Cabral Gold

Cabral Gold Inc.

(An Exploration Stage Company)

Management Discussion and Analysis

For the year ended December 31, 2022

Dated: April 27, 2023

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 27, 2023. It is intended to be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2022.

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.

Assay 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 27, 2023.

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 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 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 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 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, 2021 dated as of May 5, 2022 and the preliminary short form prospectus dated May 25, 2022 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, 2022 and the period ended April 27, 2023 were highlighted by the following activities and initiatives:

Exploration and development

- The Company initiated an extensive drill program in Q3 2020. At its height, the program had five diamond-drill rigs and two RC drill rigs turning. In mid 2022, management significantly reduced the scope of the program due to the Company's deteriorating liquidity position and adverse market conditions and focussed its efforts and resources on advancing the Company's short- to medium-term objectives of updating the resource estimate and demonstrating the economic potential of the gold-in-oxide mineralization at Cuiú Cuiú. The number of drill rigs on site were reduced through Q2 and Q3 2023; the final contracted diamond-drill rig ceased operating in July 2022 while the Company's own RC rig ceased operating in September 2022. The reduction in drilling activity was accompanied with corresponding reductions in staffing levels, and camp and travel expenditures
- During the first half of 2022, Cabral's drill program was focused primarily on the following:
  - Infill drilling of the primary MG and Central gold deposits designed to better define continuity and distribution of higher-grade zones within both gold deposits
  - Follow-up drilling at the PDM and Machichie discoveries with the objective of determining the size and geometry of those mineralized zones
  - Infill drilling focussed on the MG and PDM gold-in-oxide blankets identified in 2021 and underlying oxidized saprolite gold mineralization
  - Drilling at Central also revealed a third gold-in-oxide blanket identified above the primary Central gold deposit
  - Reconnaissance diamond drilling at the Indio target located 1.5km southeast of the MG gold deposit
- During the second half of 2022, Cabral's exploration program was extremely limited and was primarily focussed on undertaking internal studies directed towards improving the overall grade of the current mineral resource estimate, planning for additional drilling at the Central and MG gold deposits as well as the new Machichie and PDM discoveries. The Company also began examining the potential

economic viability of the gold-in-oxide blankets and underlying oxidized mineralized basement saprolite

- In May 2022, the Company announced plans to release an updated Mineral Resource Estimate in Q4 2022 to be followed by an independent NI 43-101 technical report for the Cuiú Cuiú property. In June 2022, the Company announced that it intended to file an updated technical report, including updated Mineral Resource Estimate, significantly earlier than previously announced in response to a review by applicable securities regulators of the preliminary short form prospectus filed on May 25, 2022. The Company retained SLR Consulting (Canada) Ltd. ("**SLR**") of Toronto to prepare the updated Mineral Resource Estimate and NI 43-101 technical report. The updated Mineral Resource Estimate (see 'Updated Mineral Resource Estimate') was announced in September 2022 comprising total Indicated Resources of 21.6M tonnes grading 0.87 g/t gold (604.0K ounces) and total Inferred Resources of 19.8M tonnes grading 0.84 g/t gold (534.5K ounces). The estimate includes the MG, Central/Central North, PDM and JB deposits. The new Machichie discovery and the basement zone at PDM were not included in the updated resource as further drilling is required at both deposits prior to determining the maiden resource estimates
- In May 2022, the Company announced that it would assess the economic viability regarding the gold-in-oxide blankets and oxidized saprolite basement at MG, PDM and Central, and might complete a preliminary economic assessment ("**PEA**") following the completion of the Mineral Resource Estimate. Throughout the latter half of 2022 and the first quarter of 2023, the Company conducted internal scoping studies investigating the economic viability of exploiting the gold-in-oxide blankets and oxidized basement saprolite mineralization. In April 2023, following the completion of extensive internal studies, the Company announced that it had intiated a Prefeasibility Study ("**PFS**") for open-pit trial mining utilising heap-leach processing of the near-surface gold-in-oxide saprolitic material at Cuiú Cuiú. The oxide resource is currently defined within the updated Mineral Resource Estimate as comprising Indicated Resources of 9.26M tonnes grading 0.52 g/t gold (153.7K ounces) and Inferred Resources of 6.12M tonnes grading 0.84 g/t gold (79.2K ounces)
- Metallurgical studies, including column-leach tests, were undertaken in the first half of 2022 by Kappes, Cassiday & Associates ("**KCA**") in Nevada using mineralized material from the gold-in-oxide blanket and mineralized basement saprolite from MG. In June 2022, the Company announced the results of column-leach tests indicating 82% gold recovery after 70 days which supported the proposition that heap-leach processing could be a viable option for the oxide gold resources. Metallurgical studies of oxidized and fresh mineralized rocks focussing on conventional mill processing were conducted by Testwork Desenvolvimento do Processos Ltda based in Belo Horizonte in mid 2022 with further metallurgical studies concentrating on filter pressing and dry stacking of tailings to be conducted in Brazil in the first half of 2023 by GSEM Engenharia Mineral. Additional detailed column-leach tests are also planned for the first half of 2023 and will performed by Testwork Desenvolvimento do Processos Ltda
- In March 2023, the Company transferred two exploration licences totalling 17,546 hectares to a cooperative and entered into an agreement with the cooperative as a means to maintain an interest in the tenements (see 'Cuiú Cuiú - Transfer of peripheral tenements to cooperative')
- In March 2022, the Company acquired the interest of a majority Cuiú Cuiú condominium stakeholder for total consideration of R$ 434,600 (approximately $110,000)
- Concurrent with the drill program, ongoing trenching, regional soil, stream-sediment and rock-chip geochemical sampling and reconnaissance mapping continued during Q1 and Q2 2022 in several target areas within the Cuiú Cuiú property

Finance

- The balance of cash and cash equivalents as at December 31, 2022 was $1,405,169 and the net working capital deficit as at this date was $1,275,518 (see extensive discussion regarding the Company's liquidity position under 'Liquidity and going concern')

