Cabral Gold

Cabral Gold Inc.
(An Exploration Stage Company)

Interim MD&A – Quarterly Highlights

For the six months ended June 30, 2023

Dated: August 28, 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 August 28, 2023. It is intended to be read in conjunction with the condensed interim consolidated financial statements of the Company as at and for the six months ended June 30, 2023.

This Interim MD&A – Quarterly Highlights has been compiled in accordance with Section 2.2.1 of Form 51-102F1 - Management's Discussion & Analysis.

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

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

Guillermo Hughes, P. Geo. MAusIMM and FAIG., a consultant to the Company as well as a Qualified Person as defined by National Instrument 43-101, ("**NI 43-101**") approved the technical information presented in this MD&A.

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 August 28, 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 six months ended June 30, 2023 and the subsequent period ended August 28, 2023 were highlighted by the following activities and initiatives:

Exploration and development

- The Company maintained a focus during the reporting period on financing and internal scoping work regarding the trial mining and heap-leach processing of gold-in-oxide blanket and saprolite material at Cuiú Cuiú
- In August 2023, the Company announced that it had commenced a program of RC and power-auger drilling at Cuiú Cuiú (see 'Q2 2023 exploration activity')
- In April 2023, the Company announced that it had commenced work on a trial-mining prefeasibility study ("**PFS**"). The study will examine the potential to exploit higher-grade near-surface gold-in-oxide blanket and saprolite material at Cuiú Cuiú using open-pit mining and heap-leach processing within trial-mining permits. This PFS is being undertaken by Ausenco do Brasil Engenharia Ltda ("**Ausenco**")
- 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. The two underlying agreements relating to the transfers became active and legally binding in July 2023 (see 'Cuiú Cuiú - Transfer of peripheral tenements to cooperative')

Finance

- The balance of cash and cash equivalents as at June 30, 2023 was $2,108,198 and the net working capital-deficit as at this date was $553,167 (see extensive discussion regarding the Company's liquidity position under 'Liquidity and going concern')
- In July 2023, the Company announced that it had entered into a royalty agreement with Osisko Gold Royalties Ltd. ("**Osisko**") pursuant to which Osisko agreed to purchase a 1% net smelter return ("**NSR**") royalty on the Cuiú Cuiú gold project for total cash consideration of US$ 5 million. The transaction closed in July 2023 (see 'Sale of NSR royalty to Osisko')
- 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 $2,790,000 (see 'Liquidity and going concern – March 2023 non-brokered private placement')
- In March 2023, the Company announced that it had entered into a new term-loan agreement with the Company's President and Chief Executive Officer, replacing a previous term-loan agreement dated May 24, 2022. The Company repaid US$ 317,599 of the loan in July 2023 (see 'Liquidity and going concern – Term loan from the President and CEO')

The value of the Brazilian real ("**R$**") relative to the Canadian dollar was volatile throughout 2022 and has generally increased relative to the $ subsequent thereto through August 28, 2023. From the 2022 low of R$ 4.476 per $ on January 10, 2022, the R$ has increased in value to R$ 3.582 on August 25, 2023, an increase of approximately 25%. Appreciation of the R$ relative to the $ serves to increase R$ denominated expenditures and liabilities when measured in $. In addition, the domestic rate of inflation in Brazil in 2022 was 9.3% in 2022 but reduced to 4.0% in July 2023 (year on year)

Other

- In June 2023, the Company announced that Derrick Weyrauch and Rod Cooper had elected to resign from the Board of Directors in order to focus on other business interests
- In August 2023, the Company announced the appointment of Jonathan Gilligan, Ian Gendall and Larry Lepard to its Board of Directors. Jonathan Gilligan holds a PhD in Geology (gold), is the COO of Liberty Gold and previously held senior positions with Torex Gold, SSR Mining Inc., and BHP. Ian Gendall is the President and CEO of DLP Resources and was previously with Gencor, Billiton, Anglo American, Antofagasta and OceanaGold. Larry Lepard is Managing Partner at Equity Management Associates, an investment fund focused on the precious metals sector
- In August 2023, the Company announced that it had retained Capital Markets Advisory CA ("**CMA**") to provide strategic marketing, investor relations and capital markets communications services. The engagement is subject to TSX-V approval
- Ongoing corporate social responsibility activities continued during 2023 to date within the community of Cuiú Cuiú and surrounding areas. Funding of community initiatives was reduced or deferred in 2022 in response to the Company's financial circumstances (see 'Cuiú Cuiú - Corporate social responsibility'). Logistical support has been provided to assist in the construction of a new school at Cuiú Cuiú with construction expected to be completed in Q4 2023

