, education programs and various other initiatives

- Sharing of the Company's medical centre facilities and related staff with the community with extensive assistance provided to the community in terms of both personnel and medical resources in connection with the COVID-19 pandemic
- Involvement in the construction and fit out 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 medical equipment and supplies to maintain the clinic. The clinic is expected to be formally transferred to the local government in May 2022
- 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
- Ongoing discussions are continuing to help facilitate the construction of a new school in July 2022, to be financed by the local government
- New radio tower infrastructure built by Cabral in partnership with Nova Net provided dramatically improved radio and internet communication for the project. Some of the excess bandwidth has been liberated to provide better communications for the Cuiú Cuiú community with third parties providing all-weather stable internet services for Cuiú Cuiú residents. Previously, internet access was provided by unstable satellite services.

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 during 2021 and early 2022 including the following:

- 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)
- The process of recovering and transferring the historical core to the new core shed commenced in early 2021 and was completed in Q1 2022
- Construction of administrative office, warehouses with operational vehicle workshop, fuel depots (including the acquisition of fuel tank systems) and recreational areas (completed in Q2 2022).

The completion of camp construction had 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 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 (completed in Q1 2022)
- 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 (completed in Q1 2022)
- Expansion of main core shed to accommodate an additional two full benches for core logging (completed in Q1 2022)
- With the expansion of current drill programs, the new core shed will require further expansion to accommodate new core in Q2 2022 or Q3 2022. Current capacity will accommodate approximately 10,000m of additional core.

In addition, near-term accommodation requirements were 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.

***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 met and, in most cases, exceeded 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 when necessary. These initiatives also include the ongoing testing of all employees and contractors and have continued in force through April 29, 2022.

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.

In early and mid 2021, the vaccination of employees was provided both onsite and when on break in Itaituba where vaccinations were 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 part of its ongoing corporate social responsibility initiatives, the Company has provided extensive support to the town of Cuiú Cuiú during the current COVID-19 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 suffered in 2021 from the much-publicised growth in the spread of COVID-19 including variants throughout the country. Brazil, however, now has one of the highest COVID-19 vaccination rates in the world and COVID-19 restrictions have been revoked in much of the country as of April 2022.

***Outlook***

The Company's exploration plans for the first six to nine months of 2022 will be a continuation of the initiatives described above and summarised as follows:

- Reconnaissance RC drill program utilising the Company-owned track-mounted rig
- Diamond-drill program utilising four contracted rigs
- Other exploration initiatives including stream sediment, soil and channel sampling
- Most of the camp construction (work in progress as at December 31, 2021 was completed in March 2022, however, certain aspects of the camp construction had to be deferred until the dry season in late Q2 2022)
- Possible further acquisitions of strategic ground including selected garimpeiro interests in the Cuiú Cuiú condominium
- To advance permitting, the Company will continue all necessary actions required in the permitting process
- Public audiences are expected to be conducted in late Q3 2022 following analysis of the EIA-RIMA report which was submitted as part of the Brazilian permitting process

- Environmental licensing for the six trial mining licenses is ongoing. Installation Licenses are expected to be published in early Q2 2022, while the Operating Licenses are expected to be published in the second half of 2022
- Metallurgical studies on mineralized samples from the gold-in-oxide blanket at MG being undertaken by Kappes, Cassiday & Associates in Nevada are ongoing with completion expected in May 2022
- Metallurgical studies are also being conducted in Brazil with Testwork Desenvolvimento do Processos Ltda based in Belo Horizonte together with GSEM Engenharia Mineral to better understand the potential process flowsheets of both the oxide and primary mineralisation and tailings characterisation. Results of these studies will enable Cabral to propose alternatives to traditional tailings dams with application of dewatering, filter press and dry-stacking technologies. Results are expected in late Q3 2022. It is expected that the removal of the tailings dams from any future proposed mine in Brazil, will ultimately expedite the licensing approval process with both the ANM and SEMA.

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

## Bom Jardim

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

- Option payments totalling US$ 300,000 over three years, and
- Exploration expenditures totalling a minimum of US$ 2,000,000 over three years.

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

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

As at December 31, 2021 and April 29, 2022, the Company had received US$ 50,000 in option payments from the optionee. The payment of the second option payment of US$ 100,000 was to have been paid in December 2021; pursuant to an amendment dated February 21, 2022, the payment deadline was deferred to May 31, 2022 and the payment was increased to US$ 130,000. The third and final option payment of US$ 150,000 is due in December 2022.