- In May 2022, the Company announced that it had entered into an agreement with Paradigm Capital Inc. on behalf of a syndicate of investment dealers pursuant to which the agents have agreed to offer for sale on a 'best efforts' marketed basis, an aggregate of up to 16,310,000 units at a price of $0.31 per unit for total gross proceeds of up to approximately $5 million. The preliminary short form prospectus relating to this offering was filed on May 25, 2022. As a result of delays associated with the preparation and submission of the technical report, the preliminary short form prospectus expired on August 23, 2022 (see 'Liquidity and going concern - May 2022 'best efforts' prospectus offering (not closed)')
- In May 2022, the Company announced that it had entered into an agreement with its President and Chief Executive Officer pursuant to which he would provide short-term financing to the Company by way of an unsecured term loan of up to $1,500,000. In March 2023, the Company announced that the original loan agreement had been replaced by a new loan agreement (see 'Liquidity and going concern - Term loan from President and CEO')
- In June 2022, the Company announced that it had closed a 'best efforts' brokered private placement, consisting of 10,038,358 units at a price of $0.30 per unit for gross proceeds of $3,011,507 (see 'Liquidity and going concern – June 2022 'best efforts' brokered private placement')
- In November 2022, the Company announced that it had closed a non-brokered private placement, consisting of 6,200,000 units at a price of $0.20 per unit for gross proceeds of $1,240,000 (see 'Liquidity and going concern – non-brokered November 2022 private placement')
- In March 2023, the Company announced that it had closed a non-brokered private placement, consisting of 27,900,000 units at a price of $0.10 per unit for gross proceeds of $2,790,000 (see 'Liquidity and going concern – non-brokered March 2023 private placement')
- In March 2023, the Company announced that the TSX Venture Exchange had approved the reduction in the exercise price of the 6,200,000 share purchase warrants issued in connection with the November non-brokered private placement from $0.30 to $0.205 through November 25, 2023 and from $0.40 to $0.30 from November 26, 2023 through November 24, 2024
- The value of the Brazilian real ("**R$**") relative to the Canadian dollar was volatile throughout 2022 and subsequent thereto through April 27, 2023. Following a rapid appreciation in the value of the R$ in Q1 2022, it declined in value in Q2 2022 giving up most of the Q1 2022 gains. The R$ increased in value from late July 2022 through April 21, 2023. Appreciation of the R$ relative to the $ serves to increase R$ denominated expenditures and liabilities when measured in $. Exchange rates (per the Bank of Canada) from December 30, 2021 through April 21, 2023 were as follows:
  - December 31, 2021: R$ 4.40 per $
  - January 10, 2022: R$ 4.48 per $ (R$ low for the period)
  - December 31, 2022: R$ 3.90 per $
  - April 12, 2023: R$ 3.68 per $ (R$ high for the period)

Other

- In October 2022, the Company announced that Sami Arap Sobrinho joined the Company's Board of Directors and that Carlos Vilhena had elected to resign from the Board of Directors to pursue other opportunities. Mr. Arap is a founding member and senior partner of Arap, Nishi & Uyeda Advogados, a boutique law firm based in São Paulo
- Ongoing corporate social responsibility activities continued during 2022 to date within the community of Cuiú Cuiú and surrounding areas. Funding of community initiatives was reduced or deferred in Q2 2022 and Q3 2022 in response to the Company's financial circumstances (see 'Cuiú Cuiú - Corporate social responsibility').

Corporate outlook

Management's immediate focus is on strengthening the Company's working capital position through the raising of capital via equity issuances and other means, and initiating a trial-mining PFS.

In recent quarters, the cost structure of the Company has been reduced significantly through the curtailing of exploration activity (including all drilling and assay activity), the termination of staff and reduction in camp, travel, freight and related costs. The Company has also raised nominal funds through the disposal of non-core assets (such as vehicles). The payment of numerous creditor liabilities, including management salaries, has been deferred in order to preserve cash. Certain of these deferrals have been made unilaterally by the Company. Penalty interest charges have resulted from the delays in certain payments.

A non-brokered private placement having gross proceeds of $2,790,000 was completed in March 2023. The use of proceeds in respect of the financing is the payment of outstanding debts, possibly including amounts due to management, general working capital purposes and, if the proceeds are sufficient, exploration and development activities.

Management's focus over the next three to nine months is planned to be on the following:

- Continued strengthening of the Company's working capital position,
- Commencement of a PFS for trial mining via open pit and heap-leach processing of the near-surface gold-in-oxide blanket and saprolitic material at Cuiú Cuiú
- Ongoing desktop studies directed to improving the overall grade of the current resource estimate by reviewing and modifying the wireframe models used in the most recent Mineral Resource Estimate
- Further metallurgical studies aimed at confirming suitability and optimizing the exploitation of the gold-in-oxide and oxidized saprolite mineralized material at both the Central and MG deposits using heap-leach processing
- Planning for additional step-out and infill drilling at the Central and MG gold deposits as well as the new Machichie and PDM discoveries, with the goal of adding inferred and indicated ounces to the current resource estimate.

For further details, see also 'Exploration outlook', below.

The Company continues to employ a small, core contingent of experienced exploration staff, such as geologists and drill technicians, despite the cost-cutting initiatives undertaken in Brazil.

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 $1,383 as at December 31, 2022) to each of the 20 majority stakeholders and R$ 2,700 per year ($692) to each of the 62 minority stakeholders.

Payments totalling approximately $70,000 are due to the garimpeiros (both majority and minority stakeholders) in Q2 2023 in connection with the surface-access fee in respect of the year ended March 2024.

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 2022, the Company acquired the interest of a majority stakeholder for total consideration of R$ 434,600 (approximately $110,000).

During 2021, the Company acquired the interest of five majority stakeholders and one minority stakeholder for total consideration of R$ 2,534,280 ($590,000) of which R$ 173,000 ($44,323) is due for payment in July 2023.

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 northeast and east of the main Cuiú Cuiú property. The total monthly fee for all three properties was initially R$ 24,000 (approximtaely $5,900).

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 and purchase agreements 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$ 53,300 as at December 2022 (approximtaely $13,655).

Transfer of peripheral tenements to a cooperative

In March 2023, the Company transferred 17,546 hectares of ground to a local cooperative (the "**Cooperative**") established by members of the Cuiú Cuiú condominium. The transferred tenements comprise two exploration licenses that had final reports due in March and April 2023. The exploration work undertaken was insufficient in both nature and extent to produce a final report and therefore in the absence of any action, the Company would have lost the ground on the final report due dates.

The exploration work undertaken on this ground to date comprised air magnetics, steam sediments and soil grids as well as limited shallow RC drilling. None of the Company's current mineral resource is located on or close to this ground. No significant exploration results have been realised to date on this ground.

An agreement was entered into between Magellan Brazil and the Cooperative in March 2023 in respect of each of the two tenements which provides for the following:

- Transfer of title of the two tenements to the Cooperative
- Right for Magellan Brazil to continue exploration on the transferred tenements
- Change in status of the ground from exploration licenses to PLGs
- Transfer of title to each of the two transferred tenements back to Magellan Brazil at the Company's option in the future for a predefined payment amount (as described below)
- The agreement respects the four surface access agreements established in 2020 and 2021 described above.

Each of the agreements include a purchase option pursuant to which Magellan Brazil may acquire the subject property by making a payment to the Cooperative based on the amount of gold defined on the applicable tenement at the time of activation and payment (as measured in accordance with provisions defined by the ANM) and based on other surface access agreements that the Company has in the area.

Both agreements are effectively conditional on the final receipt of applicable environmental licenses being published by the ANM. As of April 27, 2023, both agreements had been executed by Magellan Brazil and members of the Cooperative and the Company was awaiting the ANM's publication of the licenses.

NSR

In May 2012, Magellan Minerals Ltd. ("**Magellan Minerals**"), the former parent company of Magellan Brazil, and Magellan Brazil granted Sandstorm Gold Ltd. ("**Sandstorm**") a 1.0% net smelter royalty ("**NSR**") on the Cuiú Cuiú project for consideration of US$ 500,000. 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, Magellan Minerals provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Cuiú Cuiú project.

