



Cabral Gold

Cabral Gold Inc.

(An Exploration Stage Company)

Interim MD&A – Quarterly Highlights

For the nine months ended September 30, 2020

Dated: November 27, 2020

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Management Discussion and Analysis

The following Interim MD&A – Quarterly Highlights (“MD&A”) of Cabral Gold Inc. (“Cabral” or the “Company”) has been prepared as at November 27, 2020. It is intended to be read in conjunction with the condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2020.

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.

Dr. Adrian McArthur, B.Sc. Hons, PhD. FAusIMM., 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 in this MD&A.

Cautionary Statement on Forward-Looking Information

This MD&A document contains ‘forward-looking information’ and ‘forward-looking statements’ (together, the “forward-looking statements”) within the meaning of applicable securities laws. Such forward-looking statements concern the Company’s anticipated operations in future periods, planned exploration and development of its properties, and plans related to its business and other matters that may occur in the future. This information relates to analyses and other information that is based on expectations of future performance and planned work programs. These forward-looking statements are made as of November 27, 2020.

Users of forward-looking statements are cautioned that actual results may vary from the forward-looking statements contained herein. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to:

- Risks related to the exploration and development of natural resource properties
- Risks related to the uncertainty of mineral resource calculations and the inclusion of inferred mineral resources in economic estimations
- Risks related to fluctuations in future metal prices (particularly gold prices)
- Risks related to market events and conditions
- Risks related to governmental regulations, including without limitation, environmental laws and regulations
- Risks related to delays in obtaining governmental or regulatory approvals, licenses or permits

- Risks related to the Company’s mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title
- Risks related to uncertainty associated with the Company’s ability to obtain funding in the future
- Risks related to the Company’s inability to meet its financial obligations under agreements to which it is a party (see ‘Liquidity and going concern’)
- Risks related to competition from larger companies with greater financial and technical resources, and
- Risks related to the Company’s directors and officers becoming associated with other natural resource companies which may give rise to conflicts of interest.

Although the forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this document, and the Company assumes no obligation to update or revise them to reflect new events or circumstances except as may be required under applicable securities laws. There can be no assurance that forward-looking statements, or the material factors or assumptions used to develop such forward-looking statements, will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements.

Overview

The Company is a mineral exploration and development company with interests in gold projects in the state of Pará in northern Brazil. Cabral’s primary project is Cuiú Cuiú.

The Company holds its interest in Cuiú Cuiú through Magellan Minerais Prospecção Geológica Ltda. (“Magellan Brazil”). Magellan Brazil is a wholly owned subsidiary of Cabral Gold Ltd. (“CGL”) which in turn is a wholly owned subsidiary of the Company.

Highlights

The three months ended September 30, 2020 and the period ended November 27, 2020 were highlighted by the following activities and initiatives:

Exploration and development

- In April 2020, the Company announced that it had suspended all fieldwork at the Cuiú Cuiú project in Brazil and had temporarily closed both of its offices (Vancouver, Canada and Itaituba, Brazil) in response to the COVID-19 outbreak and in order to protect staff and the local community from potential infection. The restart of exploration activity at Cuiú Cuiú commenced in early August 2020
- The Company took advantage of this fieldwork suspension to review all existing exploration data at Cuiú Cuiú and to plan for the drill program. The Company also used this downtime to refurbish and test the RC drill rig that had been purchased in February 2020
- In July 2020, the Company reported additional surface results received from the Cilmar target located in the northeast part of the Cuiú Cuiú concession area. The results identified several potential sources for the coarse gold nuggets recovered from the main drainage
- In August 2020, the Company announced the mobilisation of the RC drill rig to Cuiú Cuiú
- The RC drill program focussing on testing a series of high-grade targets at Cuiú Cuiú commenced in late September 2020
- In September 2020, the Company announced that it would be adding a second RC rig at Cuiú Cuiú
- Exploration activity increased significantly in Q3 2020 following closing of the private placement in June and July 2020, the end of Covid-19-related work suspensions in July, the retention of additional staff (both employees and contractors) and commencement of the RC drill program