## Poconé properties

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

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

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

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

In August 2015, ECI received notification that a former optionor of one of the property interests acquired by ECI on behalf of the ECI Venture had filed a claim against ECI and PGM in connection with an option agreement that had been entered into with the ECI Venture in December 2009. As of April 29, 2022, 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.

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.

Recent decisions of the applicable courts have gone against the defendants in this case which increases the risk that the Company may ultimately incur a loss. As at April 29, 2022, however, the significant uncertainty present regarding the outcome of the case and related issues is such that at this time, management is unable to estimate the likelihood of a loss ultimately being realised by the Company or the quantum and timing of any such loss should it occur. No provision has been made in the accounts for any amount associated with the claim.

## Proposed transactions

As at December 31, 2021 and April 29, 2022, there were no material proposed asset or business acquisitions or dispositions being contemplated other than the strategic acquisition of ground including selected garimpeiro interests in the Cuiú Cuiú condominium.

## Selected annual information

A summary of annual results in respect of the years ended December 31, 2019, December 31, 2020 and December 31, 2021 is as follows. This summary information has been derived from the audited consolidated financial statements of the Company.

***Statement of loss***

| | Year ended 31-Dec-21 | Year ended 31-Dec-20 | Year ended 31-Dec-19 |
|---|---|---|---|
| **Consolidated statement of loss:** | | | |
| Revenue | - | - | - |
| Exploration and development | 8,260,061 | 2,651,842 | 2,837,886 |
| Administration: | | | |
| Stock-based compensation | 1,568,446 | 843,544 | 425,941 |
| Management | 457,825 | 418,434 | 372,595 |
| Marketing | 378,631 | 342,638 | 337,212 |
| Depreciation | 372,367 | 174,619 | 108,613 |
| Office and administration | 103,183 | 109,556 | 104,745 |
| Professional fees | 57,801 | 42,206 | 47,451 |
| Listing expense | 38,250 | 24,572 | 17,139 |
| Travel | 10,851 | 34,011 | 71,210 |
| Foreign exchange loss | 331 | 20,041 | 11,149 |
| Interest income | (42,561) | (7,229) | (18,316) |
| Gain on disposal of PGM | - | - | (4,820) |
| Other income | - | (26,300) | (12,691) |
| ***Net loss*** | ***11,205,185*** | ***4,627,934*** | ***4,298,114*** |
| *Weighted average shares outstanding* | *130,487,483* | *85,452,013* | *48,793,093* |
| Net loss per share | $ 0.09 | $ 0.05 | $ 0.09 |

- Exploration and development: Exploration activity in the first half of 2020 was limited due to both funding constraints and the COVID-19 pandemic. Following the closing of the June and July 2020 private placement and the relaxation of pandemic restrictions, exploration activity in the second half of 2020 was extensive including the initiation of two RC drill programs. A diamond-drill rig was added to the drill program in February 2021. Exploration activity ramped up significantly in mid-2021 following the closing of the July 2021 bought-deal financing including the introduction of two more diamond-drill rigs to the drill program (see 'Cuiú Cuiú – 2021 and 2022 year-to-date work programs')
- Stock-based compensation in 2021 includes recognition of the issuance of 600,000 and 4,050,000 stock options having an exercise price of $0.49 and $0.51, respectively, vesting over two years (2020: issuance of a total of 4,555,000 stock options having a weighted average exercise price of $0.35 vesting over two years; 2019: issuance of a total of 4,269,672 stock options having a weighted average exercise price of $0.19 vesting over two years)
- Management costs relate to compensation of the Company's officers (Executive Chairman, President and CEO and CFO). The increase in 2021 was attributable to increases in annual remuneration to the Executive Chairman introduced effective September 1, 2021 and a bonus paid to the Executive Chairman and CFO. The increase in 2020 was attributable to increases in annual remuneration to the Executive Chairman and the President and CEO introduced effective August 1, 2020 and a bonus paid to the President and CEO
- Marketing: Marketing expenditures relate to attendance at conferences (physical and virtual), various advisory services and other marketing related expenditures
- Depreciation expense increased steadily through the three year period, particularly in 2021, due to the increase in fixed assets in Brazil (exploration equipment, exploration vehicles and camp construction). All fixed assets are depreciated on a straight-line basis over four years
- Office and administration expenditures relate to the costs of maintaining the Company's Vancouver office
- Professional fees relate primarily to audit and legal fees