Magellan Minerals' rights and responsibilities associated with this agreement were transferred to Cabral pursuant to an agreement dated May 2, 2016.

A 0.5% royalty on the Cuiú Cuiú property is held by Equinox Gold Corp. ("**Equinox**"). The Equinox NSR is subordinate to the Sandstorm NSR.

In May 2022, Sandstorm and Equinox created Sandbox Royalties Corp. ("**Sandbox**"), a new metals royalty company, and both the Sandstorm NSR and the Equinox NSR were sold to this entity.

2022 work programs and activity

Other than a nominal amount of drilling undertaken in Q3 2022, exploration activity in the second half of 2022 was comprised primarily of the following:

- Undertaking internal desktop studies directed to improving the overall grade of the updated Mineral Resource Estimate by reviewing wireframe models
- Undertaking internal scoping work directed to the possibility of developing a trial mining open-pit operations and heap-leach processing of the near-surface free-digging gold-in oxide saprolitic and blanket material
- Planning for future drilling at the Central and MG gold deposits as well as the new Machichie and PDM discoveries

Highlights of the 2022 exploration program are summarised as follows and detailed by target area below:

- An updated Mineral Resource Estimate was completed by SLR
- Receipt of key LP and LI environmental licenses for trial mining licenses which cover the MG and Central gold deposits
- Identification of a third gold-in-oxide blanket (at PDM)
- Identification of westward continuation of the mineralized zone at Machichie by 285m
- Identification of a sheeted vein complex at the Machichie West target
- Positive metallurgical results from column-leach test work conducted on gold-in-oxide blanket and saprolite material from the MG gold deposit at the KCA laboratory in Reno, Nevada, which indicated 82% gold recoveries after 70 days

Complete reported results of exploration programs including drill results are available on www.cabralgold.com and the Company's profile on www.sedar.com.

<u>MG Gold Deposit</u>

The diamond-drill program that commenced in 2021, continued through mid June 2022:

- Q1 and Q2 2022: Twenty-one diamond-drill holes were completed at MG. Two of these holes were designed to obtain samples for metallurgical testing and were not analysed for gold. The remaining 19 holes were designed to follow-up on 2021 RC drill results within the gold-in-oxide blanket and to test the underlying primary mineralization in both mineralized basement saprolite and fresh (unweathered) mineralized basement. Assay results in both the oxide blanket and in the primary mineralization largely confirmed the 2021 interpretation of gold mineralization
- Q3 2022: Two diamond-drill holes were completed at MG. The holes were designed to obtain samples for metallurgical testing of the mineralised oxide blanket and basement saprolite and were not analysed for gold
- Q4 2022: No exploration activity was undertaken at MG in Q4 2022.

<u>Central Gold Deposit</u>

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 mineralised 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 higher-grade gold zones within the primary unweathered basement mineralization.

The diamond-drill program that commenced in 2021, continued through Q3 2022:

- Q1 and Q2 2022: Eighteen diamond-drill holes were completed at Central. Two of these holes were designed to obtain samples for metallurgical testing and were not analysed for gold
- Q3 2022: Two diamond-drill holes were completed at MG to obtain samples for metallurgical testing of the mineralised oxide blanket and basement saprolite and were not analysed for gold
- Q4 2022: No field exploration activity was undertaken at Central in Q4 2022.

<u>PDM Target</u>

The first-phase 2021 PDM diamond-drill program was extended to April 2022. A total of nine holes were drilled to further explore for primary gold mineralization within fresh basement rocks below the PDM gold-in-oxide blanket, eight of which were drilled in Q1 2022 and just one in Q2 2022. Results indicate two northwest-trending mineralized structure dipping steeply northeast.

Cabral's RC rig carried out a drill program to define the gold-in-oxide blanket and mineralized saprolite. Thirty holes were drilled during Q2 2022, which defined a northwest trending high-grade zone in the blanket.

No field exploration activity was undertaken at the PDM target in either Q3 or Q4 2023.

<u>Machichie Main zone</u>

A diamond-drill program that commenced in Q2 2022 at Machichie Main zone was completed in July 2022. The program comprised a total of fourteen holes, two of which were completed in early July.

<u>Machichie West zone</u>

A trenching program testing on strike to the west of the main Machichie mineralized zone commenced in late 2021. A total of 17 trenches totaling 911m were excavated, four of which were completed during Q2 2022.

This trenching was undertaken on the western side of the Machichie Main zone and identified a northeast trending sheeted vein zone which is currently estimated to cover an area of 500m x 300m. The assay results also indicate that the main Machichie structure may extend 300m further to the west than previously established, and still remains open to the west.

<u>Prefeasibility Study</u>

In Q4 2022 and Q1 2023, the Company assessed the concept of developing open-pit trial-mining operations and a heap-leach processing circuit exploiting the near-surface free-digging gold-in oxide blanket and saprolitic material at several deposits within the Cuiú Cuiú project. Based on the results of these internal studies, the Company retained Ausenco do Brasil Engenharia Ltda. ("**Ausenco**") to commence work on the first phase of a trial mining PFS (see 'Other third-party studies').

Updated Mineral Resource Estimate

The Company had initially planned to release an updated Mineral Resource Estimate in Q4 2022, to be followed thereafter by an independent NI 43-101 technical report for the Cuiú Cuiú property. As a result of a request from the BC Securities Commission received in connection with the filing of the preliminary short form prospectus in late May 2022, both the Mineral Resource Estimate and the NI 43-101 technical report were updated sooner than originally anticipated, and significantly prior to completion of a planned drill program designed to expand the resource base.

The Company retained SLR to prepare the updated Mineral Resource Estimate and NI 43-101 technical report.

The updated Mineral Resource Estimate was announced in September 2022. This NI 43-101 compliant resource included Indicated Resources of 21.6M tonnes grading 0.87 g/t gold (604.0K ounces) and Inferred Resources of 19.8M tonnes grading 0.84 g/t gold (534.5K ounces) contained within the MG, Central/Central North, PDM and JB deposits. The September 2022 update reflected an increased of 433K ounces (253%) of Indicated Resources from the previous estimate issued in 2021. The new Machichie discovery and the basement zone at PDM were not included in the updated resource as further drilling is required at both deposits prior to the maiden resource estimates.