Corporate outlook

Management's focus in Q2 2023 and thereafter was on the strengthening of the Company's working capital position and initiating a trial-mining PFS:

- In July 2023, the Company announced the closing of the sale of a 1.0% NSR royalty to Osisko for US$ 5.0 million (see 'Sale of NSR')
- Following the close of the NSR royalty sale, the Company announced in August 2023 that it had commenced a program of RC and power-auger drilling at Cuiú Cuiú in connection with the trial mining PFS study (see 'Cuiú Cuiú – Q2 2023 activity').

The cost structure of the Company has been significantly reduced since mid 2022 through the curtailment of exploration activity (including all drilling and assay activity), the termination of numerous staff and reduction in camp, travel, freight and related costs. The Company also raised nominal funds through the disposal of non-core assets (such as vehicles). The payment of numerous creditor liabilities, including management salaries, was deferred in order to preserve cash. Certain of these deferrals were made unilaterally by the Company. Penalty interest charges 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 stated use of proceeds was the payment of outstanding debts, possibly including amounts due to management, general working capital purposes and, subject to the sufficiency of funds, limited exploration and development activities.

The closing of the Osisko transaction together with the proceeds of the March 2023 private placement have provided the Company with sufficient financial resources with which to not only repay all outstanding liabilities, but also to initiate RC and power-auger drill programs at Cuiú Cuiú. This recommencement of exploration activity has involved the rehiring of a limited number of staff (both employees and contractors) and the reopening of the camp at Cuiú Cuiú. The extent and duration of such activity will be driven directly by the requirements of the trial-mining PFS study and funding.

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

- Continued work on the trial-mining PFS, examining open-pit mining and heap-leach processing to exploit near-surface gold-in-oxide blanket and saprolite material at Cuiú Cuiú
- Further metallurgical studies aimed at confirming suitability and optimizing the exploitation of the gold-in-oxide and oxidized blanket and saprolite mineralized material at both the Central and MG deposits for heap-leach processing
- 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 and to improve the current oxide wireframe models used in the most recent mineral resource estimate announced in September 2022 for use in the trial-mining PFS
- Geotechnical drilling, topographic studies and trial-mine planning
- Continue the legal and operational processes required to obtain full mining licenses by the end of 2024.

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 $1,486 as at June 30, 2023) to each of the 20 majority stakeholders and R$ 2,700 per year ($743) to each of the 62 minority stakeholders.

Payments totalling approximately $64,000 were made to the garimpeiros (both majority and minority stakeholders other than Magellan Brazil) in March and April 2023 in connection with the surface access fee in respect of the year ended March 2024.

As at June 30, 2023, Magellan Brazil owned six majority interests and one minority interest in the Cuiú Cuiú condominium.

Q2 2023 activity

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 to commence work on the first phase of a five-phase trial-mining PFS assessing the possibility of open-pit mining and heap-leach processing of near-surface gold-in-oxide blanket and saprolite material at Cuiú Cuiú. The Company has since contracted Ausenco to complete all five phases of the study.

The trial-mining PFS will be NI 43-101 compliant and will include mine, mineral processing, mechanical, electrical and infrastructure design, hydrogeological and geotechnical studies and a detailed financial analysis.

Additional conventional and column-leach metallurgical studies have commenced and are expected to be completed in Q4 2023. These studies are being undertaken by Testwork Desenvolvimento do Processos Ltda based in Belo Horizonte. The purpose of the studies is to better understand the potential process flowsheets of both the oxide and unweathered primary mineralization. Column tests are being conducted on additional composites of MG oxide mineralization and for the first time on composites of Central oxide mineralization. This will provide additional confidence and recovery parameters for designing the heap-leach processing circuit as part of the trial-mining PFS. Basement metallurgical studies on the unweathered primary mineralization will assess alternative process flow-sheets for a larger operation in the future, which will include flotation tests. Results are expected in the second half of 2023.