- Other income relates primarily to proceeds on the disposal of secondary properties (not part of Cuiú Cuiú)

***Statement of financial position***

| | 31-Dec-21 | 31-Dec-20 | 31-Dec-19 |
|---|---|---|---|
| **Consolidated statement of financial position:** | | | |
| Cash and cash equivalents | 4,898,213 | 5,477,780 | 705,725 |
| Other current assets | 323,849 | 184,357 | 190,242 |
| Fixed assets | 2,030,837 | 1,172,863 | 973,539 |
| Mineral properties | 2,277,461 | 1,519,490 | 1,538,620 |
| ***Total assets*** | ***9,530,360*** | ***8,354,490*** | ***3,408,126*** |
| Accounts payable and accrued liabilities | 908,838 | 416,077 | 262,343 |
| ***Total liabilities*** | ***908,838*** | ***416,077*** | ***262,343*** |
| Equity: | | | |
| Share capital | 30,891,884 | 21,197,071 | 11,866,177 |
| Reserves | 5,020,479 | 2,514,669 | 2,030,044 |
| Other comprehensive income | (1,045,855) | (733,526) | (338,571) |
| Accumulated deficit | (26,244,986) | (15,039,801) | (10,411,867) |
| ***Total equity*** | ***8,621,522*** | ***7,938,413*** | ***3,145,783*** |

- Fixed assets include an RC rig purchased in early 2020 and refurbished in subsequent months, other exploration equipment, various vehicles in use at Cuiú Cuiú, camp construction and miscellaneous other capital purchases relating to the establishment of the exploration camp at Cuiú Cuiú. Fixed assets also include a 30 hectare plot of land in Cuiú Cuiú that was purchased by Magellan Brazil in 2017 (total carrying value of land of $556,296 as at December 31, 2021)
- The balance of mineral properties relates to capitalised acquisition and claim maintenance costs including the acquisition of interests in the Cuiú Cuiú garimpeiro condominium (see 'Cuiú Cuiú - Acquisition of garimpeiro interests'). With the exception of $195,281, the balance related entirely to Cuiú Cuiú as at December 31, 2021
- The balance of accounts payable and accrued liabilities increased due to the general increase in scope of exploration activities, particularly drilling activities. Specifically, the balance of liabilities relating to the following were significantly higher as at December 31, 2021 relative to December 31, 2020:
  - Drilling and assay costs reflecting four drill rigs in operation in late 2021 (including three contracted diamond-drill rigs) as compared to two RC drill rigs in late 2020 (increase of $373,978)
  - Payroll costs in Brazil reflecting an almost doubling of full-time employees from 35 in late 2020 to 66 in late 2021 (increase of $115,660)
  - A liability of $84,175) associated with the acquisition of a majority interest in the Cuiú Cuiú garimpeiro condominium which is due to be paid in June 2023
- The increase in share capital in 2021 relates primarily to the $11,500,920 bought-deal financing that closed in July 2021. The increase in share capital in 2020 relates primarily to the $4,179,014 private placement that closed in June and July 2020 and the exercise of share purchase warrants and stock options (total of $4,964,900).

## Summary of quarterly results

A summary of quarterly results in respect of the two years ended December 31, 2021 is as follows:

| | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 |
|---|---|---|---|---|
| Revenues | - | - | - | - |
| Exploration and development | 1,460,110 | 1,525,638 | 2,575,258 | 2,699,055 |
| *Diamond drill rigs (end of quarter)* | *1* | *1* | *3* | *3* |
| *RC rigs (end of quarter)* | *2* | *2* | *2* | *1* |
| Professional fees | 19,787 | 14,398 | 13,962 | 9,654 |
| Non-cash items | 318,288 | 381,652 | 671,488 | 569,385 |
| Administration | 273,402 | 196,652 | 284,105 | 234,581 |
| Net loss | 2,069,504 | 2,111,326 | 3,528,863 | 3,495,492 |
| Total comprehensive loss | 2,306,919 | 1,881,976 | 3,733,879 | 3,594,740 |
| Net loss per share (basic and diluted) | 0.02 | 0.02 | 0.03 | 0.02 |
| Cash and cash equivalents | 3,578,547 | 1,528,437 | 8,545,505 | 4,898,213 |
| Net working capital | 3,093,497 | 5,246,060 | 8,057,405 | 4,313,224 |
| Total assets | 6,608,760 | 5,023,237 | 12,660,882 | 9,530,360 |