Finance

- The balance of cash and cash equivalents as at September 30, 2020 was \$4,460,412 and the net working capital balance as at this date was \$4,272,648 (see ‘Liquidity and going concern’)
- In May 2020, the Company announced a non-brokered private placement of up to 16,000,000 common shares at a price of \$0.125 per share for gross proceeds of up to \$2,000,000. Due to increased demand, the size of the private placement was expanded. Three closings took place in late June and early July 2020 raising total gross proceeds of \$4,179,014 on the issuance of 33,432,110 common shares (see ‘Liquidity and going concern’)
- In July 2020, the Company announced that it had extended the expiry date of the 22,796,832 share purchase warrants issued to subscribers pursuant to the July 2019 private placement from July 25, 2020, to November 25, 2020 (see ‘Liquidity and going concern’)
- In Q3 2020, a total of \$2,192,476 was raised in through the exercise of 10,887,377 share purchase warrants at an average exercise price of \$0.20 (see ‘Liquidity and going concern’)
- A further \$2,632,400 was raised in the period subsequent to September 30, through November 27, 2020 through the exercise of 13,020,500 share purchase warrants at an average exercise price of \$0.20 (see ‘Liquidity and going concern’)
- The R\$ depreciated 25% against the Canadian dollar in 2020 through November 27. The Company has benefited from this volatility as the relative depreciation of the R\$ serves to reduce R\$ denominated expenditures and liabilities when measured in \$

Board appointment

- In November 2020, the Company announced the appointment of Carlos Vilhena to the Board of Directors

Cuiú Cuiú

The Company’s primary gold project is Cuiú Cuiú.

Q3 2020 and subsequent work program

Exploration initiatives undertaken during Q3 2020 and the period ended November 27, 2020 included the following:

- In February 2020, Cabral announced that it had acquired a track mounted ASV Scout ST-50 reverse circulation drill rig that is capable of drilling holes to a maximum of 200m depth. This rig will allow the Company to rapidly and cost effectively test its growing portfolio of high-grade targets. The Company took advantage of the downtime associated with the COVID-19 fieldwork suspension to refurbish and test the RC drill rig. This process was completed in August 2020 following which the rig was transported to Cuiú Cuiú
- The RC drill program commenced in September 2020 focussing initially on high-grade targets at Alonso
- The program moved to test the high-grade target at Medusa in late October
- Various operating inefficiencies were experienced during September and October which resulted in less than expected production rates. These issues led to downtime in both months while the Company waited for the delivery and installation of replacement parts on the rig. The rig has since experienced peak production rates of 70-80 metres per day and the Company is working to achieve consistency in performance
- Ongoing geochemical programs were undertaken in Q3 2020 in both the established Jerimum and Machichie target areas, as well as less explored areas in the eastern part of the Cuiú Cuiú district:
 - Soil sampling and auger drilling have been focussed in the Medusa area within the Tocantinzinho structural corridor (a prominent regional structure hosting the Tocantinzinho gold resource and