Additional metallurgical tests, a LIDAR topographical program and drilling have all been initiated. Geotechnical, hydrogeological and mine planning studies will be required to complete the trial-mining PFS and are expected to be conducted in parallel with the trial-mining PFS; the studies are expected to be initiated once the LIDAR program is completed in late 2023.

Very limited exploration activity was undertaken in Q2 2023.

Subsequent to Q2 2023 through August 28, 2023, the Company commenced a program of RC and power-auger drilling at Cuiú Cuiú as follows:

- A drill program comprising six RC holes and 21 short power-auger holes commenced at the MG gold deposit, targeting higher-grade mineralization within shallow gold-in-oxide blanket and saprolite gold resources
- Following the completion of the RC program at MG, the rig will move to the Central deposit where 19 RC holes are planned with the objective of upgrading the inferred portion of the current oxide resource at Central to indicated

This work is designed to better define and expand the higher-grade shallower portion of the oxide resources within the near-surface saprolite and blanket material, to improve confidence in the current oxide gold resources and to aid in the mine planning and sequencing as part of the ongoing PFS on trial-mining of the oxide resources at the MG and Central gold deposits being conducted by Ausenco.

In April 2023, XPE Electrica & Construção Ltda ("**XPE**") were contracted by Magellan Brazil to study the viability of including the Cuiú Cuiú community in the Light-For-All (*Luz Para Todos*) federal program to bring electrical energy to remote communities in the region. The traditional Luz Para Todos grid envisages biphasic 13.8Kva power lines and XPE have been given the scope to request inclusion of the Cuiú Cuiú community and also request an upgrade to higher-tension power lines of 34.5Kva to attend the future demands of the Cuiú Cuiú project. The Light-For-All project is being installed by XPE on the Trans-garimpeiro highway and associated communities in the region with completion planned for Q4 2023.

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 in the absence of any action, the Company may have lost its title to the transferred ground on the final report due dates. The size of the Cuiú Cuiú property following the transfer to the Cooperative is 19,689 hectares.

The exploration work undertaken on this ground to date by the Company and its predecessor comprises air magnetics, steam-sediment and soil sampling, as well as limited shallow RC drilling. None of the Company's current mineral resource is located on or close to this transferred ground and no significant exploration results have been obtained to date thereon.

A transfer 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 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
- The agreement respects the four surface-access agreements that were established in 2020 and 2021.

Each of the two 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 Brazilian National Department of Mineral Production now called the Brazilian National Mining Agency ("**ANM**")) and based on other surface-access agreements that the Company has in the area.

With the two environmental licenses issued by the Municipal Environmental Agency (SEMMA) on May 17, 2023 and the subsequent publication of the two PLGs by the ANM on July 20, 2023, both agreements between Magellan Brazil and the Cooperative became active and legally binding.

Cumulative exploration expenditures

Cumulative exploration spend incurred on the Cuiú Cuiú property through June 30, 2023 by the Company and a previous owner of the property amounts to approximately $48.3 million as follows:

	Previous owner (1)		Dec. 31, 2022 (2)		6 months ended June 30, 2023		Total
Drilling (direct costs)	$	12,252,193	$	6,194,315	$	-	$	18,446,508
Payroll		7,187,040		5,888,255		328,836		13,404,131
Field costs		1,255,833		6,087,601		262,443		7,605,877
Consulting, third parties		1,178,055		2,033,628		132,564		3,344,247
Freight and travel		931,739		2,001,360		27,736		2,960,835
Assay		832,789		908,707		6,329		1,747,825
Geophysics		772,114		-		-		772,114
	$	**24,409,763**	**$**	**23,113,866**	**$**	**757,908**	**$**	**48,281,537**

(1) Relates to exploration expenditures incurred from the initial establishment of Magellan Brazil in 2005 through April 16, 2016 when Magellan Brazil was transferred from Magellan Minerals Ltd. ("**Magellan Minerals**") 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, 2022. 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.