Highlights of the September 2022 Mineral Resource Update include the following:

- Open-pit Indicated Resources amenable to mill processing are 21.6M tonnes grading 0.87 g/t gold (604.0K ounces), while open-pit Inferred Resources are 17.2M tonnes grading 0.68 g/t gold (376.9K ounces)
- Open-pit oxide resources amenable to heap-leach processing are reported for Central/Central North, MG and PDM, comprising Indicated Resources of 9.3M tonnes grading 0.52 g/t gold (153.7K ounces), and Inferred Resources of 6.1M tonnes grading 0.40 g/t gold (79.2K ounces)
- All of the deposits included in the current Mineral Resource Estimate remain open along strike and down dip of the resource estimate wireframes. The deepest drill holes returned positive results and there are no known geological structures that could interrupt, or constrain the mineralization below the current wireframes
- New discoveries at Machichie and in basement at PDM have not been sufficiently drilled to include in a resource estimate

A summary of the SLR 2022 Mineral Resource Estimate segregated by mining method, resource category, weathering type and mineral deposit is as follows:

OP/UG	Category	Zone	Deposit	Tonnage (Mt)	Au (g/t)	Au (koz)
Open Pit	Indicated	*Blanket*	*Central/CN*	*1.07*	*0.38*	*13.1*
			MG	*2.99*	*0.36*	*34.5*
			Sub-Total	4.05	0.37	47.6
		Saprolite	*Central/CN*	*2.42*	*0.67*	*52.3*
			MG	*2.79*	*0.60*	*53.8*
			Sub-Total	5.21	0.63	106.1
		Oxide	**Total**	**9.26**	**0.52**	**153.7**
		Fresh	*Central/CN*	*7.50*	*0.91*	*219.9*
			MG	*4.79*	*1.50*	*230.3*
			Sub-Total	12.29	1.14	450.3
		Total OP Indicated		***21.56***	***0.87***	***604.0***
	Inferred	*Blanket*	*Central/CN*	*1.33*	*0.28*	*12.0*
			MG	*0.91*	*0.31*	*9.2*
			PDM	*1.60*	*0.43*	*22.1*
			Sub-Total	3.84	0.35	43.3
		Saprolite	*Central/CN*	*2.03*	*0.50*	*32.8*
			MG	*0.28*	*0.35*	*3.1*

			Sub-Total	2.30	0.49	36.0
		Oxide	**Total**	**6.15**	**0.40**	**79.2**
		Fresh	*Central/CN*	*8.47*	*0.91*	*247.5*
			MG	*0.33*	*0.57*	*5.9*
			JB	*2.29*	*0.60*	*44.2*
			Sub-Total	11.08	0.84	297.6
		Total OP Inferred		***17.23***	***0.68***	***376.9***
Underground	Inferred	*Fresh*	*Central/CN*	*1.23*	*1.88*	*74.3*
			MG	*0.99*	*2.08*	*65.8*
			JB	*0.34*	*1.62*	*17.4*
			Sub-Total	2.55	1.92	157.6
		Total UG Inferred		***2.55***	***1.92***	***157.6***
Total Indicated				**21.56**	**0.87**	**604.0**
Total Inferred				**19.78**	**0.84**	**534.5**

Notes to table:

1. CIM (2014) definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 0.26 g/t Au for open-pit fresh-rock mineralization, 0.14 g/t Au for blanket mineralization and saprolite, and 1.15 g/t Au for underground fresh-rock mineralization.
3. Mineral Resources are estimated using a long-term gold price of US$1,800 per ounce.
4. Open pit and underground Mineral Resources are reported within a conceptual open pit and within underground constraining shapes for material below the pit.
5. All blocks within underground constraining shapes have been included in the Mineral Resource estimate.
6. Minimum widths are 2 m for open pit and 1.5 m for underground.
7. Bulk density is 1.86 t/m3 for Central/CN saprolite and 2.69 t/m3 for Central/CN fresh, 1.60 t/m3 for MG saprolite and 2.76 t/m3 for MG fresh, 2.66 t/m3 for JB fresh, and 1.91 t/m3 for PDM saprolite.
8. Metallurgical recovery used is 82% for saprolite/blanket material, and 90% for fresh rock.
9. Numbers may not add due to rounding.

The Cuiú Cuiú project, including the updated Mineral Resource Estimate, is discussed in a technical report dated October 12, 2022, with an effective date of July 31, 2022, which is available on www.sedar.com.

Other third-party studies

The Company engaged KCA to complete heap-leach testing on mineralized oxidized saprolite basement and blanket materials. In June 2022, the Company announced that column-leach test work conducted by KCA on a composite sample of oxide material from the MG deposit at Cuiú Cuiú, returned gold recoveries of 82% after 70 days. Recoveries after 15 days were 70% and recoveries after 30 days were 78%. Furthermore, actual recovered gold from the bulk sample was significantly higher than expected from the assay results taken prior to leaching. The metallurgical test work conducted on the oxide material at Cuiú Cuiú indicates heap-leach processing of the oxide material appears viable and should result in low initial capital and operating costs.

Conventional and column-leach metallurgical milling studies are planned for the first half of 2023 to be undertaken by Testwork Desenvolvimento do Processos Ltda based in Belo Horizonte together with GSEM Engenharia Mineral. The purpose of the studies is to better understand the potential process flowsheets of both the oxide and unweathered primary mineralization, as well as tailings characterisation. These studies will also enable the Company to propose alternatives to traditional tailings dams with application of dewatering, filter-press and dry-stacking technologies. It is expected that the removal of tailings dams from any proposed future mine will ultimately expedite the licensing approval process with both the ANM and SEMA. Results are expected in the second half of 2023. Follow-up column-leach tests are also required to provide further technical support for a trial-mining PFS.

In March 2023, the Company announced that it had retained Ausenco to commence work on a PFS on trial open-pit mining and heap leach processing of the near-surface gold-in-oxide blanket and saprolitic material at Cuiú Cuiú. The PFS will be NI 43-101 compliant and will include mineral processing, mechanical, electrical and infrastructure design, hydrogeological and geotechnical studies and a detailed financial analysis. The study will be divided into five separate packages of work which will be completed successively dependant on success. Continuation of the study will be dependent on both ongoing results and availability of funding. Additional metallurgical tests, drilling, geotechnical and hydrogeological studies, a LIDAR topographical program and mine planning studies are expected to be conducted in parallel with the PFS. The trial-mining PFS is expected to be completed during Q4 2023.

Cumulative exploration expenditures

Cumulative exploration spend incurred on the Cuiú Cuiú property through December 31, 2022 by the Company and a previous owner of the property amounts to approximately $47.5 million as follows:

	Previous owner (1)	Dec. 31, 2021 (2)	12 months ended Dec. 31, 2022	Total
Drilling (direct costs)	$ 12,252,193	$ 3,833,020	$ 2,361,295	$ 18,446,508
Payroll	7,187,040	4,227,624	1,660,631	13,075,295
Field costs	1,255,833	4,110,707	1,976,894	7,343,434
Consulting, third parties	1,178,055	1,478,387	555,241	3,211,683
Freight and travel	931,739	1,490,712	510,648	2,933,099
Assay	832,789	525,225	383,482	1,741,496
Geophysics	772,114	-	-	772,114
	$ 24,409,763	**$ 15,665,675**	**$ 7,448,191**	**$ 47,523,629**

(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, 2021. Virtually no exploration activity was undertaken from April 16, 2016 through October 30, 2017

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

Permitting process

On December 23, 2020, the EIA-RIMA (environmental background study) was submitted as part of the mining applications for 850.615/2004 and 850.047/2005 within the legally required timeframe.