- Santa Patricia porphyry Cu-Mo system of Eldorado Gold Corporation which is located along strike to the southeast)
- Grab samples of rock material were taken from workings in the Machichie area and recently recognised workings from the eastern part of the Cuiú Cuiú district where the source of extensive alluvial mineralization remains to be located
 - Follow-up surface channel sampling continued at Machichie as well as several other targets on the property in an effort to determine the strike extent of this discovery and other high-grade zones
 - Ongoing geological reconnaissance of the broader property has continued following positive results:
 - In the Cilmar region, quartz-sulphide float boulders were located in a drainage 350m WSW of the nugget field. A total of 13 samples from surface float ranged from 1.4 to 12.3 g/t gold (averaging 4.5 g/t gold). This area is coincident with a major structural intersection evident in the regional magnetic data
 - In the Machichie area, six NE trending high-grade vein structures have been identified between the E-W trending MG and Machichie main structural corridors. Grades of 21.4 g/t and 15.3 g/t gold were returned adjacent to shafts on the Maranhão structure. Drilling will target depth and strike extensions to a surface trench result of 5.8m @ 16.0 g/t gold, and prior drill results of 3.4m @ 36.9 g/t and 3.0m @ 7.4 g/t gold
 - The ongoing regional reconnaissance program at Cuiú Cuiú has identified a new high-grade target at Dona Moca which is located 1.6 kilometres ENE of the Medusa target. Surface grab samples at Dona Moca returned gold values of 108.3 g/t, 32.0 g/t, 21.9 g/t and 3.9g/t gold
 - In late September, surface sampling at the Jerimum North target identified a new outcropping NE trending vein system which returned 5.3m @ 24 g/t gold
 - Exploration activity undertaken through 2020 to date has identified a number of high-grade targets for drill testing in various areas of the Cuiú Cuiú property. In order to increase the pace of drilling and resulting news flow, the Company entered into a contract with a third-party independent drilling contractor in late September 2020 to add a second RC drill rig on site. This second rig is expected to commence operations in late November 2020.

Outlook

The Company will continue to direct its own RC rig towards the reconnaissance drilling of previously untested targets in the eastern areas of the Cuiú Cuiú district including Medusa, Alonso and Cilmar. Extensive alluvial workings attest to mineralized source regions in these areas which have not previously been drilled. The basement is poorly exposed and soil geochemical responses are more subtle due to the presence of a younger post-mineral cover sequence over some areas. Such areas are at an earlier stage of exploration with no previous drilling or outcropping mineralization and are therefore higher risk requiring traverses of drill holes to determine the location of the mineralized structures. Further drilling is planned along the structural corridors evident in the regional magnetic data. The corresponding magnetic lows characteristic of hydrothermal alteration in the district extend for several kilometers, whereas the footprint of a deposit may be only several hundred meters.

The third party RC rig will initially be directed to the Machichie area which is located approximately 500 metres north of the MG deposit (the MG deposit contains an Initial Inferred Resource of 8.6Mt @ 1.45 g/t gold (400,000 ounces of gold)).

New surface access and purchase agreements within the Cuiú Cuiú district

During 2020 to date, the Company entered into three new surface access agreements relating to a total of 9,285 hectares located northeast and east of the the main Cuiú Cuiú property.

Garimpo Cilmar

In August 2020, Magellan Brazil entered into an agreement pursuant to which it gained access to a parcel of land having a total area of approximately 5,447 hectares located northeast of the main Cuiú Cuiú property. The monthly fee for the year ending August 2021 amounts to R\$ 12,000 (\$2,827) per month; thereafter, the monthly charge is to be adjusted based on official inflation indices.

Garimpo Santa Barbara

In March 2020, Magellan Brazil entered into an agreement pursuant to which it gained access to a parcel of land having a total area of approximately 2,769 hectares in the Nova Aliança area located southeast of the main Cuiú Cuiú property. The monthly fee for the year ending March 2021 amounts to R\$ 6,000 (\$1,414) per month; thereafter, the monthly charge is to be adjusted based on official inflation indices.

Garimpo Nova Aliança

In February 2020, Magellan Brazil entered into an agreement pursuant to which it gained access to a parcel of land having a total area of approximately 1,069 hectares in the Nova Aliança area located east of the main Cuiú Cuiú property. The monthly fee for the year ending February 2021 amounts to R\$ 6,000 (\$1,414) per month; thereafter, the monthly charge is to be adjusted based on official inflation indices.

The total annualised surface access fees for the three properties amount to R\$ 288,000 (\$67,872) which is subject to adjustment based on official inflation indices.

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 Brazilian National Mining Agency (*Agencia Nacional de Mineração*)) 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.