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 2023 to date including the following:

- Ongoing contributions to the community's school. Lobbying of the local Itaituba government to build a new school at Cuiú Cuiú was successful with the commencement of construction planned for July 2023 and completion in Q4 2023. Cabral will supply logistical support with lodgings during the construction phase
- 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 contribution of fuel to maintain a garbage collection service three times a week, the provision of educational 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
- Request for inclusion of the Cuiú Cuiú community in the Light-For-All (*Luz Para Todos*) federal program of providing energy to regional/remote communities was made in April 2023. A further request for an upgrade to the proposed grid to attend to the future needs of the community and the Cuiú Cuiú project was also made

The support of the local community is extremely important to the Company and in the permitting process. Nevertheless, due to the Company's financial constraints, the funding of community initiatives was reduced or deferred commencing in mid 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 Minerals and ECI Exploration & Mining Inc. ("**ECI**") on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan Minerals 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 Minerals, ECI and Brasil Central Engenharia Ltda. ("**Brasil Central**") pursuant to which Magellan Minerals, 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 Minerals' 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 Minerals 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 August 28, 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 August 28, 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 June 30, 2023 and August 28, 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 August 28, 2023.

Summary of quarterly results

A summary of results in respect of the five quarters ended June 30, 2023 is as follows. This summary information has been derived from the audited consolidated financial statements and condensed interim consolidated financial statements (unaudited) of the Company.

Statements of loss

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Revenue	-	-	-	-	-
Exploration and development	3,230,381	1,267,258	397,544	382,525	459,407
Diamond drill rigs (end of quarter)	*1*	-	-	-	-
RC rigs (end of quarter)	*1*	-	-	-	-
Administration (cash):					
Management	109,145	111,713	105,076	112,012	111,111
Professional fees	24,422	26,157	41,096	19,221	21,170
Marketing	77,420	68,707	68,963	40,868	21,164
Office and administration	37,331	23,294	14,593	18,312	17,560
Travel	14,412	1,487	9,287	11,825	7,212
Listing expense	34,209	1,359	(9,524)	10,945	11,891
	296,939	*232,717*	*229,491*	*213,183*	*190,108*
Administration (non-cash):					
Depreciation	164,607	156,348	161,437	160,970	165,140
Stock-based compensation	233,816	188,564	118,575	93,084	60,122
	398,423	*344,912*	*280,012*	*254,054*	*225,262*
Foreign exchange loss (gain)	6,756	62,812	(11,864)	1,081	(23,051)
Interest income	(8,714)	(11,029)	(6,005)	(11,419)	(18,599)
Interest expense	26,392	94,604	101,020	97,959	82,769
NSR transaction costs	-	-	-	95,900	285,604
Other income	-	(32,187)	(32,303)	-	-
Net loss	**3,950,177**	**1,959,087**	**957,895**	**1,033,283**	**1,201,500**

- Exploration and development: See ‘Cuiú Cuiú – Q2 2023 activity’. Exploration spending declined significantly in Q3 2022 in response to adverse market conditions. While exploration and development spend has historically been driven by the number of drill rigs operating (see number of rigs by quarter in the above table), 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$
- Management costs relate to compensation of the Company’s officers (Executive Chairman, President and CEO and CFO)
- Professional fees relate to audit and legal fees. Previously reported Q1 2023 legal fees included $95,900 of legal expenses relating to the NSR royalty transaction; such costs were reclassified to ‘NSR transaction costs’ in Q2 2023
- Marketing expenditures relate to attendance at conferences, various advisory services and other marketing related expenditures
- Office and administration relates to the costs of operating the Company’s Vancouver office and related matters
- Listing fees increased in Q2 2022 due to various annual fees falling due in the quarter and a misclassification of share issuance costs that were subsequently reclassified in Q4 2022
- Depreciation expense reflects the depreciation of fixed assets over four years on a straight line basis. Virtually all fixed assets relate to exploration activity in Brazil
- Stock-based compensation relates to the amortisation of tranches of stock options and RSUs granted as follows:
  - September 2019: 266,666 RSUs issued vesting over 36 months

- 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

- Interest expense relates to interest charged on the term loan provided by the Company's President and CEO and penalties and interest charged on overdue trade liabilities in Brazil
- NSR transaction costs relate to the NSR royalty transaction with Osisko and include legal fees incurred in both Canada and Brazil and the cost of registering security in Brazil. The Q1 2023 amount of $95,900 was previously reported as a component of Professional fees
- Other income relates to the net gain on the disposal of vehicles including insurance proceeds on a destroyed vehicle.