At the same time, an application for six trial-mining licenses (*Guias de Utilizacao*) covering an area of approximately 250 hectares was submitted for the Central, 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. The environmental licensing for these trial-mining licenses, with submission of a formal Environmental Management Report (*Relatório de controle ambiental* or RCA) / Environmental Management Plan (*Plano de controle ambiental* or PCA) report to the state SEMAS/PA in December 2020 and the Preliminary Licence (LP) and Installation Licence (LI) were approved and published on June 14, 2022.

An application for reconsideration of the trial-mining licences to increase total volume was submitted on April 15, 2022 and a positive technical analysis was approved on April 18, 2022. The request was voted on by the Directors of the ANM on May 25, 2022 and the increase in volume was approved and formally published on June 8, 2022. This increase expands the capacity of the two trial-mining licenses to up to 200,000 tonnes per year on the western 850.615/2004 tenement (which includes PDM, Central and the western portions of the Machichie and MG targets) and a further 100,000 tonnes per year capacity on the eastern tenement, 850.047/2005 (which includes the eastern portions of the Machichie and MG targets).

A request to apply the Covid Extensions to the current trial-mining licenses, as provided by applicable laws, will be made with a potential increase of nine months. Also, an advance request for a second three-year period will also be made.

A request for analysis of the EIA-RIMA was made in Q2 2022 to help fast-track the environmental licensing process to receive the Preliminary License in late 2023 or early 2024.

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

Corporate social responsibility

Corporate social responsibility activities within the surrounding community of Cuiú Cuiú continued in 2022 and 2023 to date including the following:

- Ongoing contributions to the community's school. Discussions are ongoing to help facilitate the construction of a new school in July 2023, to be financed by the local government
- 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 2023 and provide additional water bores, if necessary, to meet demand
- The provision of basic sanitation services in the village of Cuiú Cuiú through the maintenance 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
- Ongoing provision of office space for the local police post and logistical support to the police
- 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. Despite the importance of local community support, funding of community initiatives was reduced or deferred commencing in Q2 2022 in response to the Company's financial circumstances.

Camp and other construction

The Company continued the construction of the camp at Cuiú Cuiú in early 2022 including the following:

- 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 was completed in Q2 2022.

The current phase of camp construction was completed in May 2022. There are no immediate plans to incur any further significant expenditures on camp construction.

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 comprised approximately 6% of the total area of the Bom Jardim property. The agreement provided 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.

As at December 31, 2022 and April 27, 2023, 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 increased to US$ 130,000. The third and final option payment of US$ 150,000 was due in December 2022.

Neither the second nor third option payment was received by the Company and therefore the option agreement is no longer in good standing and has been terminated.

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 27, 2023, 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 27, 2023, 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, 2022 and April 27, 2023, there were no material proposed asset or business acquisitions or dispositions being contemplated.

The strategic acquisition of ground, including selected garimpeiro interests in the Cuiú Cuiú condominium, is periodically undertaken on an opportunistic basis. No such acquisitions were being considered as at April 27, 2023.

Selected annual information

A summary of annual results in respect of the years ended December 31, 20210, December 31, 2021 and December 31, 2022 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-22	Year ended 31-Dec-21	Year ended 31-Dec-20
Revenue	-	-	-
Exploration and development	7,659,947	8,260,061	2,651,842
Administration:			
Stock-based compensation	887,692	1,568,446	843,544
Depreciation	629,867	372,367	174,619
Management	440,127	457,825	418,434
Marketing	287,467	378,631	342,638
Office and administration	103,693	103,183	109,556
Professional fees	103,630	57,801	42,206
Listing expense	39,609	38,250	24,572
Travel	25,186	10,851	34,011
Interest expense	222,016	-	-
Foreign exchange loss	60,663	331	20,041
Interest income	(48,774)	(42,561)	(7,229)
Other income	(64,490)	-	(26,300)
Net loss	***10,346,633***	***11,205,185***	***4,627,934***
Weighted average shares outstanding	*147,484,351*	*130,487,483*	*85,452,013*
Net loss per share	$ 0.07	$ 0.09	$ 0.05

<u>Exploration and development</u>

The initial RC drill program using the Company's own RC drill rig commenced in Q3 2020; exploration spend continued to grow thereafter with the commencement of a second RC drill program (using a contracted RC drill rig) in Q4 2020 and the diamond-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, other exploration and related initiatives such as soil sampling, trenching, stream-sediment sampling, permitting activity and the undertaking of various third-party studies also influence costs. 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$

As noted above, the Company began to significantly reduce the scale of exploration activity (particularly drilling) in late Q2 2022 and all drilling had ceased in Q3 2022 (see Cuiú Cuiú – 2022 work programs and activity'). While this reduction in activity resulted in a corresponding reduction in exploration costs (including as a result of staff terminations), costs associated with the maintenance of the Cuiú Cuiú camp and, in particular, maintaining the security of the claims areas continue to be incurred. Such costs include third party security, payroll of support personnel, fuel and energy, food, freight, etc. A reduced level of community support has also continued. Quarterly exploration costs fell from $3,230,381 in Q2 2022 to $397,544 in Q4 2022 (see 'Summary of quarterly results').

In addition, a small number of staff possessing specific skills (most notably drilling and drilling support) were placed on paid leave. Certain of the personnel agreed to reduce their regular remuneration while on paid leave. The retention of these staff will enable the Company to rapidly restart operations quickly in the future.

All of the foregoing costs are classified as Exploration and development in the Company's financial statements.

Other expense items

- Stock-based compensation relates to the amortisation of tranches of stock options and restricted share units ("**RSUs**") granted as follows:
  - 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.
- Depreciation expense increased steadily through the three-year period 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
- 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
- Marketing: Marketing expenditures relate to attendance at conferences (physical and virtual), various advisory services and other marketing related expenditures
- Office and administration expenditures relate to the costs of maintaining the Company's Vancouver office
- Professional fees relate primarily to audit and legal fees. The increase in 2022 was attributable to both a general increase in audit fees and an increase in the level of legal services received
- Interest expense relates to both accrued interest on the term loan provided by the Company's President and CEO and accrued penalty interest being charged by a significant trade creditor in Brazil
- Other income relates primarily to the following:
  - 2022: Gain on the sale of fixed assets (mostly fully depreciated vehicles)
  - 2020: Proceeds on the disposal of secondary properties (not part of Cuiú Cuiú)

Statement of financial position

	31-Dec-22	31-Dec-21	31-Dec-20
Cash and cash equivalents	1,405,169	4,898,213	5,477,780
Other current assets	142,411	323,849	184,357
Fixed assets	1,888,029	2,030,837	1,172,863
Mineral properties	2,866,481	2,277,461	1,519,490
Total assets	***6,302,090***	***9,530,360***	***8,354,490***
Accounts payable and accrued liabilities	1,733,615	908,838	416,077
Term loan	1,089,483	-	-
Total liabilities	***2,823,098***	***908,838***	***416,077***
Equity:			
Share capital	33,867,019	30,891,884	21,197,071
Reserves	6,688,672	5,020,479	2,514,669
Other comprehensive income	(485,080)	(1,045,855)	(733,526)
Accumulated deficit	(36,591,619)	(26,244,986)	(15,039,801)
Total equity	***3,478,992***	***8,621,522***	***7,938,413***