Cumulative exploration expenditures

Cumulative exploration spend incurred on the Cuiú Cuiú property through September 30, 2020 by the Company and a previous owner of the property amounts to approximately \$31.0m as follows:

	Previous owner (1)	Dec. 31, 2019 (2)	9M ended Sept. 30, 2020	Total
Drilling (direct costs)	\$ 12,252,193	\$ 806,059	\$ 54,404	\$ 13,112,656
Payroll	7,187,040	1,711,693	559,280	9,458,013
Field costs	1,255,833	1,044,521	461,988	2,762,342
Consulting, third parties	1,178,055	1,024,576	195,445	2,398,076
Freight and travel	931,739	444,377	148,535	1,524,651
Assay	832,789	127,952	31,837	992,578
Geophysics	772,114	-	-	772,114
	\$ 24,409,763	\$ 5,159,178	\$ 1,451,489	\$ 31,020,430

- (1) Relates to exploration expenditures incurred from the initial establishment of Magellan Brazil in 2005 through April 16, 2016 when Magellan Brazil was transferred from Magellan Minerals Ltd. (“Magellan”) to Cabral Gold Ltd. through a series of transactions. Cabral Gold Ltd. became a wholly owned subsidiary of Cabral Gold Inc. on October 30, 2017
- (2) Relates to exploration expenditures incurred from October 30, 2017 through December 31, 2019. Virtually no exploration activity was undertaken from April 16, 2016 through October 30, 2017
- (3) Compiled based on previously reported annual financial statements denominated in Canadian dollars

Permitting process

Following completion of six years of exploration on various parts of the Cuiú Cuiú property, Magellan Brazil submitted the requisite Final Exploration Report to the Brazilian National Mining Agency (“ANM”) in October 2013. This report was in respect of the Central, Jerimum Baixo and Moreira Gomes tenements (claims 850.615/2004 and 850.047/2005). The report was approved by the ANM and published in November 2015.

Following the approval of this report, Magellan Brazil initiated the process of acquiring a mining license in 2016 which has involved the preparation of various studies and their submission to, and ultimate acceptance by applicable authorities in Brazil. Activities undertaken during 2020 to date relating to the acquisition of a mining license for the Cuiú Cuiú property have included the following:

- Archaeological studies were completed and the final report was received. No archaeological sites of significance were encountered that would restrict the implementation of a mining plan
- Malaria studies were completed and the related technical report was compiled and received.

Submission of the final environmental study (“EIA-RIMA”) is planned for December 2020. A deferral in the submission date relative to previously announced dates was attributable to resources being redirected to exploration initiatives (including the Q4 2019 diamond drill program) in late 2019 and the first half of 2020.

Direct permitting costs (relating primarily to third party studies) incurred in the nine months ended September 30, 2020 amounted to \$68,857 (\$82,959 in the year ended December 31, 2019).

Camp and other construction

The Company continued the construction of the camp at Cuiú Cuiú in 2020 to date including the following:

- Construction of a new core shed with laboratory, sample storage and core cutting facility (completed in Q1 2020)
- Construction of living quarters for 14 employees and contractors including kitchen, eating area, bathroom and laundry facilities (completed in Q3 2020)
- Ongoing construction of living quarters for 26 employees and contractors and office space (expected to be completed in Q4 2020).

As was the case with permitting, the completion of camp construction was deferred in late 2019 and the first half of 2020 to enable resources to be directed to exploration programs. Specifically, completion of staff housing construction was put on hold and as a result, employee accommodation at Cuiú Cuiú continued to be rented from third parties.

Company response to COVID-19

In order to protect both staff and the local Cuiú Cuiú community from potential infection arising from COVID-19, the Company suspended all fieldwork at the Cuiú Cuiú project in Brazil in early April 2020. Due to COVID-19 outbreaks in Itaituba (where the Company's Brazil head office is located) and numerous towns and villages in the region, the work suspensions continued until late July 2020.

On the restart of exploration activity, initial fieldwork was directed to areas outside of the town of Cuiú Cuiú (such as the Alonso and Medusa targets). These high-grade targets in the eastern part of the Cuiú Cuiú property will provide excellent opportunities for further discoveries, while conducting exploration activity outside of the town of Cuiú Cuiú will reduce risks to the town's residents.