Statements of financial position

	30-Jun-22 (Q2 2022)	30-Sep-22 (Q3 2022)	31-Dec-22 (Q4 2022)	31-Mar-23 (Q1 2023)	30-Jun-23 (Q2 2023)
Cash and cash equivalents	3,090,010	913,689	1,405,169	3,375,825	2,108,198
Other current assets	212,161	201,261	142,411	155,290	174,333
Fixed assets	2,169,015	2,032,398	1,888,029	1,791,168	1,672,929
Mineral properties	2,693,162	2,801,319	2,866,481	3,081,507	3,213,719
Total assets	*8,164,348*	*5,948,667*	*6,302,090*	*8,403,790*	*7,169,179*
Liabilities	2,448,670	1,896,001	1,733,615	1,896,442	1,710,432
Term loan	979,336	1,041,732	1,089,483	1,118,115	1,125,266
Share capital	32,947,016	32,959,184	33,867,019	36,608,784	36,602,576
Reserves	6,053,913	6,238,911	6,688,672	6,781,756	6,841,878
Subscription receipts	30,000	-	-	-	-
Other comprehensive income	(619,950)	(553,437)	(485,080)	(376,405)	(284,571)
Accumulated deficit	(33,674,637)	(35,633,724)	(36,591,619)	(37,624,902)	(38,826,402)
Total equity	*4,736,342*	*3,010,934*	*3,478,992*	*5,389,233*	*4,333,481*
	-	-	-	-	-

- Increases in cash balances reflect the proceeds of equity financings (gross proceeds of $1,240,000 in November 2022 and $2,790,000 in March 2023)
- Other current assets include accounts receivable and prepaid expenses
- Capital expenditures have been limited since Q2 2022. Decreases since Q2 2022 have related primarily to depreciation expense offset by both the nominal cost of fixed asset additions and the general appreciation of the R$ relative to the $ since mid 2022. All fixed asset additions are depreciated over four years on a straight line basis
- The balance of mineral properties relates to capitalised mineral property acquisition and claim maintenance costs. Increases relate to claim maintenance expenditures comprising payments to both the Brazilian authorities (Q1 and Q3 of each year) and members of the Cuiú Cuiú garimpeiro condominium (Q1 and Q2 of each year) as well as various surface access payments and acquisition expenditures relating to other parts of the Cuiú Cuiú district (including both majority and minority

interests in the Cuiú Cuiú garimpeiro condominium). As is the case with fixed assets, appreciation in the value of the R$ relative to the $ since mid 2022 has served to increase the carrying value of mineral properties. With the exception of $251,441, the June 30, 2023 balance related entirely to Cuiú Cuiú

- The balance of liabilities relates to accounts payable and accrued liabilities. The balance declined in Q3 2022 as a result of the significant decline in the scope of operations in the quarter as well as the payment of certain of the liabilities that had previously been deferred. The reduction in the balance in Q2 2023 was attributable to the repayment of overdue trade liabilities primarily in Brazil offset by approximately $268,000 in legal and other fees associated with the NSR royalty transaction and penalty interest incurred on overdue liabilities in Brazil in Q2 2023. Approximately $197,000 of the balance of liabilities as at June 30, 2023 was owed to management
- The term loan relates to a loan provided by the Company's President and CEO in May 2022 (see 'Liquidity and going concern - Term loan from the President and CEO')
- The increases in share capital during the period under review relate to proceeds realised on the November 2022 and March 2023 financings.

Liquidity and going concern

As at June 30, 2023, the Company had a cash balance of $2,108,198, and a net working capital deficit of $553,167 (December 31, 2022: $1,405,169 and $1,275,518, 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. 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 plans 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.

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 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 could 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.

Sale of NSR royalty to Osisko

In July 2023, the Company announced that it had entered into a royalty agreement with Osisko pursuant to which Osisko agreed to purchase a 1% NSR royalty on the Cuiú Cuiú gold project for total cash consideration of US$ 5 million.

The consideration was paid in two tranches comprising US$ 2.5 million on closing (July 11, 2023) and US$ 2.5 million following the registration of certain security pledges (July 26, 2023).

The Osisko NSR royalty applies to the area containing the existing resources at Cuiú Cuiú as well as the surrounding land package.

Cabral is required to pay Osisko US$ 250,000 on the date of completion of a Feasibility Study and each subsequent anniversary of said completion by way of an advance payment until the commencement of commercial production. These advance payments will be credited against future royalty payments due under the royalty agreement.

The terms of the transaction allow Cabral to use up to US$ 800,000 of the proceeds for general working capital purposes including the repayment of any debts but excluding any part of the term loan owing to the President and CEO.