- Other current assets include accounts receivable and prepaid expenses. The balance increased in Q3 2021 as a result of a significant deposit paid to the drill contractor in connection with the diamond-drill program which was drawn down in subsequent quarters
- 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 30ha plot of land in Cuiú Cuiú that was purchased by Magellan Brazil in 2017 (total carrying value of land of $646,006 as at December 31, 2022 most of which relates to the 2017 purchase).
- 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 (see 'Cuiú Cuiú - Acquisition of garimpeiro interests'). $229,716 of the $589,020 increase in 2022 relates to foreign exchange movements. With the exception of $230,869, the balance related entirely to Cuiú Cuiú as at December 31, 2022
- The balance of accounts payable and accrued liabilities increased significantly during the period under review:
  - The 2022 increase relates primarily to accumulated unpaid liabilities including accrued penalties and interest thereon (see 'Corporate outlook' and 'Liquidity and going concern – Growing trade liabilities')
  - The 2021 increase was due to the general increase in scope of exploration activities. Drilling and assay costs increased 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. Payroll costs in Brazil increased reflecting an almost doubling of full-time employees from 35 in late 2020 to 66 in late 2021. In addition, a liability of $84,175 associated with the acquisition of a majority interest in the Cuiú Cuiú garimpeiro condominium was present as at December 31, 2021
- The increase in share capital in 2022 relates primarily to the $3,011,507 'best efforts' brokered private placement that closed in June 2022 and the $1,240,000 non-brokered private placement that closed in November 2022. The increase in share capital in 2021 relates primarily to the $11,500,920 bought-deal financing that closed in July 2021.

Summary of quarterly results

A summary of quarterly results in respect of the two years ended December 31, 2022 is as follows:

	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenues	-	-	-	-
Exploration and development	2,764,764	3,230,381	1,267,258	397,544
Diamond drill rigs (end of quarter)	*4*	*1*	-	-
RC rigs (end of quarter)	*1*	*1*	-	-
Professional fees	11,955	24,422	26,157	41,096
Non-cash items	494,212	398,423	344,912	280,012
Administration	228,610	272,517	206,560	188,395
Net loss	3,479,474	3,950,177	1,959,087	957,895
Total comprehensive loss	2,865,397	4,138,349	1,892,574	889,538
Net loss per share (basic and diluted)	0.02	0.03	0.01	0.01
Cash and cash equivalents	2,041,562	3,090,010	913,689	1,405,169
Net working capital (deficit)	944,829	(125,853)	(1,822,783)	(1,275,518)
Total assets	7,428,067	8,164,348	5,948,667	6,302,090

	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

- Exploration and evaluation: See 'Cuiú Cuiú – 2022 work programs and activity'. Exploration spend increased steadily from quarter to quarter during the period under review, peaking in Q2 2022. Drilling was significantly curtailed in Q2 2022 and ceased altogether in Q3 2022 in response to the Company's deteriorating liquidity position and adverse market conditions. 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 RSUs; the most recent stock option grant was in August 2021. Depreciation expense has increased through the two-year period due to the significant 2021 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 annual general meetings

See further discussion regarding Q4 2022 expenditures and events below.

Q4 2022

Q4 2022 expenditures and events were characterised by the following issues that affected the Company's financial condition:

- The full quarter impact of the cessation of drilling and assay activity was seen in Q4 2022 resulting in a significant decline in exploration spend from $3,230,381 in Q2 2022 to $1,267,258 in Q3 2022 to $397,544 in Q4 2022
- 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 (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)
- The average $ to R$ foreign exchange rate was 4.02 in Q3 2022 and 3.87 in Q4 2022, an appreciation of the R$ by 4%. The relative appreciation of the R$ serves to increase R$ denominated expenditures and liabilities when measured in Canadian dollars
- Administration comprises all operating expenses other than exploration and development expenditures, professional fees and non-cash items. Q4 2022 administration spend was less than that of Q3 2022 due to staff reductions in the Vancouver office, the timing of AGM expenditures and reduced travel
- The Company's net working capital deficit was reduced from $1,822,783 as at September 30, 2022 to $1,275,518 as at December 31, 2022 as a result of the November 2022 non-brokered private placement

Liquidity and going concern

As at December 31, 2022, the Company had a cash balance of $1,405,169, and a net working capital deficit of $1,275,518 (December 31, 2021: $4,898,213 and net working capital balance of $4,313,224, respectively).

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 to finance existing debt including accounts payable obligations, future exploration programs, administrative and overhead expenses. The Company hopes to raise additional funding through the sale of equity, other financial instruments and/or assets and property rights. Any financing solution could be highly dilutive to shareholders. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities and/or litigation.

There is no assurance that the Company will be successful in its initiatives to obtain additional funding. Management believes it will be able to raise additional financing as required but recognizes there are considerable risks involved that may be beyond its control, particularly in the short term. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern.

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 would be unable to meet its current and future obligations (including those that may be associated with the term loan) in the normal course of business.

The Company has significantly curtailed exploration and other activities to preserve liquidity. Accordingly, the objectives described under 'Corporate outlook' may not be achieved or may be achieved with delay.

Growing trade liabilities

The Company has sought to preserve cash (including the proceeds of the November 2022 private placement described below) through the deferral of payment to certain significant suppliers in both Brazil and Canada and senior management. Certain of these payment deferrals have been initiated unilaterally by the Company. Penalty interest charges associated with delays in certain payments have been incurred by the Company and such charges are expected to continue.

In addition to trade liabilities, certain amounts owing to management in respect of remuneration also began being deferred in late Q2 2022. Management is currently being paid on a monthly basis, however, a total of $164,895 in unpaid remuneration and unreimbursed expenditures remained unpaid as at December 31, 2022 (see 'Transactions with related parties').

May 2022 'best efforts' prospectus offering (not closed)

In May 2022, the Company announced that it had entered into an agreement with Paradigm Capital Inc. on behalf of a syndicate of investment dealers pursuant to which the agents had agreed to offer for sale on a 'best efforts' marketed basis, an aggregate of up to 16,130,000 units from the treasury of the Company, at a price of $0.31 per unit for total gross proceeds to the Company of up to approximately $5 million. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant of the Company. Each full warrant entitled the holder thereof to acquire one common share from the Company at a price of $0.50 per share for a period of 24 months after closing.

The 'best efforts' financing was announced on May 25, 2022. A preliminary short form prospectus was filed on the same date. The regulatory authorities subsequently responded with a comment letter that required the Company to file a NI 43-101 compliant technical report on the Cuiú Cuiú project; this report was ultimately filed in October 2022 (see 'Cuiú Cuiú – Updated Mineral Resource Estimate'). As a result of delays associated with the preparation and submission of the technical report, the preliminary short form prospectus expired on August 23, 2022.