A number of COVID-19 protocols were initiated upon the recommencement of fieldwork at the Cuiú Cuiú project, including the ongoing testing of all employees and contractors. These protocols have continued in force through November 27, 2020.

As part of its ongoing corporate social responsibility initiatives, the Company has provided support to the town of Cuiú Cuiú throughout the current crisis through the provision of medical support and supplies (including masks and test-kits) to the community and the maintenance of a medical outpost in Cuiú Cuiú to serve not only our staff, but also local partners and the broader community.

In response to the crisis, the Brazilian government introduced various initiatives to reduce and defer payroll costs of employers such as Magellan Brazil. While such programs have provided financial relief to the Company that have resulted in significant reductions in its ongoing direct and indirect payroll costs, the Company has continued to incur payroll and other costs in Brazil while staff there have been largely idle and unable to undertake any form of exploration activity in the field. In late May, the Brazilian government announced an extension of the program for a further two months through mid August (in respect of the Company).

The Company utilised the downtime associated with the suspension of fieldwork to review all existing exploration targets data at Cuiú Cuiú, to plan for the next drill program which will focus on testing a series of high-grade targets at Cuiú Cuiú and refurbish and test the RC drill rig that was acquired in early 2020.

The last known case of COVID-19 in the town of Cuiú Cuiú was identified on September 5, 2020.

Poconé properties

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

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

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

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

In August 2015, ECI received notification that a former optionor of one of the property interests acquired by ECI on behalf of the ECI Venture had filed a claim against ECI and PGM in connection with an option agreement that had been entered into with the ECI Venture in December 2009. As of November 27, 2020, no claim had been filed against the Company, however, the Company is responsible for 50% of costs of ECI pursuant to the ECI Venture agreement. The plaintiff is claiming an amount of US\$ 780,000 plus damages. Management has assessed the likelihood of a potential loss to be less than 50%. No accrual has been made in the accounts for any amount associated with the claim.

On September 26, 2018, an agreement was entered into pursuant to which the shares of PGM held by both Magellan Brazil and the Brazilian subsidiary of ECI were transferred to Brasil Central in exchange for Brasil Central taking over the debts of PGM and making nominal cash payments.

The disposal of PGM does not reduce the Company’s exposure relating to the aforementioned legal claim against ECI and PGM. Furthermore, as part of the sale of PGM, Magellan Brazil and the Brazilian subsidiary of ECI provided an indemnification to PGM relating to any losses resulting from the legal claim.

Proposed transactions

As at September 30, 2020 and November 27, 2020, there were no proposed asset or business acquisitions or dispositions being contemplated other than the sale of a secondary property.

Selected financial information

A summary of results in respect of the five quarters ended September 30, 2020 is as follows. This summary information has been derived from the audited consolidated financial statements and condensed interim consolidated financial statements (unaudited) of the Company.

Statements of loss

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Revenue	-	-	-	-	-
Exploration and evaluation	614,432	792,747	544,294	314,252	733,325
Administration:					
Management	93,094	95,812	95,174	95,779	124,867
Office and administration	122,165	139,751	80,094	98,502	127,348
Stock-based compensation	117,317	96,302	77,301	55,394	332,182
Depreciation	25,819	33,622	37,646	31,153	47,412
Professional fees	11,402	5,479	9,731	6,488	18,777
Travel	11,404	18,123	7,774	26,217	-
Listing expense	2,746	2,360	2,186	3,897	13,277
	383,947	391,449	309,906	317,430	663,863
Foreign exchange loss (gain)	3,229	(360)	307	5,579	7,896
Interest income	(8,020)	(4,703)	(520)	(23)	(2,636)
Other expense (income)	151	(12,613)	(36,572)	9,305	1,054
Net loss	993,739	1,166,520	817,415	646,543	1,403,502