Osisko's interests are secured by pledges over production and mineral rights, both secondary to the same security held by Sandbox Royalties Corp. ("**Sandbox**"), which holds a pre-existing 1.5% NSR. Osisko's security also includes a first ranked registered pledge over the shares and quotas, respectively, of both CGBC and Magellan Brazil. Also, there are in place promises to pledge certain material fixed assets of Magellan Brazil in favor of both Sandbox, as primary security holder, and Osisko, as secondary security holder.

The transaction also provides Osisko with certain additional rights regarding future royalty and stream financings.

Trade liabilities

Since mid 2022, the Company has sought to preserve cash (including the proceeds of the March 2023 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 were initiated unilaterally by the Company. Penalty interest charges associated with delays in certain payments have been incurred by the Company. As at August 28, 2023, most of the deferred liabilities had been repaid in full and it is expected that all remaining deferred liabilities will be paid in full by the end of Q3 2023.

In addition to trade liabilities, certain amounts owing to management in respect of remuneration also began being deferred in late Q2 2022. A total of $196,908 in unpaid remuneration and unreimbursed expenditures owing to members of management was outstanding as at June 30, 2023 (see 'Transactions with related parties'). These liabilities were paid in full in Q3 2023.

March 2023 non-brokered private placement

In late March 2023, the Company closed an over-subscribed private placement consisting of a total of 27,900,000 units at a price of $0.10 per unit for gross proceeds of $2,790,000. The Company had originally announced a financing comprised of up to 20,000,000 units at a price of $0.10 per unit for gross proceeds of up to $2,000,000.

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 term-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.

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

The new agreement acknowledges the total of US$ 760,000 that the lender 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 March 2023 on or before the tenth business day following the date on which the Company has determined that it has net working capital in the amount of not less than $3,000,000; as the Company's working capital had not reached this minimum threshold, no repayment of the Loan Payment had been made to the lender through June 30, 2023. With the closing of the second and final tranche of the Osisko royalty agreement in late July 2023, the balance of net working capital increased beyond $3,000,000 and a payment of US$ 317,599 (equivalent of $418,500 being 15% of the gross proceeds of the March 2023 private placement of $2,790,000) was made to the lender.

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).

No interest has been paid on the loan since being advanced and no further funds were advanced by the lender subsequent to June 2022.

The outstanding balance of the term loan as at June 30, 2023 amounted to US$ 849,899 ($1,125,266) comprising principle of US$ 760,000 ($1,006,240) and accrued interest of US$ 89,899 ($119,026).

Operating activities

Cash used in operating activities in the six months ended June 30, 2023 amounted to $1,868,936 as follows:
- The net loss for the period of $2,234,783
- Non-cash items totalling $420,952 including depreciation, stock-based compensation and accrued interest on the term loan
- Net decrease in non-cash working capital items of $55,105 (primarily decreases in liabilities due to third parties).

Investing activities

Cash used in investing activities in the six months ended June 30, 2023 amounted to $165,924 and related entirely to additions to mineral properties comprising capitalised acquisition and claim maintenance costs.

Financing activities

Net cash provided by financing activities in the six months ended June 30, 2023 amounted to $2,735,557 and related entirely to the March 2023 non-brokered private placement (gross proceeds of $2,790,000 less share issuance costs of $54,443).

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 June 30, 2023 or August 28, 2023 beyond its stated liabilities and the following:
- The Company entered into a multi-phase agreement in March 2023 with Ausenco relating to the completion of a trial-mining PFS assessing open-pit mining and heap-leach processing of near-surface gold-in-oxide blanket and saprolitic material at Cuiú Cuiú. The Company initially committed to the first phase of the agreement at a cost of approximately R$ 165,000 (approximately $44,000) and a further $38,000 to be incurred in Canada. The Company has since contracted Ausenco to complete all five phases of the study at an estimated total cost of R$ 640,000, $85,000 and US$ 120,000 (total of approximately $420,000)
- Magellan Brazil entered into an agreement in May 2023 with Testwork Desenvolvimento de Processo Ltda to conduct multiple column leaching tests as part of the PFS study on the high grade and low grade ore at both Central and Moreira Gomes at a cost of approximately R$ 640,177
- 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 June 30, 2023, approximately R$ 160,000 ($44,000) of the contract (as amended) was outstanding

- The surface access agreement with the Cuiú Cuiú garimpeiros pursuant to which approximately R$ 240,000 (approximately $64,000) was paid to the garimpeiros in March and April 2023 in connection with the surface access fee in respect of the year ended March 2024
- The Company has retained CMA to provide strategic marketing, investor relations and capital markets communications services for $10,000 per month for an initial term of six months. The engagement is subject to TSX-V approval
- 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.