June 2022 'best efforts' brokered private placement

Given the delays associated with the best efforts' prospectus offering announced in May 2022, the Company announced an alternate 'best efforts' private placement offering in June 2022. The Company entered into an agreement with Paradigm Capital Inc. to act as lead agent and sole book runner in connection with the private placement of up to 10,000,000 units of the Company at a price of $0.30 per unit for total proceeds of up to $3,000,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one common share at an exercise price of $0.50 per common share for a period of 24 months after the closing of the offering.

The Company granted a 15% over allotment option to the lead agent exercisable in whole or in part at the sole discretion of the lead agent.

The agents were paid a cash commission equal to 6.0% of the gross proceeds of the offering (including on the exercise of the over-allotment option), subject to a reduced cash commission equal to 3.0% in respect of any sales of units to purchasers on a president's list provided by the Company to the lead agent. The Company also issued to the agents that number of compensation options that was equal to 6.0% of the units issued under the offering (including on any exercise of the over-allotment option), subject to a reduced number of compensation options equal to 3.0% in respect of any sales of units to purchasers on the president's list, each exercisable for one common share at $0.30 for a period of 24 months after closing.

In late June 2022, the Company announced the closing of the 'best efforts' brokered private placement consisting of a total of 10,038,358 units of the Company at a price of $0.30 per unit for aggregate gross proceeds to the Company of approximately $3,011,507 (including over-allotment option).

The Company paid a cash commission of $142,851 and issued an aggregate of 476,170 compensation options in connection with the closing.

Total share issuance costs amounted to $503,823 (excluding the estimated value of the compensation options of $41,855).

In July 2022, the Company announced a second closing of the private placement consisting of 100,000 additional units on a non-brokered basis at a price of $0.30 per unit for gross proceeds of $30,000.

All securities issued in connection with the private placement are subject to a statutory hold period of four months from the date of issuance in accordance with applicable securities legislation and the policies of the TSX Venture Exchange.

Officers and directors of the Company subscribed for a total of 480,000 units for gross proceeds of $144,000.

The stated purposes of the net proceeds of the June 2022 'best efforts' brokered private placement were exploration and development activities and general working capital. The Company directed the net proceeds of the financing to these purposes.

November 2022 non-brokered private placement

In late October 2022, the Company announced a non-brokered private placement financing of up to 10,000,000 units at a price of $0.20 per unit for gross proceeds of up to $2,000,000.

In late November 2022, the Company closed a non-brokered private placement financing consisting of a total of 6,200,000 units at a price of $0.20 per unit for gross proceeds of $1,240,000.

Each unit is comprised of one common share of the Company and one common share purchase warrant having a term of two years. Each warrant entitles the holder to acquire one common share at an exercise price of at an exercise price of $0.30 in the first year following closing, increasing to $0.40 in the second year following closing.

In March 2023, the Company announced that the TSX Venture Exchange had approved the reduction in the exercise price of the 6,200,000 share purchase warrants issued in connection with the November non-brokered private placement from $0.30 to $0.205 through November 25, 2023 and from $0.40 to $0.30 from November 26, 2023 through November 24, 2024

Total finder's fees paid to third parties in connection with the first closing amounted to $3,000. The Company also issued an aggregate of 15,000 finder warrants. Each finder warrant entitles the holder to purchase one common share at an exercise price of $0.20 for a period of two years following closing.

The stated purposes of the net proceeds of the November 2022 non-brokered private placement were exploration and development activities, repayment of operating liabilities and general working capital. The Company directed the net proceeds of the financing to these purposes.

March 2023 non-brokered private placement

In early March 2023, the Company announced a non-brokered private placement financing of up to 20,000,000 units at a price of $0.10 per unit for gross proceeds of up to $2,000,000.

In late March 2023, the Company closed a non-brokered private placement financing consisting of a total of 27,900,000 units at a price of $0.10 per unit for gross proceeds of $2,790,000.

Each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder to acquire one common share at an exercise price of $0.20 per share until March 17, 2025.

The Company paid cash finder's fees of $12,000.

The stated purposes of the net proceeds of the March 2023 non-brokered private placement were payment of outstanding debts, possibly including amounts due to management of the Company, general working capital and, if the proceeds of the private placement are sufficient, exploration and development activities.

Term loan from the President and CEO

In May 2022, the Company entered into a loan agreement pursuant to which the Company's President and CEO would provide short-term financing to the Company by way of an unsecured term loan of up to $1,500,000.

The loan agreement provides for the funds to be advanced to the Company in either $ or US$. The lender elected to advance the funds in US$.

The proceeds of the term loan were used for the advancement of the Company's Cuiú Cuiú project and for working capital and general corporate purposes.

The outstanding balance of the term loan as at December 31, 2022 amounted to US$ 804,403 ($1,089,483) comprising principle of US$ 760,000 ($1,029,344) and accrued interest of US$ 44,403 ($60,139) charged at a rate of 10% per annum. No interest has been paid on the loan since being advanced and no further funds were advanced by the lender subsequent to December 31, 2022.

In March 2023, the original loan agreement was replaced by a new loan agreement (the "**Loan Agreement**").

The new agreement acknowledges the total of US$ 760,000 that Dr. Carter had advanced to the Company through January 31, 2023 (the "**Loan Amount**") and US$ 50,858 of unpaid interest that had accrued on these advances through this date. Pursuant to the Loan Agreement, the Company will pay the lender an initial payment of the Loan Amount equal to 15% of the gross proceeds of the private placement that closed in late March 2023 on or before the tenth business day following the date on which the Company has determined that it has working capital in the amount of not less than $3,000,000. The Loan Agreement requires the remainder of the Loan Amount and all interest thereon to be paid in full by December 31, 2023.

Interest will be charged on the unpaid balance of the Loan Amount at a rate of 12.5% per annum from February 1, 2023 through December 31, 2023. If the Company has not paid the Loan Amount and all interest thereon in full on or before December 31, 2023, the Company will be considered to be in default and the rate of interest charged on the unpaid balance of the Loan Amount will increase from 12.5% to 15.0% per annum.

The parties intend that interest on the Loan Amount be repayable in common shares (subject to TSX Venture Exchange approval).

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 2022 amounted to $7,673,015 as follows:

- The net loss for the period of $10,346,633
- Non-cash items totalling $1,619,717 including depreciation and stock-based compensation
- Net decrease in non-cash working capital items of $1,053,901 (primarily increases in liabilities due to third parties and related parties).

Investing activities

Cash used in investing activities in 2022 amounted to $615,988 as follows:

- Additions to mineral properties of $406,990 relating to capitalised acquisition and claim maintenance costs including the acquisition of interests in the Cuiú Cuiú garimpeiro condominium
- Additions to fixed assets of $308,501 relating primarily to the completion of camp construction and the purchase of miscellaneous other camp tools and equipment
- Proceeds on disposal of fixed assets of $99,503 relating primarily to the sale of vehicles having very low or nil net book values.