- Exploration and evaluation (see ‘Cuiú Cuiú – Q3 2020 and subsequent work program’). A phase 2 diamond drill program commenced in late Q3 2019. The significant reduction in exploration spend in Q2 2020 was due to the COVID-19 suspension of fieldwork and the reduction in net payroll costs in Brazil due to benefits provided by government programs. Q3 2020 spend increased with the commencement of the RC drill program, the rental of various heavy equipment to facilitate the program, a contracted soils program, the termination of the government payroll programs and the restart of other general exploration activity. The ongoing deterioration in the value of the Brazilian reais relative to the Canadian dollar served to reduce \$ denominated costs incurred in Brazil
- Management costs relate to compensation of the Company’s officers (Executive Chairman, President and CEO and CFO). These amounts exclude stock-based compensation. The increase in Q3 2020 was due to a bonus paid to the President and CEO and a remuneration increase for both the President and CEO and the Executive Chairman introduced effective August 1, 2020
- Office and administration relates to the costs of operating the Company’s Vancouver office. The increase in Q3 2020 was due to marketing initiatives such as attendance at virtual conferences
- Stock-based compensation relates to the amortisation of tranches of stock options and RSUs granted as follows:
 - June 2018: 450,000 stock options having a term of five years and an exercise price of \$0.23 and vesting over two years
 - January 2019: 1,694,672 stock options having a term of five years and an exercise price of \$0.25 and vesting over two years
 - September 2019: 266,666 RSUs issued vesting over three years
 - September 2019: 2,575,000 stock options having a term of five years and an exercise price of \$0.15 and vesting over two years
 - July 2020: 3,405,000 stock options having a term of five years and an exercise price of \$0.27 and vesting over two years
 - August 2020: 575,000 RSUs issued vesting over three years
- Professional fees relate to audit and legal fees
- Other income (net) in Q4 2019, Q1 2020 and Q2 2020 relates primarily to proceeds (net of applicable taxes) realised on the sale of a secondary property (not part of Cuiú Cuiú).

Statements of financial position

	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20
Cash and cash equivalents	1,973,465	705,725	31,987	2,906,187	4,460,412
Other current assets	168,797	190,242	151,357	133,691	218,914
Fixed assets	914,605	973,539	892,845	823,484	959,893
Mineral properties	1,498,392	1,538,620	1,449,663	1,447,702	1,460,357
<i>Total assets</i>	<i>4,555,259</i>	<i>3,408,126</i>	<i>2,525,852</i>	<i>5,311,064</i>	<i>7,099,576</i>
Accounts payable and accrued liabilities	364,697	262,343	426,598	362,160	406,678
Other liabilities and provisions	7,203	-	-	-	-
<i>Total liabilities</i>	<i>371,900</i>	<i>262,343</i>	<i>426,598</i>	<i>362,160</i>	<i>406,678</i>
Share capital	11,866,177	11,866,177	11,866,177	14,956,270	18,077,202
Reserves	1,933,742	2,030,044	2,107,345	2,175,267	2,507,449
Subscription receipts	-	-	-	490,625	242,667
Other comprehensive income	(371,213)	(338,571)	(644,986)	(797,433)	(855,093)
Accumulated deficit	(9,245,347)	(10,411,867)	(11,229,282)	(11,875,825)	(13,279,327)
<i>Total equity</i>	<i>4,183,359</i>	<i>3,145,783</i>	<i>2,099,254</i>	<i>4,948,904</i>	<i>6,692,898</i>
	-	-	-	-	-