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

- Exploration and development: Exploration activity in the first half of 2020 was limited due to both funding constraints and site access during the COVID-19 pandemic. Following the closing of the June and July 2020 private placement and the relaxation of pandemic restrictions, exploration activity increased in Q3 2020 with the initiation of two RC drill programs. A diamond-drill rig was added to the drill program in Q1 2021. Exploration activity ramped up significantly again in Q3 2021 following the closing of the July 2021 bought-deal financing including the introduction of two more diamond-drill rigs to the drill program. While exploration and development spend is primarily driven by the number of drill rigs operating (see number of rigs by quarter in the above tables), other exploration and related initiatives such as soil sampling, trenching, stream-sediment sampling and permitting activity also influence costs (see 'Cuiú Cuiú – 2021 and 2022 year-to-date work programs'). Volatility in the $ to R$ foreign exchange rate leads to a corresponding volatility in $ denominated exploration and development spend, the vast majority of which is incurred in Brazil in R$
- Non-cash items comprise stock-based compensation and depreciation expense. The volatility in stock-based compensation expense is due to the timing of granting stock options and restricted share units ("**RSUs**"). Depreciation expense has increased steadily through the two-year period, particularly in 2021, due to the increase in fixed assets in Brazil (exploration equipment, exploration vehicles and camp construction); all fixed assets are depreciated on a straight-line basis over four years

- Administration comprises all operating expenses other than exploration and development expenditures, professional fees and non-cash items. It includes costs of management, travel, listing fees, marketing and general and administrative items. Such spend has been relatively stable over the two-year period with volatility relating primarily to the timing of spend on items such as marketing initiatives and related travel (such as attendance at conferences), annual listing fees and AGMs

See further discussion regarding Q4 2021 expenditures and events below.

**Q4 2021**

Q4 2021 expenditures and events were characterised by the following issues that affected the Company's financial condition:

- The Cuiú Cuiú camp shuts down for the Christmas break every year in mid to late December and reopens in early January. The shutdown leads to reductions in certain cost items in Q4 (drilling contractors, assay, fuel, food and freight) which are offset in the quarter by increases in certain other costs (statutory year end payroll and related expenses and travel). Most smaller suppliers and contractors seek to be paid prior to the shutdown which leads to reduced liabilities as at year end than what would otherwise be the case at a month end
- The average $ to R$ foreign exchange rate was 4.15 in Q3 2021 and 4.43 in Q4 2021. The relative depreciation of the R$ serves to reduce R$ denominated expenditures and liabilities when measured in Canadian dollars
- In comparing Q4 2021 spend with that of the preceding quarter, it should be noted that the ramp up in exploration activity did not occur until mid to late Q3 2021 following the closing of the bought-deal financing in July 2021. For example, the two diamond-drill rigs added to the drill program in the quarter were not operational until late August
- The net impact of the foregoing issues resulted in exploration and development spend in Q4 2021 that was comparable to that of Q3 2021
- Administration comprises all operating expenses other than exploration and development expenditures, professional fees and non-cash items. Q4 2021 administration spend was less than that of Q3 2021 due to the timing of both marketing initiatives and the payment of a bonus to each of the Executive Chairman and the CFO in Q3 2021
- The Company's net working capital was reduced from $8,057,405 as at September 30, 2021 to $4,313,224 as at December 31, 2021

## Liquidity and going concern

As at December 31, 2021, the Company had a cash balance of $4,898,213, and a net working capital balance of $4,313,224 (December 31, 2020: $5,477,780 and $5,246,060, respectively).

***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'.

***Going concern***

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

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings provided by the Company's existing shareholders and/or new shareholders or through other arrangements. There is no assurance that the Company will be successful in this regard.

The recoverability of the carrying value of mineral properties and deferred expenditures is dependent upon a number of factors including the existence of recoverable reserves, the ability of the Company to obtain financing to maintain properties in good standing and continue exploration and development and the discovery of economically recoverable reserves.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

In the event the Company is unable to arrange appropriate financing, the carrying value of its assets and liabilities could be subject to material adjustment and the Company may not be able to meet its obligations as they become due in the normal course of business.

***COVID-19***

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

***Operating activities***

Cash used in operating activities in 2021 amounted to $9,079,801 as follows:

- The net loss for the period of $11,205,185
- Non-cash items totalling $1,859,654 including depreciation and stock-based compensation
- Net decrease in non-cash working capital items of $265,730.