Contingent liabilities

Various legal, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations and the Company is therefore subject to litigation in the counties in which it operates. As at June 30, 2023 and August 28, 2023, there were two legal cases outstanding.

In respect of one legal case which relates to the Poconé properties, the Company is not a defendant in the litigation, however, it does have a potential exposure pursuant to the terms of a historic joint venture agreement and a related indemnification provided to a third party in connection with the sale of its 35% interest in a company in 2018. Management is monitoring the progress of this case in the Brazilian courts and is continuing to support the defendants in their vigorous defence against this claim. Recent decisions of the applicable courts have gone against the defendants which increases the risk that the Company may ultimately incur a loss. As at August 28, 2023, however, the significant uncertainty present regarding the outcome of the case and related issues are 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 Q2 2023 financial statements for any amount associated with the claim.

The second legal case relates to a claim for R$ 1,068,255 (approximately $294,000) from a former employee that arose in June 2023. The issue has yet to be resolved through the courts or a labour tribunal. The Company believes the claim to be frivolous and without merit. The Company will be vigorously defending against the claim and, where possible, seeking reimbursement of legal costs from the plaintiff. As there is no current obligation and a reliable estimate can not be made of possible damages, no provision for the claim has been recognised in the Q2 2023 financial statements.

Capital resources

The Company had no capital expenditure commitments as at either June 30, 2023 or August 28, 2023.

Transactions with related parties

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

		6 months ended June 30, 2023		6 months ended June 30, 2022
Management:				
Employment remuneration	$	89,500	$	89,500
Consulting fees		121,025		119,671
Payroll related costs		12,598		14,167
Stock-based compensation, stock options		32,367		144,288
Stock-based compensation, RSUs		22,570		24,195
		278,060		391,821
Directors (excluding management):				
Stock-based compensation, stock options		17,076		96,058
Stock-based compensation, RSUs		12,730		28,995
		29,806		125,053
	$	**307,866**	**$**	**516,874**

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.

With the exception of the term loan provided by the Company's President and CEO, 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 June 30, 2023, the Company owed officers of the Company $9,475 (December 31, 2022: $38,371) for various expenses, including but not limited to marketing, travel, office and regulatory costs.

As at June 30, 2023, the Company owed officers of the Company $187,433 (December 31, 2022: $126,524) 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.

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, stock options and RSUs outstanding as at June 30, 2023 and August 28, 2023:

	Exercise price		Aug. 28, 2023	June 30, 2023
Issued and outstanding common shares			**186,515,527**	**186,275,424**
Share purchase warrants (expiration date):				
July 6, 2023 (July 2021 bought deal)	$	0.80		10,649,000
July 6, 2023 (underwriters, July 2021 bought deal)	$	0.54		1,042,320
June 27, 2024 (June 2022 private placement)	$	0.50	10,038,358	10,038,358
June 27, 2024 (compensation options, June 2022 private placement)	$	0.30	476,170	476,170
July 19, 2024 (July 2022 second closing)	$	0.50	100,000	100,000
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	27,900,000
			44,729,528	56,420,848
Stock options (expiration date):				
January 22, 2024	$	0.25	1,323,224	1,323,224
September 6, 2024	$	0.15	1,730,000	1,730,000
July 21, 2025	$	0.27	2,540,000	2,540,000
November 13, 2025	$	0.60	590,000	590,000
April 11, 2026	$	0.49	600,000	600,000
August 30, 2026	$	0.51	3,340,000	3,340,000
			10,123,224	10,123,224
RSUs (vesting date):				
July 30, 2023			-	200,000
April 12, 2024			435,416	475,519
			435,416	675,519
Fully diluted			**241,803,695**	**253,495,015**

* 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)

Recent accounting pronouncements

A number of new standards, and amendments to existing standards and interpretations, are not yet effective for the year ended December 31, 2023, 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.