- Fixed assets relate primarily to a 30 hectare plot of land in Cuiú Cuiú that was purchased by Magellan Brazil in early 2016 prior to its acquisition by Cabral. Movements in the period under consideration relate primarily to camp construction and miscellaneous capital purchases relating to the establishment of the exploration camp at Cuiú Cuiú, the purchase and refurbishment of the RC rig, the purchase and refurbishment of several used vehicles to be used at Cuiú Cuiú and the purchase of various other camp tools and equipment. The cost of fixed asset additions have been offset by depreciation expense and the impact of the general deterioration in the value of the Brazilian reais relative to the Canadian dollar
- The balance of mineral properties relates to capitalised mineral property acquisition and claim maintenance costs. Increases relate to claim maintenance expenditures comprising payments to both the Brazilian authorities (Q1 and Q3) and members of the Cuiú Cuiú garimpiero condominium (Q1 and Q2) as well as various surface access payments and acquisition expenditures relating to other parts of the Cuiú Cuiú district. As is the case with fixed assets, increases are offset by decreases associated with the general deterioration in the value of the Brazilian reais. With the exception of \$149,960, the September 30, 2020 balance related entirely to Cuiú Cuiú
- The balance of accounts payable and accrued liabilities increased as at March 31, 2020 relative to previous balance sheet dates due primarily to significant increases in amounts due to management in connection with funding provided to the Company in the form of unpaid management remuneration, expenses paid on behalf of the Company and advances to the Company. The increased balance as at September 30, 2020 was due to the significant increase in the scale of exploration activity in Q3 2020 (see ‘Cuiú Cuiú – Q3 2020 and subsequent work program’).

Liquidity and going concern

As at September 30, 2020, the Company had a cash balance of \$4,460,412, and net working capital of \$4,272,648.

June and July 2020 private placement

In May 2020, the Company announced a non-brokered private placement of up to 16,000,000 common shares at a price of \$0.125 per share for gross proceeds of up to \$2,000,000. Due to increased demand, the

size of the offering was increased twice. The private placement ultimately closed in three tranches totalling 33,432,110 common shares for gross proceeds of \$4,179,014 as follows:

- June 19, 2020: 25,997,400 common shares for gross proceeds of \$3,249,675. This initial tranche of the private placement included a brokered component comprising 2,400,000 common shares for gross proceeds of \$300,000
- July 6, 2020: 3,934,710 common shares for gross proceeds of \$491,839
- July 7, 2020: 3,500,000 common shares for gross proceeds of \$437,500.

The Company incurred total finder's fees of \$52,000 of which \$31,000 related to the non-brokered portion of the private placement and includes \$18,000 paid through the issuance of 144,000 common shares. The remaining \$21,000 of finder's fees relates to the brokered component and was paid through the issuance of 168,000 common shares. The Company also issued 144,000 share purchase warrants in connection with the brokered portion; each broker warrant entitles the holder to purchase one common share at a purchase price of \$0.20 for a period of 24 months following closing of the private placement.

Exercise of share purchase warrants

In July 2020, the Company announced that it had extended the expiry date of the 22,796,832 share purchase warrants issued to subscribers pursuant to the July 2019 private placement. The expiry date was extended from July 25, 2020 to November 25, 2020. All other terms of the share purchase warrants, including the \$0.20 exercise price, remained unchanged. The 970,358 finder warrants issued in connection with this private placement were not subject to the extension.

The Company raised a total of \$2,117,475 through September 30, 2020 and a further \$2,490,00 subsequent to September 30, 2020 through November 27, 2020 through the exercise of the July 2019 private placement warrants as follows:

	Exercise price	Issued	Exercised	Expired	Outstanding
Through September 30, 2020:					
Subscriber warrants	\$ 0.20	22,796,832	9,842,332	-	12,954,500
Finder warrants	\$ 0.20	970,358	745,045	225,313	-
		23,767,190	10,587,377	225,313	12,954,500
Through November 27, 2020:					
Subscriber warrants	\$ 0.20	12,954,500	12,454,500	500,000	-

A further \$75,000 was raised in Q3 2020 through the exercise of 300,000 share purchase warrants belonging to another class of warrants.

See 'Outstanding share data' below for a summary of the Company's capital structure as at November 27, 2020.

Going concern

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

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

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

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

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

Novel Coronavirus ("COVID-19")

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

Operating activities

Cash used in operating activities in the nine months ended September 30, 2020 amounted to \$2,118,996 as follows:

- The net loss for the quarter of \$2,867,460
- Non-cash items totalling \$654,530 including depreciation and stock-based compensation
- Net reduction in non-cash working capital items of \$93,964 in respect of increases in accounts payables offset by increases in prepaid marketing spend.