Financing activities

Net cash provided by financing activities in 2022 amounted to $4,734,972 and related to the following:

- The June 2022 'best efforts' brokered private placement and November 2022 non-brokered private placement as described above net of applicable share issuance costs
- The term loan provided by the Company's President and CEO as described above

Dividends

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

Contractual commitments

The Company had no significant medium- or long-term contractual commitments in place as at December 31, 2022 or April 27, 2023 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, 2022, approximately R$ 160,000 ($41,000) of the contract (as amended) was outstanding
- The surface access agreement with the Cuiú Cuiú garimpeiros pursuant to which approximately R$ 276,000 (approximately $70,000) is to be paid to the garimpeiros in Q2 2023 in connection with the surface access fee in respect of the year ended March 2024
- 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, 2022 or April 27, 2023.

Transactions with related parties

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

	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021
Management:		
Employment remuneration	$ 179,000	$ 179,000
Consulting fees	238,956	204,333
Bonuses	-	30,000
Payroll related costs	22,171	22,908
Stock-based compensation, stock options	214,983	338,322
Stock-based compensation, RSUs	46,765	54,319
	701,875	828,882
Directors (excluding management):		
Stock-based compensation, stock options	141,849	308,303
Stock-based compensation, RSUs	48,878	76,558
	190,727	384,861
	$ 892,602	**$ 1,213,743**

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 (“**Geofin**”) and Hornby Capital Corp. (“**HCC**”), companies controlled by the Executive Chairman and the Chief Financial Officer, respectively.

During the year ended December 31, 2022, the Company paid and accrued $129,400 to Geofin for consulting services (year ended December 31, 2021: $139,367).

During the year ended December 31, 2022, the Company paid and accrued $109,556 (year ended December 31, 2021: $116,550) to HCC for consulting services.

A total of $66,050 was paid to officers of the Company during 2022 or accrued as liabilities owing to officers as at December 31, 2022 in respect of 2022 company expense reimbursements (in respect of the year ended December 31, 2021: $76,460). Such expense reimbursements related to various expenses including marketing, travel, office and regulatory costs. All such expenditures are recharged to the Company without margin or discount at the actual cost incurred.

With the exception of the term loan, 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.

Amounts owing to related parties

As at December 31, 2022, the Company owed officers of the Company $38,371 (December 31, 2021: $8,446) for various expenses, including but not limited to marketing, travel, office and regulatory costs.

As at December 31, 2022, the Company owed officers of the Company $126,524 (December 31, 2021: nil) for unpaid remuneration.

In May 2022, the Company announced that it had entered into an agreement with its President and Chief Executive Officer pursuant to which he would provide short-term financing to the Company by way of an unsecured term loan of up to $1,500,000. In March 2023, the Company announced that the original loan agreement had been replaced by a new loan agreement (see ‘Liquidity and going concern - Term loan from President and CEO’).

With the exception of the term loan, the amounts owing to officers are non-interest bearing, unsecured and have no set terms of repayment.

Other issues

Officers and directors of the Company subscribed for a total of 480,000 units in the June 2022 ‘best efforts’ brokered private placement for gross proceeds of $144,000.

No stock options were exercised by officers or directors of the Company during 2021 or 2022.

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, share purchase warrants and stock options outstanding as at both December 31, 2022 and April 27, 2023:

		Exercise price	April 27, 2023	Dec. 31 2022
Issued and outstanding common shares			**186,275,424**	**158,375,424**
Share purchase warrants (expiration date):				
July 6, 2023 (July 2021 bought deal)	$	0.80	10,649,000	10,649,000
July 6, 2023 (underwriters, July 2021 bought deal)	$	0.54	1,042,320	1,042,320
June 27, 2024 (June 2022 private placement)	$	0.50	10,038,358	10,038,358
July 19, 2024 (July 2022 second closing)	$	0.50	100,000	100,000
June 27, 2024 (compensation options, June 2022 private placement)	$	0.30	476,170	476,170
November 25, 2024 (November 2022 private placemer		*	6,200,000	6,200,000
November 25, 2024 (finder warrants, November 2022 private placement)	$	0.20	15,000	15,000
March 17, 2025 (March 2023 private placement)	$	0.20	27,900,000	-
			56,420,848	28,520,848
Stock options (expiration date):				
June 19, 2023	$	0.23	450,000	450,000
January 22, 2024	$	0.25	1,323,224	1,323,224
September 6, 2024	$	0.15	1,730,000	1,805,000
July 21, 2025	$	0.27	2,540,000	2,640,000
November 13, 2025	$	0.60	650,000	650,000
April 11, 2026	$	0.49	600,000	600,000
August 30, 2026	$	0.51	3,500,000	3,675,000
			10,793,224	11,143,224
RSUs (vesting date):				
July 30, 2023			200,000	200,000
April 12, 2024			498,435	498,435
			698,435	698,435
Fully diluted			**254,187,931**	**198,737,931**

* Each warrant entitles the holder to acquire one common share at an exercise price of at an exercise price of $0.205 in the first year following closing through November 25, 2023, increasing to $0.30 in the second year following closing through November 25, 2024 (in March 2023, the TSX Venture Exchange approved the reduction in the exercise prices from $0.30 and $0.40, respectively, in March 2023)

A total of 352,606 RSUs that vested as at January 30, 2022, September 6, 2022 and October 12, 2022 were not issued until December 2022 due to a black-out in effect.

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2022, and have not been applied in preparing the 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), accounts payable and accrued liabilities, amounts due to related parties and the term loan.

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$ relative to the Canadian dollar was volatile throughout 2022 and subsequent thereto through April 27, 2023. The R$ appreciated by 11% relative to the $ during 2022 which followed a 7% decline in 2021. Following a rapid appreciation in the value of the R$ in Q1 2022, it declined in value in Q2 2022 giving up most of the Q1 2022 gains. The R$ increased in value from late July 2022 through April 21, 2023. Exchange rates (per the Bank of Canada) from December 30, 2021 through April 21, 2023 were as follows:
- December 31, 2021: R$ 4.40 per $
- January 10, 2022: R$ 4.48 per $ (R$ low for the period)
- December 31, 2022: R$ 3.90 per $
- April 12, 2023: R$ 3.68 per $ (R$ high for the period)

The Company has been adversely impacted by this volatility as the relative appreciation of the R$ 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.

For the year ended December 31, 2022, the Company reported a net loss of $10,346,633 (year ended December 31, 2021: net loss of $11,205,185), and as at that date had a net working capital deficit of $1,275,518 (December 31, 2021: net working capital balance of $4,313,224).

The continuation of the Company depends up on the support of equity investors and/or the availability of funding through other means, neither of which can be assured (see 'Liquidity and going concern').

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, 2022.

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.

As at December 31, 2022, the Company had two interest bearing liabilities:

- In May 2022, the Company's President and CEO provided the Company with a short-term, unsecured term loan of up to $1,500,000 bearing interest at a rate of 10% per annum; the amount ultimately advanced was US$ 760,000 and the rate of interest was increased to 12% per annum effective February 1, 2023 pursuant to a replacement loan agreement (see 'Liquidity and going concern - Term loan from President and CEO')
- The Company is incurring penalty interest of 3% per month on an overdue trade balance in Brazil of approximately R$ 3,020,000 ($775,000) as at December 31, 2022.

Otherwise, the Company did not have any interest-bearing liabilities outstanding as at December 31, 2022.