***Investing activities***

Cash used in investing activities in 2021 amounted to $2,063,088 as follows:

- Additions to mineral properties of $740,035 relating to capitalised acquisition and claim maintenance costs including the acquisition of interests in the Cuiú Cuiú garimpeiro condominium
- Additions to fixed assets of $1,323,053 relating to the purchase and refurbishment of used vehicles for use at Cuiú Cuiú, ongoing camp construction and the purchase of miscellaneous other camp tools and equipment.

***Financing activities***

Net cash provided by financing activities in 2021 amounted to $10,632,177 and related primarily to the July 2021 bought-deal financing described above.

***Dividends***

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

***Contractual commitments***

The Company had no significant medium- or long-term contractual commitments in place as at December 31, 2021 or April 29, 2022 beyond its stated liabilities and the following:

- Magellan Brazil entered into an agreement in January 2018 with Terra Ambiente Ltda–ME relating to the provision of the EIA-RIMA environmental study; the agreement was subsequently amended. As at December 31, 2021, approximately R$ 160,000 ($37,000) of the contract (as amended) was outstanding
- The surface access agreement with the Cuiú Cuiú garimpeiros pursuant to which approximately R$ 276,000 (approximately $73,000) is to be paid to the garimpeiros in Q1 2022 and Q2 2022 in connection with the surface access fee in respect of the year ended March 2023
- 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 resources

The Company had no capital expenditure commitments as at either December 31, 2021 or April 29, 2022 other than nominal agreements associated with the completion of construction of the Cuiú Cuiú camp.

## Transactions with related parties

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

| | | Year ended Dec. 31, 2021 | | Year ended Dec. 31, 2020 |
|---|---|---|---|---|
| Management: | | | | |
| Employment remuneration | $ | 179,000 | $ | 189,417 |
| Consulting fees | | 204,333 | | 190,167 |
| Bonuses | | 30,000 | | - |
| Payroll related costs | | 22,908 | | 21,656 |
| Stock-based compensation, stock options | | 338,322 | | 256,554 |
| Stock-based compensation, RSUs | | 54,319 | | 12,188 |
| | | 828,882 | | 669,982 |
| Directors (excluding management): | | | | |
| Stock-based compensation, stock options | | 308,303 | | 154,547 |
| Stock-based compensation, RSUs | | 76,558 | | 39,626 |
| | | 384,861 | | 194,173 |
| | **$** | **1,213,743** | **$** | **864,155** |

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

As at December 31, 2021, the Company owed a total of $8,446 to management in connection with unreimbursed expenditures incurred on behalf of the Company. This liability was settled in full in the first quarter of 2022. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

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

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

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

No stock options were exercised by officers or directors of the Company during 2021. Officers and directors of the Company exercised a total of 297,000 stock options at an exercise price of $0.35 during 2020.

## Outstanding share data

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

The Company had the following common shares, unit and share purchase warrants and stock options outstanding as at both December 31, 2021 and April 29, 2022:

| | | Exercise price | |
|---|---|---|---|
| **Issued and outstanding common shares** | | | **141,684,460** |
| **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 | 2,765,000 |
| November 13, 2025 | $ | 0.60 | 1,150,000 |
| April 11, 2026 | $ | 0.49 | 600,000 |
| August 30, 2026 | $ | 0.51 | 4,050,000 |
| | | | 12,383,224 |
| **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** | | | **166,954,045** |

The RSUs that were to have vested as at January 30, 2022 did not vest as at this date due to the black-out in effect relating to the pending announcement of a financing.

## Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 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.

## Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, accounts receivable (excluding sales taxes) and accounts payable and accrued liabilities.

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

***Foreign exchange risk***

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

The value of the R$ has been extremely volatile during 2021 and 2022 to date relative to the $. The R$ depreciated 7% relative to the $ during 2021 which followed 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 Canadian dollars.

The 2021 depreciation of the R$, however, has been more than offset in 2022 with a steep appreciation in the value of the R$ of 17% relative to the Canadian dollar through April 22, 2021. This increase in the value of the R$ relative to the Canadian dollar serves to increase R$ denominated expenditures and liabilities when measured in Canadian dollars.

***Liquidity risk***

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

As at December 31, 2021, the Company had a cash balance of $4,898,213, and a net working capital balance of $4,313,224.

***Credit risk***

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

All accounts receivable balances are current and no valuation allowance or provision was applied or required as at December 31, 2021.

***Interest rate risk***

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

The Company did not have any interest-bearing debt as at December 31, 2021 or April 29, 2022.