Investing activities

Cash used in investing activities in the nine months ended September 30, 2020 amounted to \$594,855 as follows:

- Additions to mineral properties of \$210,359 relating to capitalised acquisition and claim maintenance costs
- Additions to fixed assets of \$384,496 relating primarily to the purchase and refurbishment of the RC drill rig, purchase and refurbishment of used vehicles for use at Cuiú Cuiú, ongoing camp construction and the purchase of miscellaneous other camp tools and equipment.

Dividends

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

Contractual commitments

The Company had no significant medium- or long-term contractual commitments in place as at September 30, 2020 or November 27, 2020 beyond its stated liabilities and the following:

- Magellan Brazil entered into an agreement in January 2018 with Terra Ambiente Ltda–ME relating to the provision of the EIA-RIMA environmental study; the agreement was subsequently amended. As at September 30, 2020, approximately R\$ 390,000 (\$90,000) of the contract (as amended) was outstanding
- Magellan Brazil entered into an agreement in April 2018 with Senior Geologia e Mineracao Ltda relating to two tailings dam studies; the agreement was subsequently amended. As at September 30, 2020, approximately R\$ 175,000 (\$40,000) of the contract (as amended) was outstanding
- Magellan Brazil entered into an agreement in April 2018 with Hidrovia Hidrogeologia e Meio Ambiente Ltda relating to the hydrogeological study; the agreement was subsequently amended. As at September 30, 2020, approximately R\$ 90,000 (\$20,000) of the contract (as amended) was outstanding
- The surface access agreement with the Cuiú Cuiú garimpieros pursuant to which approximately R\$ 250,000 (approximately \$57,000) is to be paid to the garimpieros in Q2 of each year in connection with the surface access fee in respect of the following year
- The Company is committed to sharing in net costs and commitments associated with its Poconé venture including its share of any losses relating to current litigation against PGM and a venture partner.

Capital commitments

The Company had no capital expenditure commitments as at either September 30, 2020 or November 27, 2020 other than nominal agreements associated with the construction of the Cuiú Cuiú camp.

Transactions with related parties

The Company incurred the following costs of management remuneration:

	9 months ended Sept. 30, 2020	9 months ended Sept. 30, 2019
Management:		
Employment and consulting remuneration	\$ 285,833	\$ 255,000
Payroll related costs	17,242	16,636
Stock-based compensation, stock options	183,389	178,748
Stock-based compensation, RSUs	4,875	-
	<u>491,339</u>	<u>450,384</u>
Directors (excluding management):		
Stock-based compensation, stock options	77,468	67,384
Stock-based compensation, RSUs	23,084	1,722
	<u>100,552</u>	<u>69,106</u>
	<u>\$ 591,891</u>	<u>\$ 519,490</u>

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

As at September 30, 2020, the Company owed a total of \$25,948 to management in connection with unreimbursed expenditures incurred by management on behalf of the Company; this liability was repaid in

full in October 2020. Amounts owing to management are non-interest bearing, unsecured and have no set terms of repayment.

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

Outstanding share data

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

The Company had the following common shares, unit and share purchase warrants and stock options outstanding as at September 30, 2020 and November 27, 2020:

	Nov. 27, 2020	Sept. 30, 2020
Issued and outstanding common shares	119,441,737	106,074,237
Fully diluted	129,348,351	128,698,351
Share purchase warrants:		
November 25, 2020 (\$0.20)	-	12,954,500
November 28, 2020 (\$0.25)	-	366,000
May 26, 2021 (\$0.25)	100,000	300,000
June 19, 2022 (\$0.20)	144,000	144,000
	<u>244,000</u>	<u>13,764,500</u>
RSUs	841,666	841,666
Stock options	8,820,948	8,017,948

Recent accounting pronouncements

The Company has determined that new accounting standards or amendments to existing accounting standards that were effective for annual periods commencing on or after January 1, 2020 are either not applicable or do not have a significant impact on the Company's consolidated financial statements.

The Company has determined that new accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.